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PROBLEMS OF THE SOFTWOOD LUMBER INDUSTRY

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HEARINGS

BEFORE THE

COMMITTEE ON COMMERCE
UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

IMPACT OF LUMBER IMPORTS ON THE UNITED STATES SOFTWOOD LUMBER INDUSTRY

PART 3

JUNE 4, 1962
PORTLAND, OREG.

Printed for the use of the Committee on Commerce

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Part 1, Washington, D.C., April 16, June 14, 15, 18, 1962.
Part 2, Olympia, Wash., Lewiston, Idaho, April 20, May 28, 1962.
Part 3, Portland, Oreg., June 4, 1962.
Part 4, Washington, D.C., July 17 and 18, 1962, on S. 2737, S. 3105, and S. 3429, bills to amend the cabotage laws and the Interstate Commerce Act.

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PROBLEMS OF THE SOFTWOOD LUMBER INDUSTRY

MONDAY, JUNE 4, 1962

U.S. SENATE,
COMMITTEE ON COMMERCE,
Portland, Oreg.

The committee met at 10 a.m., pursuant to notice, in the auditorium, Interior Building, Senator Vance Hartke presiding.

Present: Senators Hartke and Morse.

Committee staff members present: Gerald Grinstein and Robert Wolf.

Senator HARTKE (presiding). Ladies and gentlemen, Senator Morse, Governor Hatfield, the mayor, and the many friends who are here today, I would like to say first that I am delighted to be in Portland and delighted to be here in Oregon, not only because of my good personal friend, Wayne Morse, but because of the fact that I am here at the specific request to conduct these hearings. I want you to know this is my first trip here, and I can say, as a midwesterner, I recommend it very highly. It's beautiful country, it's green. I have always liked roses, and I want you to know I've had the opportunity of meeting the potential queen, and you sure have some beautiful girls out here, too.

Professional staff member assigned to this hearing: Gerald B. Grinstein.

It is my pleasure to serve as chairman for this field hearing in Portland today to take testimony in connection with the lumber problem in the Pacific Northwest. Senator Warren G. Magnuson, of Washington, chairman of the Senate Committee on Commerce, has called these hearings as a recognition of the depth and seriousness of the situation caused by Canadian lumber taking over an increasingly larger share of our domestic markets.

The lumbering industry in the United States, which is the Nation's fourth largest industry, has always had a very delicate balance between production by domestic mills and consumption by the domestic markets. Any foreign source of supply which disturbs this balance can have far-reaching effects on the internal economics of our forest products industries.

Three years ago Canada supplied 7 percent of our domestic consumption; at the present time they are supplying about 14.3 percent. As this lower priced lumber replaces American supplies, it creates tremendous competition for the remaining portion of the market. In addition, the Canadians have taken over approximately 72 percent of the market for lumber which is susceptible to movement by ocean transportation.

Professional staff member assigned to this hearing: Gerald B. Grinstein.

And the story cannot be told in percentages alone. Throughout Oregon, Washington, Idaho, Montana, and northern California, there are hundreds of communities dependent in large part, if not in whole, on the success of our lumber industry. Such diverse organizations as school boards and barbershops, banks and power companies, grocery stores, and gasoline stations find their major source of revenue in the thousands of men who cut logs or mill dimensional lumber for distribution throughout the United States.

This is not a local problem only. It is a national problem because all parts of this country are interdependent—economically, socially, and politically. If the Pacific Northwest is feeling the effects of Canadian competition most acutely now, it will not be long before southern pine producers find themselves in a similar position, and it has always been a fact in our country that commercial depressions in any major industry have a way of spreading throughout the rest of the Nation. To a large extent, this is the reason that the Senate Committee on Commerce is holding hearings in the Pacific Northwest, since this is the method for calling forcefully to the attention of the rest of the United States how serious a problem it is and that there is a common need for working out a solution to this economic decline.

I have personally looked at the hearing record that was developed in Lewiston, Idaho, a week ago today. It reveals an unparalleled unanimity of views cutting across both partisan lines and the feelings of those who are keen competitors. Witness after witness, whether he be from a lumber company, a union, or from a supplier, asked only for an opportunity to compete on an equal basis with the Canadians. Each pointed to the various restrictive laws or policies which, though they may once have been valid, are now handicapping a vital industry. The record developed is an excellent one and I am certain that the record here in Portland today will be of great value to the administration and to the Congress in their common effort to resolve this crisis.

The Commerce Department has recently announced the appointment of an interagency group within the executive branch of the Government, which will study the lumber industry and its mounting problems. I will insert in the record at this point a copy of that announcement which was dated May 29.

(The announcement referred to follows:)

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 29, 1962.

SECRETARY HODGES ANNOUNCES LUMBER INDUSTRY STUDY

At the request of the White House, the Department of Commerce has taken the leadership in organizing a Government-wide study of the U.S. lumber industry and its growing problems, Secretary of Commerce Luther H. Hodges announced today.

The industry's problems include overcapacity, raw material costs, competition with Canadian lumber, and West-to-East transportation charges, with resultant unemployment, reduced income and an unfavorable profit situation.

Secretary Hodges said in an interagency task study group, composed of representatives from interested agencies, held a preliminary meeting yesterday (Monday) afternoon at the Department. Executive departments involved in the study include the Council of Economic Advisers, Agriculture, Interior, Labor, Treasury, State, the Interstate Commerce Commission, and the Tariff Commission. Commerce units participating are the Business and Defense Services Admin-

istration, Area Redevelopment Administration, Bureau of the Census, Maritime Administration and the Bureau of International Programs.

The study will cover the extent of Canadian lumber shipments and their effects on the U.S. lumber industry; the price of logs harvested by private industry from Federal lands; shipping costs and transit privileges; comparative labor costs, preferential and discriminatory tax features, and any other pertinent factors bearing on present conditions in the industry.

Senator HARTKE. This is no mere research group hoping that a study means delay. Instead, it is an action committee which will work with the Congress in an effort to revise Federal policies administered by such diverse agencies as the Forest Service, the Interstate Commerce Commission, the Commerce Department, the Department of the Interior, the State Department, and others.

Now, the hearing today is the final field hearing. Hearings are presently scheduled to resume in Washington on June 14 and 15, to receive the testimony of the various Federal agencies and departments concerned.

The recently revived western conference of Senators, which has the lumber problem at the head of its agenda, will shortly after June 15 come out with a specific program identifying the steps that should be taken in order to achieve competitive equality for the lumber industry.

Now, frankly, we have an extremely long list of witnesses today—I think over 100—that have asked to be heard. It is our hope that every one will be accommodated in his desire to testify before this committee. It will be extremely helpful if the witnesses with written statements can submit them for the record and highlight by oral presentation the main points they wish to present. I want to assure you that the mere fact that your statement is not taken orally will not detract in one iota from the consideration that will be given it by the committee, and that the committee will examine all of the details in the written statements, considering what facts they bring out.

Without further comment, I want to call our first witness, who is doing an outstanding job, not only for the State of Oregon, but for the United States of America in its domestic affairs and its international affairs. Sometimes I am on his side, and sometimes I am not on his side, but this doesn't mean that we have differences in philosophy. It just means that we sometimes look at a problem with a different eye. No matter what else you may say, I want you to know that this man puts his principles at the top of his list, a man with extreme courage in the U.S. Senate, a keen competitor in debate, but a good friend of every U.S. Senator, the Honorable Wayne Morse.

STATEMENT OF HON. WAYNE MORSE, U.S. SENATOR FROM OREGON

Senator MORSE. Chairman Hartke, Governor Hatfield, Mayor Schrunk, and members of the committee staff, I am pleased to welcome you, Senator Hartke, and members of your staff to Portland and to extend to you every courtesy and assistance at my command during your stay here.

I have a detailed statement to present to the committee on the question of the importation of lumber from Canada and associated problems facing our domestic lumber industry. This statement has been

distributed as I wish to conserve the time of this hearing so that the committee may have full benefit of the views of the many Oregonians who are here today to offer their advice and counsel to the committee. Therefore, Mr. Chairman, I ask permission to file my statement for the record of these hearings with the understanding that I shall be glad to appear before the committee at any time in Washington to answer any questions the committee may wish to put to me, after reading my testimony as set forth in my formal statement. I not only now offer my statement for the record, Mr. Chairman, but I also request that a letter that I have received under date of May 29 from Mr. Bishoprick of Dant & Russell be incorporated into the record, and I would like to also ask permission, Mr. Chairman, that I be privileged to file for the record such other communications and material that I may receive from time to time today by representatives here that would like to have me supplement the record with their statements.

(The prepared statement of Senator Morse follows:)

Mr. Chairman and members of the committee, I am pleased to welcome Senator Hartke and members of the staff of the Senate Committee on Commerce to Portland, and to extend them every courtesy and assistance at my command during their stay.

I have a detailed statement to present to the committee on the question of the importation of lumber from Canada, and associated problems facing our domestic lumber industry. This statement has been distributed as I wish to conserve the time of this hearing so that the committee may have full benefit of the views of the many Oregonians who are here today to offer their advice and counsel. Therefore, I ask permission to file my statement for the record of these hearings with the understanding that I shall be glad to appear before the committee at any time in Washington to answer any questions the committee may wish to put to me, after reading my testimony as set forth in my formal statement. Mr. Chairman, I now offer to the committee my statement.

FINDING THE FACTS FIRST DUTY OF COMMITTEE

In order to achieve a real and lasting improvement in the lumber situation, it is essential that we have the facts established. This is one of the historical functions of a congressional committee. The congressional and the executive branch must proceed with care in making as vast a change in trade policy as has been recommended. We need a full knowledge of the results that may occur. I am confident that those urging action immediately do so in good faith, for they have a problem which in their judgment deserves immediate attention. I would say to these people, however, that the President must be informed and the Congress must be informed as to the dimensions of the problem and the ultimate effect which will flow from the suggested course of action.

Among the suggestions that have been made are revisions of Forest Service policy, discussions with Canada and Japan, revisions of water and rail transportation policy, the imposition of tariffs and quotas, and the application of lumber marketing and lumber utilization requirements which would appreciably restrict the use of Canadian lumber.

This is the third hearing, and I trust it will be the final field hearing. This is the opportunity for Oregon's lumber industry to make its record complete. I am assured that the next step will be made by executive agencies, and that we will be getting down to the point where decisions can be reached and realistic steps taken to achieve lasting solutions.

On May 28 the White House, at the request of the Senators from the Northwest, directed that the Commerce Department head up a study to review precisely what may be done in the immediate future and in the years ahead.

I am pleased that the White House recognizes the urgency of the problems the lumber industry faces. I consider it extremely encouraging that the President has given this matter his personal attention. There should, however, be no misunderstanding on my position. I do not view a study as a substitute for

action. We are going to expect some immediate action of a reasonable nature in the very near future. I intend to press for action now.

Nevertheless, the lumber industry should be very well pleased that the President has shown a willingness to examine all facets of the variety of problems the lumber industry faces as a first step toward strengthening the economy of this important industry.

TRADE RELIEF MEASURES OPEN TO THE INDUSTRY

I would point out that there are already on the statute books two devices which offer the industry an opportunity to obtain the imposition of added tariffs or quotas, or both, on the importation of lumber. The industry may request relief through section 7, the escape clause provision of the amended Trade Agreement Extension Act of 1951, that offers relief of two types. The Tariff Commission may recommend, and the President may agree, to the increase of tariffs to a level of 50 percent above rates of the Extension Act of 1934, and also to impose, without limit, quotas on the importation of lumber.

A second avenue of appeal is possible through section 22 of the Agricultural Marketing Act of 1935. The industry may petition the Secretary of Agriculture to find that the foreign Canadian importation interferes with an agricultural program. The Secretary of Agriculture would then bring the matter to the attention of the President who, in turn, would request the Tariff Commission to institute the necessary study. If there is a finding of interference with agricultural programs, tariffs—or as is quoted in the act—fees, may be imposed upon imports, or imports may be cut back under a quota to 50 percent of a selected benchmark of previous imports.

The record that is being developed in these hearings certainly formulates a broad factual base upon which the industry can and should make the actual formal petition needed in either instance to secure consideration of its request that tariffs and quotas be used.

TRANSPORTATION POLICY

The second of the suggestions deals with the transportation of forest products domestically, and a comparison with the competitive situation our producers face with Canada. Water shipping of lumber is the means by which about 10 percent of Oregon's lumber goes to the east coast market. There are two possibilities on how to deal with this situation, and both merit careful evaluation. Some have suggested the repeal of the Jones Act. However, the repeal of the Jones Act develops other problems both for our domestic maritime fleet and its employees, and also for the effect which it has on the defense readiness of our Nation as well as the effects on intercoastal carriers.

I want to stress that all of the taxpayers—all of our people in all of the 50 States—have an interest in an adequate domestic merchant marine for national defense purposes. There is no doubt that our lumber mills are placed at a disadvantage when shipping their products by water to the east coast as against the situation for Canadian mills. The Jones Act has been on the books for years. Our lumber mills have faced this disadvantage for years. In the past, they have been able to overcome it—they have been, in effect, subsidizing our merchant marine shipping.

But today the facts seem to be different. Other advantages the Canadians have, plus their shipping advantage, make it essential that we reexamine the present operation of the Jones Act. Our legislation proposes to let the Secretary of Commerce decide whether the situation facing our lumber industry deserves corrective action through an underwriting of some of the costs of shipping in American bottoms. In other words, the Secretary of Commerce, upon a finding of need, would provide a subsidy for domestic carriers to enable them to compete with foreign ships.

My present thinking is that this is a better approach. Through this device we preserve the opportunity for our shipping industry to exist. I see no great gain in extinguishing our domestic intercoastal shipping. In fact, we need to expand this industry. The lumber industry should not be selected to bear the defense burden of maintaining our intercoastal shipping industry.

By way of an analogy, I would point out that 2 weeks ago in the Senate we considered and rejected an amendment to the cotton textile agreement which would have prevented the enforcement of limitations on cotton textile imports until like agreements had been consummated for several other agricultural products, including timber and timber products.

The Senate overwhelmingly substituted the Humphrey-Morse amendment which proposed that we treat cotton and textiles on their merits, and timber, beef, and other importations on their merits. It requires the President to initiate negotiations with other countries to limit our imports of these added commodities including timber and its products, whenever in his judgment the domestic producers are undergoing serious injury from imports. This amendment is now the subject of a conference with the House, since it was in the House-passed bill.

The reaction of the Senate to the alternatives persuades me that there is likely to be a great deal more sentiment in the Senate for the Magnuson-Morse amendment to the Jones Act than for a program which could destroy what is left of our intercoastal fleet. With both suggestions before this committee, which has jurisdiction over this legislation, I am confident that a decision can be reached.

I want to stress the importance of finding equitable relief to our mills which by their geographic location have been water shippers.

But about 90 percent of our lumber travels east by rail and ever since 1960 we have been seriously disadvantaged by the fact that the Canadian rail shippers can warehouse lumber in a railroad car at no cost for 2 weeks while the procedure is no longer available to American shippers. One course of action that has been suggested is to restore the 2-week freehold. A second course of action urged has been to persuade the Canadians to abolish their freehold provision. A third possibility has been to increase the tariff on incoming Canadian lumber shipments which have had the benefit of a freehold in Canada.

It is significant that the Canadians extend this freehold provision only for lumber destined for the U.S. market. I view this action by Canada as a well-directed effort to exploit our lumber market. The Interstate Commerce Commission should vigorously explore this question and give our lumber shippers relief if the facts show that the Canadian policy injures our U.S. lumber shipping. I have some reason to believe that the Canadians may drop the freehold policy but it alone will not solve our serious lumber problems. If the Canadians have adopted a policy designed to exploit the American market by special devices, they must expect us to protect ourselves, our producers, and our workers, even if special devices of our own are required. Needless to say, the negotiation of these differences is to be preferred, if a mutually satisfactory solution is at all possible.

While I recognize that a segment of the lumber industry strongly objects to having a freehold available to our domestic lumber users if Canada continues its policy, that segment should weigh carefully whether it desires the restoration of the American lumber market to American producers, strongly enough, so that it will support a program which brings back to American mills business now being placed in Canada because of the freehold provision.

STUMPAGE AND ALLOWABLE CUTS

Another important aspect of the situation is the question of whether or not Canadian lumber manufacturers receive certain benefits in the purchase of stumpage in Canada. This contention has been made. On the other hand, the Forest Service in a special report which this committee has, contends that the appraisals of Canadian stumpage and national forest stumpage are reasonably comparable when comparisons are made which take into account the quality of the timber, the difficulties of logging, and similar factors. The Forest Service points out, however, that the Canadian system operates in such a manner that there is seldom spirited bidding for Commonwealth stumpage, while in the United States, our lumber mills actually pay more for stumpage because the intercompany competition constantly raises prices over the appraised rates. The result has been that throughout the West the increase of appraised price for the past few years has run from 25 to 30 percent of the cost of stumpage. Thus, there is no doubt that those mills which must buy their timber from public lands, and especially those where competition is strong, pay substantially more than do our Canadian competitors.

The Forest Service supplied me with data on the appraised price and bid price for national forest timber and the prices paid as a result of bidding for several western regions. These are shown below.

	1959	1960	1961
Appraisal price (per thousand board feet)	$14.80	$13.46	$10.27
Bid price (per thousand board feet)	19.65	16.28	13.78

I consider it significant that over the last 3 years the price asked by the Forest Service for their timber throughout the West has dropped from an average of almost $15 to a little over $10 per thousand board feet. This is a substantial drop in appraised rates. During the last 3 years bidders have also reduced what they offer for national forest timber. In 1959, the average bid price was $19.65 and in 1961 it averaged $13.78 per thousand board feet. While there has been a drop both in appraised and bid prices still, last year, bid prices for national forest stumpage were some 30 percent greater than appraised rates. This is almost the same spread that existed in 1959.

The industry is paying less for national forest stumpage but the bidding appears to be as spirited as ever. I dare say that the figures for Oregon would show that our situation is not substantially better than generally throughout the West. I am asking the Forest Service to supply these figures for the committee record.

The major point is that our mills are heavily competitive in the acquisition of stumpage and the current spread in the West between appraised and bid prices is approximately $3.50 per thousand board feet. This situation does not exist in Canada.

The Committee on Appropriations record shows a most disturbing situation. I do not ask that this table be printed in the record because it is already on page 1102 of the Senate hearings on H.R. 10802.

In the most recent fiscal year, 1961, in region 6 of the national forests which cover Oregon and Washington, the Forest Service sold only 82 percent of the volume of timber that they were financed to sell.

Nationally, the record for 1961 is far less favorable than the record for the previous 2 years. Since this region is the largest seller of timber of any region, I suspect that its sales record in the last 2 years was better than it was in 1961. I would like to have the committee supplied with Forest Service information for Oregon and Washington which shows the exact situation.

I cannot understand this failure to sell the amount of timber that the Forest Service was financed to offer on the market.

The Secretary of Agriculture has a clear responsibility here to fulfill an obligation to the Pacific Northwest and to the Congress in establishing the facts and in taking immediate corrective action.

The Forest Service has advised me that for Oregon the allowable cut on the national forests has increased from 1.7 billion board feet in 1952 to 2.6 billion board feet in 1961. This is an approximate 50 percent increase in allowable cut. The record shows that there has also been a substantial increase in the volume of timber sold and the volume of timber cut.

I want to point out, however, that the Forest Service record is not what it ought to be. There has been a tremendous amount of Forest Service effort expended in developing timber selling plans which would have affected the Minam River area in eastern Oregon and Waldo Lake at the crest of the Cascades. I would feel far better if the Forest Service had concentrated its timber sale activities in those parts of Oregon that are clearly presently commercial forest lands, rather than waste efforts in developing timber sales in some of this high mountain country which should be developed primarily for recreation.

The Forest Service has an obligation to review its allowable cuts. I do not intend to point to a 50 percent increase in allowable cuts and say that this is ample. The test is whether the maximum effort has been made to modernize the allowable cuts within sustained-yield limits so that every opportunity to meet the demand for stumpage is met.

Unless these steps are taken, the spread between appraised and bid prices will continue and a competitive advantage will be retained by the Canadian producers.

Failure to realize the full potential from our forest lands becomes tantamount to exporting jobs. We are committed to doing something for labor surplus areas. One of the vital things that can be done for Oregon is to develop the full production of our forests. I place in the record three tables prepared by the Bureau of the Census at my request earlier this year. These tables show a substantial drop in the number of logging camps and logging contractors, sawmills, and planing mills. On the other hand, they show a substantial increase in the number of veneer, plywood, and paper mills. The data show that the biggest drop has been suffered in the small mills. We need to restore these mills to productivity. I hope in the study underway by the Department of Commerce we will ascertain what the current situation is. The figures that I have submitted are for the years 1954 and 1958, and these data show that the squeeze was already on 4 years ago.

We must, therefore, insist that the Secretaries of Agriculture and Interior, and other timber-selling agencies move vigorously to fulfill their commitments to increase their allowable cuts within sustained-yield policies, and at the same time to improve their performance in meeting timber-sale commitments.

This is not a new problem. In particular, the Forest Service has not moved with as much vigor as its statutory obligations require. In making this observation, I am not unmindful of the problems which have confronted the Forest Service. On such matters as access and reforestation, it is the position of this Senator as one who has led, with some success, the battle for increased funds for both of these vital activities, that we would expect and we should have, a high level of performance.

This is something that can be acted on by executive action and I strongly urge that the promise of improvement ripen into reality now.

There is no doubt that the processes of Government are often slow, and usually solutions are slow in being found. This committee in holding these hearings is being very helpful in speeding up this process.

ACCESS ROADS

I have long urged that we develop adequate access to the national forest and adequate access road. Since 1954 the administration in power during that period requested authorization of only $93 million for these vital roads. Congress authorized a total of $242 million during that 8-year period. We have made far greater progress on access roads than the previous administration planned because we in the Congress have insisted on the importance of these roads. Commencing with fiscal year 1959, the previous administration took the position that there should be no authorization written by the Congress. I am pleased that the Congress did not follow that advice and, in fact, has substantially increased these funds.

President Kennedy has now before the Congress a recommendation for a further significant increase in the authorization levels. Many of the timber problems we face today would not be with us if the previous administration had undertaken the course that was its clear responsibility. The urgency of the need for a solution now is even greater because of these past delays.

The Attorney General has taken a significant step which will benefit the lumber industry and all other users of the national forests in his opinion of February of this year regarding the ability of the Secretary of Agriculture to condition the rights-of-way across national forests upon the receipt of needed grants from private companies.

Many of the big operators oppose this decision and I understand that they have vowed to fight it. Yet they ask that something be done to relieve the pressure of Canadian imports and to make the industry competitive within its domestic framework.

I cannot see how spokesmen for the industry can on the one hand complain about high stumpage prices and low allowable cuts, while on the other hand they are opposing every reasonable effort to increase access to national forest timber and thus make available the allowable cuts on the best possible basis. The fact that some in the industry may be short-sighted, however, does not deter me from seeking those solutions which, in the long run, are going to serve the public interest. I do not intend to become a special interest champion for any industry. I do intend to help them in every possible way. The responsibility that I have requires that I take the necessary steps to promote the welfare of all segments of an industry—large and small—to promote the welfare of those who work in the industry, of those in the service trades which are dependent upon the welfare of the industry—those who are stockholders and those who are consumers.

In the access case, there is an even broader spectrum. For here involved is the ability of all of our people to effectively use the national forests for all of the noble purposes to which Congress has directed this great conservation holding be used.

LOG EXPORT PROBLEM

Last year when the Japanese came into the Pacific Northwest to purchase logs, it took considerable urging on my part and the part of my colleagues to persuade the Secretaries of State, Agriculture, Interior, and Commerce that a serious problem affecting the lumber economy of the Pacific Northwest was developing.

However, I do not hesitate to point out that the problem was ultimately abated, not by any direct action by our Government, but by internal problems which affected the Japanese. I am pleased that the Secretary of State is engaging in comprehensive conversations with the Japanese in a serious effort to avert a renewal of a disruptive program by Japanese log buyers in the marketplace of the Pacific Northwest.

The administration should actively review the possibilities of a tricountry conference to determine whether it would be feasible to encourage the Japanese to obtain their log needs in greater volume from Canada, rather than from the United States. I make the point that Canada is an exporter of forest products, while both the United States and Japan are importers of softwood lumber. It hardly seems logical to me that the United States should export forest products to Japan while it also imports forest products from Canada.

The result can only be disadvantageous to our lumber producers, and I suspect to the Japanese. If Canada could supply Japan's substantial needs on terms as satisfactory as it could find in the U.S. market, great mutual benefits could flow from this course of action. I would be interested in the reaction of our lumber industry to this type of solution.

Another useful step should be carefully explored to determine whether the unused allowable cut in national forests in Alaska could be utilized by the Japnese if they were permitted to secure appropriate parts in logs, as well as lumber.

It is my understanding that Japan is in dire need of softwood lumber. Her forests have been heavily overcut, and have not been replanted as rapidly as they should be. I would add to the Alliance for Progress with South America an Alliance for Conservation for Japan. While the Japanese are rehabilitating their forests, we might make available as much as one-quarter billion board feet of unused allowable wood from Alaska annually.

The result would also develop a successful logging industry and new jobs in Alaska. I am confident that appropriate safeguards can be developed to assure Alaska that as her need for lumber increases, provisions could be made to meet that need.

Finally, I would point out that the problem which confronts our lumber industry is not findings of just a temporary solution. As Americans, we all take pride in our industrial know-how and competitive capacity. Nevertheless, when we view the evidence of the last year which saw Japan's log market succesfully penetrate the Oregon-Washington coastal log market, and the Canadians substantially increase their shipment of lumber into our eastern markets, then I think we have to make a sober assessment of the cause for these developments.

I am pleased that under the direction of the President, steps are underway in the administration to make a comprehensive economic review of our forest products industry. We need to get the facts on precisely the cause for the penetration of our raw supply and our finished products market. A broad and comprehensive review should cover much more than the suggestions for relief which have been made so far. We need to ascertain the specific actions which will restore competitive opportunity on a properly profitable basis to this industry. We know that the lumber industry is competitive, but we should not be so carried away by the extreme competition of this industry, that we overlook the need for economic health in the lumber industry if the economy of the Pacific Northwest is to expand and prosper.

In summary, I think it is of the utmost importance that the producers in the industry make their case for a tariff and quota before the Tariff Commission, or the Secretary of Agriculture if they prefer to use the Agricultural Marketing Act. We in the Congress have a responsibility to examine diligently ways in which the Jones Act may be modified to improve the water shipping situation. The Interstate Commerce Commission has a responsibility to look into the even larger transportation problem created by the condition of a freehold in Canada. The Secretaries of Agriculture and Interior need to examine separately what may be done wthin sustained-yield limits to increase the allowable cut. There is a particular responsibility to place the timber sales on the market in a better manner. The industry has an obligation to examine carefully the position it takes on various aspects of the problem that confronts them. As the opposition to certain suggested steps is based upon the selfish economic interest of a few in the industry, they will jeopardize all of the measures designed to be of broad benefit to the forest products industry and its thousands of employees.

I know I speak the sentiments of all in our lumber industry when I say I stress the desire that exists to provide for the American people an adequate supply of wood products at reasonable prices. Here in Oregon we have many communities where every business on our Main Streets is affected by the economic health of the lumber industry. As the senior Senator from Oregon, I intend to continue to do what I can to promote the well-being of this industry. For this reason I appreciate the interest which has been displayed by this committee in the depressed condition of the lumber industry.

(The letter from Mr. Bishoprick follows:)

DANT & RUSSELL, INC.,
Portland, Oreg., May 29, 1962.

Hon. WAYNE MORSE,
U.S. Senate, Washington, D.C.

DEAR SENATOR MORSE: A week ago Saturday night, May 19, at the Portland Airport, I promised to give you the details on a log sale which we made to Canadian mills from Puget Sound.

The sale was made to Barnett Timber Products, a Canadian log broker, by telephone on May 11, 1962, and confirmed by their letter of the same date, copy attached. The logs were badly teredo damaged. Teredos, you know, are a marine borer that attack unprotected wood in salt water. Logs become damaged if they stay in salt water too long. Once the logs are attacked, they penetrate at the rate of one-fourth inch per week. These logs were penetrated up to 3 inches and were unsalable to any American mills, as they figured that the wood left in the log was thereby too expensive for them to buy and compete. Also, many of the logs were too small. The sale was composed of logs from three areas, as follows:

	Feet (Scribner)
From Quilcene, Wash., to Plumper Bay Lumber Co., Victoria, British Columbia: 3 rafts of No. 3 hemlock sold at $44 per thousand feet; Scribner scale; f.o.b. raft	479,070
From Port Angeles., Wash., to an unknown party: 9 rafts of No. 3 hemlock (sold at $40 per thousand feet; Scribner scale; f.o.b. raft)	1,010,430
From Olympia, Wash., to Anderson Bros. Lumber Co., Vancouver, British Columbia: 6 rafts of hemlock (sold at $40 per thousand feet; Scribner scale; f.o.b. raft)	852,000
Total	2,341,500

You will notice by the enclosed letter from Barnett Timber Products, Ltd., that the cost of shipping boomsticks and chains to our various log locations was borne by the Canadians, as well as the rerafting charges, and the towing charges for the logs. You will also note from this same letter and the enclosed copy of invoice No. 2914 that there are two different prices depending on teredo damage and location.

When we figure on putting logs into our sawmill, we make calculations on the best data available, and we would figure these logs would cost, as lumber, as follows: (We are using the Quilcene, Wash., logs as our example, as they are the highest priced and show the poorest results for the Canadians.)

	Per thousand feet (Scribner)
Log costs at Quilcene, Wash	[1] $44.00
Rerafting	1.75
Total	[1] 45.75
Exchange at 0.915	[2] 49.63
Cost of Canadian sticks and chains	.50
Cost of towing to Canada	4.50
Broker's commission	.50
Total cost to Canadian mill	[2] 55.13

[1] United States.
[2] Canadian.

	Per thousand feet board measure
Our logs, scaled Scribner, should produce 30 percent overrun, which would then give the Canadian mill a net log cost of	[1] $42.41
Manufacturing cost of a Canadian green mill	18.00
This makes the lumber cost free alongside ship	60.41
As all sales to Atlantic coast are in U.S. dollars, and on basis of exchange of 0.915	55.27
Canadian sales prices, as of May 28, are $55 for No. 3 and better grades of hemlock less 2 percent and 2½ percent commission, which makes U.S. $55 less $1.10 (the 2 percent) and less $1.38 (the 2½ percent)	[2] 52.52
Loss on logs	[2] 2.75

[1] Canadian.
[2] United States.

On examining the above figures, it appears that the mill is taking a loss and therefore has made a mistake by buying the logs in the first place, but that is not the whole picture. The Canadian is just as profit conscious as anyone, and cannot afford to take losses any more than anyone else, so there must be some other reason—some good offsetting advantage—why the Canadian mill is happy with the deal, and here it is: He knows that he will pick up from $10 to $11 in freight to the United States, because of our berth term rate of $36. He actually charges his American customers the U.S. rate of $36, but by being able to charter cheap foreign bottoms at from $25 to $26, he has $10 to $11 to offset his $2.75 loss on manufacturing, and actually come up with a $7.25 to $8.25 actual profit in U.S. dollars on the transaction. This profit of $7.25 to $8.25 is in U.S. dollars so when this is converted back to Canadian dollars, another 66 or 75 cents is picked up.

If the Canadian did not have this freight advantage, the above-described transaction would not be possible.

There has been quite a bit of agitation concerning the Japanese log question. The Japanese lumber from U.S. logs does not come back to the States, but logs to Canada do come back in the form of lumber, to bite us, and bite us hard. This is a great deal more of a threat to the American mill than the 2.8 percent of the west coast logs that were shipped in 1961 to Japan. In fact, had the American sawmill man been able to retain the freight advantage to our own Atlantic coast and make it possible to compete with the Canadians for our own market, there would have been few, if any, logs which were useful to American mills shipped to Japan. Only the low grade, and logs too small for American mills to handle economically, would have been shipped.

Getting back to the Canadian competition, for a minute. We, Dant & Russell, Inc., have been making a survey of costs of manufacture in Canadian mills and, frankly, we are amazed at our findings so far. As you probably have noted, I have always maintained that Canadian free alongside ship costs of lumber are as high or higher than our American mill costs, and, now, we know and can definitely say that their costs of their lumber are higher than ours. So, we have no fear of this Canadian competition if we are only given an equal chance for our own market. In fact, even with the exchange at today's level, without the freight advantage, the Canadians just are not "9 feet tall."

The logs which went up to Canada at the cheaper figure, of course, had more profit in them for the Canadians. We know that there have been considerably more logs go to Canada from Puget Sound from other suppliers, and some at considerably higher figures which were not teredo damaged. We have it on very good authority that others have sold freshly cut logs to Canadian mills. These logs are being towed by Canadian towboats during May and June 1962.

Copies of other invoices as they are completed and issued, involving similar sales, will be furnished to you, for your information, if you so desire.

We would appreciate it very much if you would not disclose the details of our personal business to the public by using the enclosed copy of invoice as an example, but you could use this in your committee to back up your position.

Wayne, I am still of the opinion that the committee is the doctor to supply the remedies to the patient and not we, amateurs.

Sincerely yours,

STANLEY BISHOPRICK.

Senator MORSE. Now, Mr. Chairman, I would like to present to the committee as our first witness the distinguished Governor of the State, Governor Hatfield, who will be followed by our second witness, the very able mayor of the city of Portland, Mayor Schrunk. Governor Hatfield.

STATEMENT OF HON. MARK O. HATFIELD, GOVERNOR OF THE STATE OF OREGON

Governer HATFIELD. Thank you very much, Senator Morse. Senator Hartke, on behalf of the people of the State of Oregon, first of all, we would like to welcome a Hoosier here. We feel that we have a beautiful State, a wonderful State, and we are just hopeful that you will have a few moments to enjoy some of the scenery, some of the hospitality that our people are well known for.

Senator Morse, we are very pleased that you made arrangements to hold this hearing here today so that the people of our State, especially the lumber industry, can give testimony on this very serious and important problem. We are actually talking about the bread and butter of the State of Oregon.

This is not a matter of just a temporary setback which our lumber industry has experienced. This is not ust a matter in which a group of people are coming to the Federal Government asking for some help, because I want to first of all tell you that our lumber people are rugged individuals. They are people who work out their own problems, who want to stand on their own feet, and who want to solve their problems, but they have reached the place where it is not possible to solve the problems just within their own confines and their own industry, but, rather, it has come now to a place where there is needed action at the Federal Government level.

When I say this is not a temporary setback or just a temporary condition, let me give you some statistics, which I think illustrate how important, first of all, this industry is to our State, and, secondly, the dire circumstances this industry now faces. First of all, the lumber industry represents $1,250 million part of our economy. This is a major portion and a most vital one. It means jobs for our people. It means direct jobs of over 81,000. It means indirect jobs for over 25,000 of our people. So, when I call it the bread and butter industry of our State, I am sure you recognize what I mean.

You have stated this is the fourth largest industry in the Nation. So, consequently, the Nation, as a whole, has a stake in this matter, and it's not just a concern here in Oregon or the Pacific Northwest. In 1 year's time in the States of Washington and Oregon, we have seen a loss of 7,400 jobs—7,400 men who are actively seeking employment and would like to stay employed in the lumber industry but who were thrown out of employment. This, translated into mills, represents over 200 mills in the States of Washington and Oregon that closed last year, in a 1-year period, and I might say that another 200 mills, I am informed, are facing this very important decision as to whether to stay open or to close again their gates for further employment.

An expert from the Boise Cascade Co. recently stated it this way. He said, "In the last 10 years, we have had 2,500 working days, and in that 2,500 working days we have found 2,500 mills that have closed,

one a day." Now, this again is an emphasis on the fact that it is not a temporary matter, but it is a most serious and alarming situation which we must have action on.

It might be analyzed or it might be used as an analogy that we have a sick patient here, and this sick patient needs more than bedside manners. We need remedial action, and that is why we are here and asking this help from you.

Just in our own city of Portland last year, we had the Jones Lumber Co. that provided a major and prime payroll. Today those doors are closed.

Now, when I say that the Federal Government does have a stake in this, I want to remind you that over 70 percent of the standing timber in our State today is federally owned. This means a great deal of revenue to the Federal Government, as well as to the State government. Now, we're not here today with any simple panacea as to how to solve this problem, nor do we feel that there is any one single cause of this problem, but we feel that there are some major causes which we should bring to your attention.

First of all, the Canadian competition. The Canadian competition moved from 3.9 billion board feet up to the present 5 billion and has great anticipation of increasing that in the next year and in the years to follow. Now, this is a very important part of our total domestic supply. The Canadian lumber is coming in and throwing our own people out of work, and I think it's interesting to note that, when Canadian lumber comes into the United States, to take an example, $70 lumber, that the Canadians are paying from 25 cents to a dollar per thousand, but look at that in reverse and you find that we, who are shipping any lumber into Canada, any $70 lumber, are paying up to 10 percent, which is $7 a thousand. So, there is not reciprocity that we can see in this trade relationship with the Canadian lumber.

There are other problems that confront us as well as the Canadian competition. The shipping policies of our country have provided us with important obstacles; the access roads and the policies in the forest department have provided other problems for us in this present dire circumstance.

As I say, we feel that it is important, and we feel that it is vital to have action now. Now, I understand this study committee is being appointed, and may I urge any study committee that undertakes this matter not be other than expeditiously managed and handled. This is not a matter in which we can afford to have continued and continuous studies.

I think we have many facts at hand now that we could have action without further study committee activity. Now, it is important in your thinking to carry on study programs, but let's look a moment at some immediate action that could be taken while this study committee is carrying out its program.

I would say that one of the most important things that could be done would be to establish an immediate quarterly quota on Canadian softwood lumber, and again we're not asking for a handout, we're not asking for unreasonable protective measures. We're not asking for return to the high tariff days. We are asking simply to put our own lumber people on an equal footing so that they can meet competition, which they are anxious, which they are willing, and which they are

able to meet. We put this on a 10-percent quota of the consumption of softwood lumber marketed in this country for any given quarter. I am sure this would be the kind of immediate help that would give us an opportunity to continue to build employment and to reverse the trend that we are now experiencing.

I might further say that we have had experience on this matter of studies, and it causes us some concern when we heard here the words "study committee" because on February 21 a group of lumber people from this State and other parts of the Nation called on the Secretary of Agriculture, and they outlined to him this important problem and they asked for his comments. He assured them that he would follow through after careful study and give them a response to their inquiry. It has now been almost 4 months, and, according to my information, there has not been a reply yet made to this delegation of lumber people who called upon him. I am also informed that lumber operators have made contacts with other Federal agencies as far back as 16 months ago and have received little assistance, little understanding yet of their problems.

Now, let me say this to you, that it is difficult once a lumber mill shuts down to reopen it. We don't just wave a wand and say, "We will now be reestablished because we have a new program of assistance since the Federal Government moves in and gives us the assistance we request." It will still take very definite steps that will cause delay, I'm sure, just in getting reestablished confidence on the part of the investors to reopen a mill. It is difficult once you have a skilled crew that has been working together to again organize a crew once it has been dissipated because of unemployment, and so it is that we face even delays after we get the help that we are asking. That is why it is so vital that we have immediate action.

Senator Hartke and Senator Morse, I am sure that you realize that the State of Oregon is most anxious to join with the rest of the Union in providing a strong nation to meet the challenge of international communism and other international adversaries that we face, and we agree wholeheartedly with the President of the United States when he says that one of the greatest strengths that we must portray to the free world is a strong economy. We feel in the State of Oregon that we have a responsibility to our Nation, we have a responsibility to the Western World, to the freedom-loving world, because we also want to build and contribute to the strong economy of our Nation. That is why we are asking again, not for ourselves alone, not for our lumber people as a segment of our economy, but we're asking in the name of the free world, we are asking in the name of a national strong economy, to give us the assistance we seek.

We have over 200,000 unemployed today in the lumber industry, and I believe this is a day for intolerance—intolerance of unemployment. We want all of our people, able-bodied people, employed. I believe this is the time we must be intolerant of soft spots in our economy, and that's why we want to strengthen and that's why we're asking for your aid, your assistance for this objective.

We thank you again for your coming. We have men here today who can provide you with data and statistics that will, I'm sure, confirm what I have already said and will add added information to you here. Thank you.

Senator MORSE. I now have the honor of presenting to you, Mr. Chairman, the mayor of the city, Mayor Schrunk.

STATEMENT OF HON. TERRY D. SCHRUNK, MAYOR OF THE CITY OF PORTLAND, OREG.

Mayor SCHRUNK. Thank you, Senator Morse. Mr. Chairman Hartke, I certainly want to welcome you to the City of Roses. I am very happy that you are here, and I hope that you will be able to stay around. We would like to have you stay for the rose festival, but I understand your Senate committee hearings will not permit you, but I invite you now to come back to Oregon and bring your family when you have a little time and enjoy a real rose festival and Oregon hospitality.

I have filed with the secretary a brief statement, Senator Hartke, on this problem.

(The statement follows:)

STATEMENT OF TERRY D. SCHRUNK, MAYOR, PORTLAND, OREG.

Chairman Hartke, honorable Members of Congress, I bring you a warm welcome from the city of Portland, Oreg., the "City of Roses," and express to you on behalf of all of the people of this city our appreciation for your taking time from your busy schedule to search for answers in order that you might better prescribe remedies to cure our ailing lumber industry. Portland is known as the lumber capital of the United States, and for long has been the nerve center of the Northwest lumber industry.

In mentioning Portland as the nerve center of the lumber industry, I think if a physician were to diagnose the present condition of our lumber industry in this great Northwest area, he would soon determine that the depressed lumber industry in this area is not just a slight case of nerves or jitters which one of our modern-day tranquilizer pills could take care of, but rather one of serious consequences to our entire Northwest economy.

While it is true that the large mills which used to crowd the Portland waterfront have moved south to Lane, Douglas, Coos, and Curry Counties, and some have moved northward to our sister State of Washington, Portland still remains not only a shipping center for wood products, but also a distribution center which services the various logging, milling, and other shipping communities throughout much of this Northwest territory. When logging and milling operations are depressed along the coastal area of both Washington and Oregon, or in central and eastern Oregon, and parts of the intermountain States, the economic life of this community slumps. It is only natural that this community is interested not only in the logging operation in Clackamas, Columbia, Washington, and Hood River Counties, but also in the condition of the industry throughout the entire State of Oregon and southwest and coastal Washington.

I do not appear before you today as an expert in any of the fields of the wood products industry. I certainly have no easy solutions for the problem. I am aware that various suggestions for solving this problem have been offered to your committee, and it should be understood that I do not appear as a proponent of any of these particular prescriptions for an ailing industry. I can only give you my impression as mayor of this major city which is vitally concerned with the lumber industry.

Some time ago, the so-called Jones Act was passed by Congress in order to strengthen coastal and intercoastal shipping in American bottoms. Certainly the intention of the Jones Act was highly commendable, and as a naval officer of World War II, I fully appreciate how important to the defense of this great Nation a strong merchant marine is. However, it would appear that because of the Jones Act, not only are American bottoms disappearing in the face of foreign bottoms competition, but the U.S. industries are suffering from competition in transportation costs which have in fact almost priced at least the lumber industry out of our own market. The movement of lumber products from British Columbia and other Canadian ports made gigantic strides in capturing

the market for lumber products on our own east coast primarily because of a differential in transportation costs.

We also find the differential in tariffs of lumber entering this country from Canada as opposed to lumber entering Canada from this Nation. This would appear to work to the disadvantage of some of our good neighbors in the Mountain States who are developing their lumber industry and could well serve some of the markets in central Canada.

We in the Northwest are not afraid of competition and feel very firmly that our products should be competitive on an equal basis costwise and qualitywise. We have confidence that our loggers, our equipment, our mill operators and workers, and our shippers are as good as or better than any in the world, and all we actually ask is an opportunity to compete on an equal basis without artificial cost barriers either in shipping costs or in tariffs. If American maritime shipping is to be protected to insure its existence, we feel that it should be done directly and not at the expense of the lumber industry. We, as a major seaport of the world, are gravely concerned about the disappearance of the American flag from world trade and certainly have no quarrel with any assistance to strengthen the shipping industry that Congress might find appropriate to enact. We do feel it is wrong to tie lumber and maritime commerce together in such a matter, but both are apparently being adversely affected.

In this great Northwest area we are extremely proud of the foresight of such pioneers as Gifford Pinchot and a host of others which reserved to public domain much of the great forests of what was once known as the Oregon Territory. We are well aware and appreciative of the fine work which has been done by the U.S. Forest Service, by the Oregon State Forestry Department, the Washington State Forestry Department, and the forest department of our other neighboring States in preserving and encouraging preservation of this great natural resource so that future generations can enjoy not only the products of the wood industry, but also the fine recreational facilities the State and National forests offer. We are also proud of the foresight and the wisdom and the confidence shown by private industry in this area in consolidating private forest holdings and developing the sustained yield program to insure the continuity of wood products for generations yet unborn. Certainly it is my hope, and I feel confident the hope of most of our citizens, that through cooperation between the Federal and State Forest Services, and private industry, we develop a sustained yield program which will insure an annual harvest of timber that will be replaced through growth during that same year in order to insure the perpetuity of this industry. It has been alleged, and probably will be before this hearing, that in some respects the marketing procedure of the U.S. Forest Service is not realistic in accordance with today's conditions. It is further alleged that by holding Federal timber off the market, the price of stumpage is forced up by the law of supply and demand, making it more difficult for our loggers and mill operators to compete. Certainly I do not know what the facts actually are, but I do think it is a healthy condition for a congressional commission committee such as yours to reappraise from time to time such things as the marketing program of the U.S. Forest Service, to make sure that not more than the annual growth and loss from fire and other causes is marketed, but that whatever is available under a sound program is placed on the market for the use of the industry. The protection of overripe timber is not economically sound and in fact not only sometimes creates fire hazards but results in an economic loss to this Nation.

I am confident that you will explore fully the three major points which I have raised, namely, (1) transportation costs, (2) tariff equality, and (3) marketing procedures of Federal timber, in order that you may prescribe what in your best judgment is the proper prescription to make this vital industry of this Northwest area once again robust and competitive. Again, we ask for nothing more than an opportunity to compete in the world market on an equal basis.

May I thank you for your courtesy in giving me an opportunity to appear before your distinguished body, and may I wish that your stay in our "City of Roses" is so enjoyable that it will be your desire to come back again and visit us many times in the future. Thank you for your kind attention.

Senator HARTKE. Thank you, Mayor. For the information of the witnesses who are going to testify, over here in the red dress is Miss Rupert. If you have written statements and have extra copies of them, if you will take the extra ones to her, she will see that the re-

porter receives a copy of your statement and also that the press will receive copies, and then we can proceed in an orderly fashion in that manner. Then if you will come on up the steps, the witnesses will testify from the table on the side.

The first witness we will hear will be Mr. W. O. Kelsay from the Paul B. Hult Lumber Co. at Dillard.

I might say for the benefit of the people here, those testifying first, of course, will have no problem in being heard, but if they take advantage of the time element, they will by virtue of the fact that this is a 1-day hearing preclude us from hearing other people. In all fairness to the other witnesses, I do hope that we can have the witnesses confine their remarks to as little time as they feel is necessary, and I would hope that no witness would exceed 10 minutes for his oral statement. There is no intent whatsoever to cut anybody off, but there is the matter of limitation of time with which we must be concerned.

Good morning, sir. We're glad to have you, and we are glad to have the benefit of your testimony. You may proceed at this time.

STATEMENT OF W. O. KELSAY, PAUL B. HULT LUMBER CO., DILLARD, OREG.

Mr. KELSAY. Thank you, Senator Hartke. Mr. Chairman, Senator Morse, members of the staff, my name is W. O. Kelsay. I am a representative of the Oregon Legislature and a partner in the Paul B. Hult Lumber Co. of Dillard, Oreg.

The problem of resolving the Canadian capture of much of our domestic lumber market is a difficult one to solve. Nor do I feel qualified to offer suggestions on revitalizing our own lumber industry in its competitive fight with cheap softwood lumber; with one exception. That is in the field of raw material costs.

We purchase our timber primarily from the Umpqua National Forest. This forest has just completed a new forest management plan and computed new allowable cuts. In general, I cannot say I was displeased with the results of the forest inventory on the Umpqua. In general I believe the allowable cut was fairly calculated. It is at this point I must disagree with the final calculation of Umpqua allowable cut.

The allowable cut calculation indicated 378 million feet of timber could be harvested each year from the commercial forest lands of the Umpqua. An arbitrary 10-percent reduction in this cut was made by Administrators of the Forest Service and the approved cut stands at 340 million board feet.

Gentlemen, we lost 38 million feet of cut each year—enough to operate one or two sawmills in our county. If that cut had been objectively stated as a result of actual cutout studies made on the Umpqua, little or no reduction would have been made. More timber would be on the market and the competitive purchase price of our raw materials need not have been quite so high. That is how I know we could improve the competitive position of the industry in our area to compete with the cheaper Canadian lumber imports.

I can but ask that when appropriated taxpayers money is spent on resource management activities that the results of that expenditure

should truly be used. I do not feel this was the situation on the Umpqua. We only got nine-tenths of a job.

I also want to say, getting away from the script, that we in the Umpqua National Forest are very lucky in our supervisor. We think he is doing a good job, and any criticism I have of the Forest Service in no way should be a criticism of Mr. Vaughn.

I would like to speak further, Mr. Chairman, that in this overall problem, I think most of the possible answers that have been brought out—and I know you've heard many of them in the hearings that you have had around the State—I think most of those would help. I don't think any one thing is going to solve our problem. It's going to take a full ball of wax and many different facets to get some help to solve our problem.

There is one other thing that I would like to mention that I think would be a big help, and, to me, it seems like it's something that, if it was done, it would be quite helpful, and that is, on the trade bill that is in now, it seems to me that in that trade bill we could take care of this currency situation that is existing between Canada and ourselves today so that we could get some relief. I believe that we really are entitled to a tariff on lumber of the amount of the devaluation of the Canadian dollar. In fact, if that was put in the trade bill, I think that would be one thing that would be very, very helpful to our industry in the Northwest. Thank you.

Senator HARTKE. Mr. Kelsay, I want to thank you for your statement. Let me say, first, that I am a member of the Finance Committee, and the trade bill, as yet, has not passed the House. This bill then will come to the Senate Finance Committee, and I certainly shall carry this message to the Finance Committee, as well as to the Commerce Committee. I am delighted to have this information for the record.

Also, I am sure that Senator Morse and Senator Magnuson will want the Forest Service to report on the situation which you referred to here in regard to their activities. When they testify at the hearings, which are to be held in Washington, I can assure you that we shall try to bring out the complaint that you have mentioned here and see what the facts are. Sometimes, even with some of the Government bureaus, it doesn't hurt to have something like this. I want you to know that Senator Morse is pretty good on that.

Do you have any questions, Senator?

Senator MORSE. No.

Senator HARTKE. Our next witness is Joseph W. McCracken of the Western Forest Industries Association.

STATEMENT OF JOSEPH W. McCRACKEN, WESTERN FOREST INDUSTRIES ASSOCIATION, PORTLAND, OREG.

Mr. MCCRACKEN. Senator Hartke, Senator Morse, ladies and gentlemen, this statement is made on behalf of the association.

I am Joseph W. McCracken, executive vice president of Western Forest Industries Association, 2319 Lloyd Center, Portland, Oreg. I make this statement for Western Forest Industries Association, a trade association of about 100 softwood lumber and plywood manufacturers, principally in the Northwest. Their common interest and

their common concern is their heavy dependence upon Federal timber and Federal timber policies.

At the April 16 hearing of this subcommittee, Mr. Joseph S. Miller, appearing for the association, discussed four types of governmental discrimination against the entry of American lumber and in favor of the entry of Canadian lumber into the American consuming market. He mentioned, and I shall not elaborate upon them, governmentally induced differentials in the matter of water shipments, in the matter of rail shipments, in the matter of Forest Service policies, and in the matter of the manipulation of currencies on the international money markets. Today I should like to amplify one or two items that were discussed by Mr. Miller in the light of significant events that have occurred since April 16.

First, I should like to allude to the matter of the national forest policy. Mr. Miller stated:

> The first factor is the supply of timber put on the market by the Forest Service. If we are to accept Forest Service statements of policy, then throughout much of the West the annual allowable cut of national forest timber is substantially understated.

This results in part from the fact that the Forest Service, in its calculation of allowable cuts, uses a rotation age that is substantially higher than the rotation age that the Forest Service policy statement of last December says is proper. Last December the Forest Service stated that rotation ages would be determined by the application of the appropriate tables of Forest Service Bulletin No. 201 to forest site indexes. For each of the national forest working circles in the Douglas-fir belt of western Oregon and western Washington we have obtained from the Forest Service its official statement of site index and of the rotation age actually used in the calculation of the currently stated annual allowable cut. To these data we have applied the appropriate tables of Forest Service Bulletin No. 201 in strict accord with the policy of the Forest Service announced last December.

If the Forest Service could be induced to practice the policies it has announced merely as to rotation ages, the annual allowable cut on the national forests in western Oregon would jump overnight by about 294.5 million feet, and in the State of Washington would jump by about 205.5 million feet.

Bear in mind that this jump of a half billion feet of sales in western Oregon and Washington is based entirely on Forest Service data, including Forest Service conclusions as to timber volumes. Forest Service timber volumes are supposedly based on actual inventory data. As members of the Senate Appropriations Committee know, the Forest Service seems to be constantly busy at scientific, physical inventorying of the timber volumes on the national forests. And they are truly busy at it.

It is quite scientific.

But after the money and manpower are spent in getting the scientific data, likely as not the Forest Service disregards the data. After the thousands of plots are established, after the exhaustive and carefully calculated sampling, after the IBM machines have whirred out their results, the Forest Service is apt to ignore the whole thing. For example, on the Siuslaw National Forest in western Oregon the Forest Service simply decided that an allowable cut based on the scientifi-

cally produced inventory would not be used. And so, after the allowable cut was calculated, the Forest Service put aside the work on the inventory; the actual count and the actual calculations, the Forest Service decided, must be wrong. Thus, the carefully calculated allowable cut on this forest was stated and is now stated by the Forest Service at 23 percent below the allowable cut that was determined on the basis of the actual inventory. If one were to put this 23 percent back into the allowable cut and then apply a proper rotation age according to the announced policy, the annual allowable cut on just this one forest would go from the officially established figure of 327 million feet to more than 500 million feet.

The wandering allowable cut on what was the west Klamath working circle on the Rogue River National Forest supplies another example of the Forest Service at scientific work. In the fall of 1958 the fieldwork in the collection of inventory data was completed. As of January 1, 1959, according to the regional office report on the progress of timber management, the annual allowable cut was then 14 million feet. One month later, on February 9, 1959, the forest asked for permission to increase the allowable cut on an interim basis to 24 million feet. After 1 more month, March 2, 1959, the regional office denied the request on the excuse that before long there would be new and final figures. Presumably log-short operators could await the convenience of the Forest Service. Early in May the local operators discussed their plight with Senator Hayden at the Senate Appropriations Committee hearing. Later in May the forest supervisor received a memorandum which was somehow dated before the operators went to Washington; it approved the interim figure of 24 million feet. Then in the fall of the same year, 1959, the Forest Service supplied the then Congressman from the Oregon Fourth District with the saw timber volumes for this working circle, among others. This figure showed that based upon the data that the Forest Service collected in 1958, the allowable cut should have been at least 34 million feet.

In a meeting in January 1960 the local Forest Service officers informed local timber purchasers that there had been established a new interim allowable cut of 40 million feet. After another year passed, on January 17, 1961, the forest sent to the regional office its 5-year action plan that showed an annual allowable cut for this working circle of 57 million feet; the regional office did not approve this because the working circle was about to be transferred to the new Winema National Forest. It was transferred and as of June 1961 the Winema National Forest allowable cut for precisely the same forest area was stated at 38 million feet, where it remains today. In other words, in the period from January 1, 1959, to June 1961 the allowable cut on this piece of national forest ran from a low of 14 million feet to 24 million, to 40 million, to a tentative 57 million, and now down to 38 million. Bewildering as this may seem in the abstract, imagine, if you will, the difficulties of State and county officials and timber operators who are concerned about trying to maintain payrolls and jobs and to plan capital investments and improvements.

I am sure that all thinking persons will agree that an increase in the supply of timber within the principles of sustained yield ought to have the effect of enhancing the gross revenues of the Government while at the same time reducing to lumber and plywood manufac-

turers the cost per thousand board feet. Trapped as we are in a situation of high costs induced by our Government and low selling prices induced by Canadian actions, this would certainly alleviate some, but clearly not all, of our problems.

Coupled with the supply problem is the matter of the minimum price that the Forest Service will accept in competitive bidding for national forest timber. This was discussed by Mr. Miller at the hearing of April 16.

But since Mr. Miller's statement to the subcommittee in Washington, the Forest Service has issued a report that is based upon its study of the pricing of Canadian timber. Both the Forest Service and British Columbia purport to follow the general principle of derivative pricing. This means that one starts with the selling price of the finished product—lumber or plywood—subtracts selling costs, administrative costs, manufacturing costs, costs of log transportation to the mill, and the costs of bucking, falling, and yarding. The cost of construction of access roads is also deducted. There is further subtracted an item for profit and risk. The resultant figure represents stumpage value. All of these costs except road construction are based upon studies of the costs of producers of average efficiency in the locality. Without knowledge of these cost elements and the manner in which they are derived in Canada, no such study as the Forest Service made can have reliability.

Moreover, prices for a stand of timber will vary materially according to the species, grades, and sizes of logs that can be obtained from the stand. But Canadian grading systems and practices are different from ours. Hence, in order to achieve reliability the Forest Service should have taken to British Columbia some of its log scalers and graders in order to equate species and grades of logs; this the Forest Service did not do.

On top of this what an American operator pays for our national forest timber consists of two elements: First, cash to the Government and, second, the cost of construction for the Government of a road built on Federal land along the routes and to the specifications imposed by the Forest Service. In British Columbia the operator is free to build the road along such rough route as he may desire and to whatever specifications are satisfactory to him. This significant element of cost the Forest Service seems to ignore in its report.

We do know that unlike the Forest Service, British Columbia bases its timber appraisals on current, not predicted, lumber prices. And the allowance it makes for profit and risk runs up to 50 percent higher than the allowance our Forest Service makes.

All in all, it is unfortunate that the report of the Forest Service affords little basis for reliable comparison. In the circumstances the best evidence we have as to comparative pricing is the actual experience of men who have been buying the lumber and logs under the Canadian system and, as well, under the system of our Forest Service. Their conclusion, based upon actual operating experience, is that logs from Canadian sales are significantly cheaper than logs from our stumpage sales for most species.

Mr. Miller also referred to a letter written on March 5, 1962, by nine of our western Senators to the Secretary of Agriculture. The day

after the hearing at which Mr. Miller testified, the Secretary made his response. His response consisted mainly of a covering letter to transmit to the Senators a memorandum from the Forest Service to the Secretary. This illustrates what to us seems to be a continuing and truly basic flaw in the operation of our national forest system: policies and judgments are in fact committed to men who are essentially technicians.

Perhaps our point might be illustrated by a reference to the National Aeronautics and Space Administration. That agency employs thousands of physicists and other scientists whose technical knowledge and skill have thrilled the entire world. Yet, fabulous as these technicians may be, basic policy judgments are made by other men who have both general familiarity with technical problems and, equally important, a broad base of knowledge and experience in evaluating the impact of technical programs upon our society. It is these men who fix the direction and the scope of the technical program.

The Forest Service is an organization composed of technicians, some of them highly skilled. Organizationally the agency is placed in a department whose basic interest is the supply and distribution of annual farm crops and the rate of income of farm families. In the office of the Secretary of the department there is no organizational group that even pretends to have expertise in basic policies of forest resource management. As a result, for many years basic policy judgments as to the national forests have been confided almost entirely to the technicians. As a consequence we are deprived of the type of knowledgable thinking in the executive branch that gives adequate weight to social and economic problems in the determination of basic national forest policy. It is for this reason, perhaps, that we have so often been forced to seek senatorial assistance to achieve national forest policies that will take into account more adequately the social and economic problems of our area.

It seems to us that there is an increasingly urgent necessity to place above the Forest Service some organizational structure that will review with real effectiveness and guide with insight the basic resource programs of the Forest Service.

As for intercoastal shipping, we have been impressed by the speech of Under Secretary of Commerce Martin delivered in Seattle on May 21, to the Columbia Basin Interagency Committee. Mr. Martin acknowledged that our intercoastal fleet is experiencing increasingly bad times. The administration, he seemed to indicate, is considering basic policy. The Secretary of Defense has intimated that use of our airlift capacity may end our military reliance on a surface merchant fleet. In any event, we are told that the Defense Department is now studying the matter, that the Commerce Department will soon have the recommendation of the Defense Department, and that the administration will then arrive at its basic policy position. In these circumstances, rather than urge a permanent revision of the incidence of the existing intercoastal shipping subsidy, we would prefer to await the conclusion of the administration's policy study. If this is not scheduled for quick completion, then we shall need some sort of interim relief.

Mr. Miller also discussed Canadian dollar manipulation. Here there has developed a true crisis. When Mr. Miller testified, the Canadian Government had already forced the value of its dollar down from about $1.05 to 95 cents. Then, on the night of May 2, with no warning, the Ottawa Government forced its currency down to 92½ cents and announced stabilization at that point. Perhaps even more alarming than the Canadian action was the statement of our own Treasury Department that it shared the views expressed by the International Monetary Fund, which warmly welcomes the Canadian action.

This move by the Ottawa government simply cannot be considered in terms of free trade and fair competition. When viewed in perspective, this action by Ottawa appears as only one more step in a ruthless, aggressive, and unprincipled trade war. We do not view it as unrelated to Ottawa's refusal of cooperation with the Organization of American States and its insistence on continued shipment of machines and materials to a Cuba that sits as a staging area for armed aggression off our Florida coast. We do not view it as unrelated to Ottawa's insistence on garnering the profits of shipping behind the Iron Curtain the substance that sustains the armies of a Chinese government that is committed to our destruction.

We find it hard to avoid resentment as our Government seems to lift not a finger as Ottawa pursues its drive for trade—trade at any cost except the export of raw materials and the jobs attached thereto. Unless our National Government will take adequate steps to slow or stop this latest example of Ottawa's pursuit of trade at any price, the economy and society of Oregon, Washington, northern California, and Idaho will be woefully crippled.

And while the Canadians drive toward their goal, the Secretary of Agriculture continues to remit to the technicians of the Forest Service basic policy judgments beyond the scope of their expertise.

Mr. Chairman, we are surely grateful to you and your colleagues for the deep interest you have displayed in our problem. It is our earnest hope that through the interested Members of the House and Senate the gravity of our problem may be brought to a more careful and more thoughtful consideration by the appropriate elements of the executive branch.

Senator MORSE. Mr. McCracken, I want to point out that in my statement I said that I would submit additional data on allowable cuts and stumpage grades. The staff has just supplied me with that data, and I submit it for inclusion in this record. Briefly, it shows sales in Oregon last year, 1961, at 88 percent of financed level; in 1960, it was 90 percent. Senator Magnuson said the performance was 72 percent in 1961, and 63 percent in 1960.

The Forest Service, as far as I'm concerned, Mr. Chairman, is going to have to explain to your committee and to the Senate why this record is below financed levels. I think we are entitled at least to get it much closer to the financed levels than these statistics show.

I offer the full compilation for the record.

Senator HARTKE. Thank you, Senator Morse. The statistics will be inserted at this point.

(The material referred to follows:)

Comparison of financed cut and sell to actual cut and sell

[All figures rounded to million board feet]

OREGON

	Financed sell	Actual sell	Percent, actual of financed	Financed cut	Actual cut	Percent, actual of financed
Fiscal year 1959	2,429	2,827	116	2,326	2,544	109
Fiscal year 1960	2,994	2,694	90	2,334	2,847	122
Fiscal year 1961	2,841	2,514	88	2,918	2,409	83
Total, Oregon	8,264	8,035	97	7,578	7,800	103

WASHINGTON

Fiscal year 1959	1,373	1,552	113	1,208	1,107	92
Fiscal year 1960	1,796	1,131	63	1,216	1,348	111
Fiscal year 1961	1,794	1,300	72	1,597	1,167	73
Total, Washington	4,963	3,983	80	4,021	3,622	90

NOTE.—Small volumes in California from Rogue River and Siskiyou included in Oregon totals. Umatilla divided for financed sell—90 percent Oregon, 10 percent Washington. Does not include timber advertised but not sold, or volume prepared but not advertised and some withheld from advertising.

DEPARTMENT OF AGRICULTURE—FOREST SERVICE

Pacific Northwest region: Oregon and Washington

[Bid versus appraised prices, advertised sales [1]]

Calendar year	Douglas-fir region			Percent decrease [2]		Pine region			Percent decrease [2]	
	Appraised	Bid	Percent overbid	Appraised	Bid	Appraised	Bid	Percent overbid	Appraised	Bid
1959	20.22	27.42	135.6	100.0	100.0	14.05	16.55	117.8	100.0	100.0
1960	18.71	23.64	126.3	92.5	86.2	15.85	16.48	104.0	112.8	99.6
1961	14.98	20.04	133.8	74.1	73.1	10.82	12.50	115.5	77.0	75.5

[1] Summarized from National Forest Advertised Timber Sales, Region 6. A quarterly publication of region 6.
[2] Using 1959 prices as a base.

Senator HARTKE. Mr. McCracken, I have here a sample of a Forest Service appraisal. I will give this to you, and I will appreciate it if you will analyze this, to show the committee what in your opinion is wrong with the appraisal. It shows item-by-item, and if you can do that and have it back to the committee by the time of the hearings in Washington on June 14 and 15, I think it would be very helpful to us. I am not going to ask you to comment on it at this time. Just take it with you.

Mr. MCCRACKEN. Thank you very much.

Senator HARTKE. One moment, please.

Mr. GRINSTEIN. Mr. McCracken, is there any estimate of the stand available for access to the Snoqualmie Forest in Washington?

Mr. MCCRACKEN. Well, the only thing I recall right now, Mr. Grinstein, I saw some time ago a Forest Service memorandum bearing on the allowable cut of the working circle of that forest, which is a checkerboard area, and which the Forest Service had difficulty in getting access to. The management plan was approved for the working circle by the Chief's office, and with the approval the Chief submitted a memorandum to the effect that they felt—I'm recalling

this from memory now—they felt the rotation age was unduly long, and, therefore, the allowable cut was quite low. They stated that, inasmuch as they had little access in the area anyway, that perhaps they would worry about increasing the cut more 10 years later when they had more access.

Mr. GRINSTEIN. How long have they been negotiating for access?

Mr. MCCRACKEN. I can't tell you how many years. I'm sure it has been a great many years—whether it was 10 years, 20 years, I don't know how long it has been.

Senator HARTKE. Thank you, Mr. McCracken. The next witness we'll hear from is Mr. R. J. Betendorf, manager of the port of Astoria.

STATEMENT OF RICHARD J. BETENDORF, PORT OF ASTORIA, OREG.

Mr. BETENDORF. Chairman Hartke, Senator Morse, my name is Richard J. Betendorf. I am the manager of the port of Astoria. I have a short statement here I would like to read.

The port of Astoria is a political subdivision of the State of Oregon and it owns and operates public marine terminals as Astoria, Oreg.

The taxpayers of the Port of Astoria District have an investment in excess of $4 million at cost in piers, docks, warehouses, and equipment for the convenience of the maritime shipping and commercial interests of the port.

During the last 3½ years, the port has handled over its terminals, approximately 100 million board feet of lumber. Eighty percent of this lumber was shipped to the east coast of the United States by water carriers.

Today the lumber shipments over the port's terminals and the mill docks at Westport and Bradwood, Oreg., are the mainstay of our maritime shipping and provides the basic tonnage for the employment of approximately 190 longshore and port employees earning almost $1.5 million per year.

Clatsop County has suffered several serious economic setbacks during the last 2 years. The closing of the Tongue Point Naval Base, the Pillsbury Flour Mill, and lumber mills at Seaside and Wauna have created a very serious loss to our area in payrolls. We cannot afford to lose any additional payrolls. The economy of our county and the entire Pacific Northwest is based on our forest industry with its three-fourth of a billion dollars in payrolls. Our lumber mills must be given the opportunity to compete with the Canadian mills under equal conditions, therefore, we respectfully request this committee to make appropriate recommendations to our Federal Government to take immediate steps to establish equality in transportation and tariffs for forest products between the United States and Canada.

Senator HARTKE. Thank you, Mr. Betendorf, for your statement.

We will hear now from Mr. Aaron Jones, of the Seneca Sawmill Co.

STATEMENT OF AARON U. JONES, SENECA SAWMILL CO., EUGENE, OREG.

Mr. JONES. Mr. Chairman, Senator Morse, and staff, I am Aaron Jones, president of Seneca Sawmill Co. of Eugene, Oreg., and I have a statement I would like to read into the record.

Mr. Chairman and members of the committee, the lumber industry in the Northwest is in trouble, a situation brought about by a number of causes. I do not have pat solutions to suggest for resolving the industry's problems. Today, I wish merely to describe to you our problem of obtaining realistic and technically sound allowable cuts on our national forest, the Willamette.

The Willamette National Forest is a primary source of raw materials for the forest industries in our area. In the past I have supported the Forest Service programs of resource development. When the management of our national forests have faltered, I have been critical as I am today. This faltering is contributing toward our paying higher stumpage prices through competitive bidding for timber. The result is we are less able to compete on an equal basis with Canadian lumber in our market.

One of our problems arise from the Forest Service application of policy, or the lack of application of that policy, as it pertains to the volume of annual allowable timber cut on the Willamette National Forest. The Willamette was inventoried in the mid-1950's by the Forest Service. Allowable cuts were computed and announced. We had no reason to wonder if the announced cuts were other than could be expected under principles of good multiple use forest management. By 1960, however, new cuts and shortened rotations had been announced by the Bureau of Land Management for its lands adjacent to the Willamette National Forest. Questions began to arise on the allowable cut and rotation figures being used on the Willamette. Prof. Paul Graves, a staff member of New York State's College of Forestry at Syracuse and a forestry consultant, was retained to review, among other things, the Willamette National Forest allowable cut. The findings were almost unbelievable. The results of forest inventory based allowable cuts had been reduced because some officials in the Forest Service doubted the inventory results. Rotations were unnecessarily long. A regional office memorandum dated December 3, 1957, authorizing higher interim allowable cuts on portions of the Willamette, was not acted upon. All these factors contributed to less timber being available from our national forest. This reduces our industrial potential and restricts community growth.

If the men of the Forest Service see fit to request appropriations from Congress to conduct inventories of the national forests, it seems inconceivable to me that the results of these forest inventories cannot be accepted as sound and used.

We have a new Forest Service policy of shortened rotations. Earlier this year I, along with others, signed a petition to the Secretary of Agriculture requesting that he direct the Forest Service to put their new rotations in effect on the Willamette Forest. This would result in an increase in the Willamette National Forest's cut from today's 529 million to about 800 million board feet. Using an average of $45 per thousand board feet, this increase in cut would represent an increased direct payroll income of about $10 million in the area tributary to the Willamette. To date, I have not learned of any response to this petition.

I would like to add, with respect to my remarks about Prof. Paul Graves, he was retained by the Lane County Court and jointly financed by Lane County and the Western Forest Industries Association. Thank you, Mr. Chairman.

Senator MORSE. I only want to say, Mr. Chairman, that I am familiar with the facts that back up the petition. I completely agree that we ought to proceed to put that cut into operation immediately.

Mr. JONES. Thank you, sir.

Senator HARTKE. Thank you, Mr. Jones.

Next, we will hear from Brewer Mills, mayor of Coos Bay.

STATEMENT OF HON. BREWER MILLS, MAYOR OF COOS BAY, OREG.

Mayor MILLS. Senator Hartke, Senator Morse, ladies and gentlemen: I have a brief statement I would like to read into this record.

We realize that many statements and briefs have already been presented to this committee in regard to the serious economic condition in the Northwest due to the decline of intercoastal lumber shipments. We would like to present in addition, however, some factual information to the adverse effect this intercoastal lumber shipment decline has on the city of Coos Bay and the Coos Bay area in general. Our concern is not that Coos Bay will lose its position as the largest lumber shipping port in the world, but our concern is from the fact that: Without a market for this commodity the Northwest's greatest asset, timber, will stand idle in the woods and that workmen from one of America's prime resources will no longer have jobs but will be forced little by little to find other trades or go on welfare and relief. This is the picture not only in Coos Bay but in city after city throughout the entire Northwest.

In 1958 a local lumber mill employed 316 men. Now, in 1962, this same mill employs 145 men. Since 1958 a large number of local lumber-producing sawmills have been forced out of business due not to competition, but to an unequal advantage which the British Columbia lumber producers and intercoastal shippers enjoy. In 1957, 246,773,543 board feet of lumber crossed the docks in Coos Bay for intercoastal ports. In 1961 that amount has dropped to 133,015,081; a decline of 46 percent. These facts show that jobs are declining from lumber sources and are no longer available to the American laboring force. This is serious. If intercoastal lumber shipments from the Northwestern United States continue at this terrific rate to decline the situation will approach a national emergency. We do not presume to know the best solution to this problem, but we do know there must be a solution. A repeal of the Jones Act is not generally good although this would equalize the intercoastal lumber shipment competition. Federal subsidies are not always the answer although in certain cases this seems to be the only solution.

One solution which has merit, and we sincerely hope the committee will consider, is to remove the lumber commodity from under the Jones Act.

In closing may we emphasize again that the tremendous shipping advantage enjoyed by British Columbia lumber producers is a serious threat to the economy and the lumber laboring force of not only Coos Bay, but the entire Northwest.

Gentlemen, we need relief and we need it now. We respectfully request that serious consideration be given by this committee to recommend a definite plan for immediate action.

Thank you.

Senator HARTKE. Thank you, Mr. Mayor, for your testimony today. It is extremely helpful.

Next, we will hear from Mr. Robert Dwyer, of the Dwyer Lumber & Plywood Co.

STATEMENT OF ROBERT F. DWYER, DWYER LUMBER & PLYWOOD CO., PORTLAND, OREG.

Mr. DWYER. Senator Hartke, Senator Morse, I was born and raised in Oregon, and was educated in Notre Dame in your State.

Senator HARTKE. This is a fine institution. They are not only noted for football, but they do a good job in the field of academic studies.

Senator MORSE. I only want to add, Bob, he has a good school, and we do, too.

Mr. DWYER. My name is Robert Dwyer, and I am appearing here today as a spokesman for the Lumbermen's Economic Survival Committee. I have a statement I would like to read.

Senator Hartke, Senator Morse, my name is Robert Dwyer and I am appearing here today as a spokesman for the Lumbermen's Economic Survival Committee. And, if the title of our organization sounds a little melodramatic to you, then bear with me through a couple minutes of this and I am sure you will agree it was well chosen; because economic survival isn't just a round-sounding phrase to our industry. It is a stark reality.

You need look no farther than this city for evidence of this. I can take you from here right now and show you sawmills that are shut down. I can show you sawmills that have operated the past year or two at losses, not of a few thousand dollars, but sawmills that have operated at losses in the hundreds of thousands.

We have done our bit. We have kept pouring money into this industry as long as we are able. Now we are no longer able to survive with the economic monkey on our backs that is the Jones law, that is the Forest Service attitude of today, an attitude not only aimed at crippling a sawmill operation in many cases, but aimed at putting us into economic bankruptcy. And this from the agency that relies on our industry to convert its standing timber into dollars.

Let's be specific about the Jones law first.

Dwyer Lumber Co., as a case in point, is a company that has operated in this country for more than 50 years. We haven't had a dime of Government handouts and we are not asking for a dime today. But how Washington has stood by and watched an archaic Federal law, the Jones Act, nearly throttle our business.

Pope & Talbot is one of the really big lumber producers in this area. For years it prospered by shipping its lumber products to our east coast markets, while we at Dwyer Lumber Co. marketed our products in our backyards. So, what has happened now? The Jones Act has opened up our eastern markets to Canadian competition with a margin of $10 and $11 a thousand and Pope & Talbot can no longer compete back there in that company's historic market.

So, Senators, today the Pope & Talbot ships are hauling grain to India and the lumber is being turned around and pushed into the already overcrowded local market. This is an example of the dog-eat-dog competitive situation that is building between our own mills to say nothing of the dog-eat-dog competition that has been built between our own mills and the Canadians.

And if you or the people of Pope & Talbot or anybody else claim that we have reached an end to this, then let me tell you now that you are mistaken.

I also operate a retail lumberyard in California. Only a few weeks back I went to that retail yard to check on some inventories and while I was walking through the yard, I came across a pile of fine looking Canadian studs. When I asked our manager there, "What is this? Where did we buy these?" this is what he told me.

He said we can buy these studs from Canada for $73.50 a thousand, delivered. The cost of the cheapest studs he could buy produced from American mills was $84.50 from L & H Lumber Co., in Roseburg, Oreg. California, like the rest of our markets, is waking up to what the Canadians have to offer.

What has happened when we, 400 miles closer to the market, we with an abundance of the finest timber in the world, cannot meet foreign competition in our own west coast area, when we cannot afford to buy our own products even when we own the retail yard handling the product?

Senators, I can tell you with sober frankness that the appeal to get out of this manufacturing business altogether is most inviting today, the appeal and the easy answer is to turn to Canada and forget our own production.

There's no fooling about the headaches of the lumber industry. You know that we have been in Washington and so have others. We have spent thousands of dollars of our own money trying to get this trouble situation solved. And perhaps you can say that's fine for the mill operator, he has his money and his potential profits involved; he should be doing this to solve his own problems. But, Senators, the problems are not ours alone.

At our mill here in Portland we provide a daily prime payroll of more than 500, we operate a business that pumps more than $2 million of basic payroll into this community. And I will be the first to agree with you if you should tell me that $2 million isn't going to make or break Portland.

But the Canadian water mills have moved into our markets and water shipped nearly a billion feet of timber into the United States last year. With the advantage the Jones Act gives them, I would say that is only the beginning. And 1 billion feet of timber, gentlemen, is conservatively 7,000 prime jobs and multiplied on the family-of-4 formula for each worker, that is a livelihood for 28,000 people; multiplied on the formula of 8 that is used to compute the service and other industries that grow up around a prime payroll and it is 56,000 people. A city the size of Salem, sold down the river by our own antiquated laws.

We have heard a great deal about why the Jones Act cannot be touched. National defense? Well, I ask you today to show us where the Defense Department has ever stated how many ships they need in intercoastal service for the national defense? Is it the skeleton lumber fleet of 13 vessels that is operating today? If so, then I would suggest there isn't much involved in the water freight defense needs of the country; because, as you know, they are old converted World War II vessels, at best, 15 to 20 years old and made under the stress of a national emergency.

But the maritime is not the field my operations are directly connected with. The Forest Service and the Federal Government's timber policies are.

Let's talk about roadbuilding in national forests. In Canada, my competitors are asked to build roads that will haul out their logs, that's all. In the United States, by law, I am asked to build roads on the bases that I would build them as a private, prudent operator.

But the Forest Service, which makes its own law, in this and in scaling, demands that we build roads designed as prime highways. It would warm my heart to take you out of this hearing room today and show you, in the Mount Hood National Forest, roads that my company was recently forced to build that cost us in excess of $50,000 a mile. That's logging road, gentlemen, with vast mounds of rock moved in here and there to set off the scenery.

I would like to show you the Clackamas River Road where we were required to spend $40,000 as part of a timber sale contract, that's money on top of what we had to bid to buy the timber, to realine a road that was already built. And perhaps you ask, What are we doing? Is the lumber industry being asked to build a highway system for the Nation or a park system for the Nation? As we pay for stumpage and that money is diverted into such things, we are. But, under the blanket, under the Forest Service's unscrupulous policy, we are also being forced to build these things right out of our own hides. Could you ask the same of steel and expect steel to compete? Could you ask the same of the farmers and ask them to compete? Could you ask any industry that must compete as we must compete today to bleed like we are bleeding on these roadbuilding dreams of the Forest Service and yet survive. I think you could not.

Now, on scale, and I will be finished.

I have here and will submit with a copy of my testimony, some figures on a sale made by the Forest Service. And I have scale certificates to back up what I am about to say, documented evidence that the Forest Service charged this lumber operation on this single sale $27,292 for timber never received, for timber that did not exist. And there is no recourse for this lumber operator but to take it out of his own hide.

There was Douglas fir and there was hemlock in this scale, as you will see, and the Forest Service scaled it out and sold it as 7,914,400 feet of logs. That was their measurement of the sale. But the Columbia River Log Scaling Bureau, the most respected and, I might add, the most able scaling bureau in the world, professional who have a rigorous course of examination and training before they can ever put a scaling stick to a log, scaled this same timber at 7,348,970 feet of timber.

That didn't do us any good. The operator still had to pay the Forest Service for their scale in full. They still had to pay the entire price, to pay for 565,430 more feet of timber than the Forest Service delivered, a theft of $27,292.52.

And, Senators, this is only mild. I hope that Hines Lumber Co., who will testify here this afternoon, will tell you what the Forest Service scale has done to them. It is enough for me to say that if the shoe were reversed, if any operator in the industry were operating as the Forest Service has operated in this matter of scale, Bobby Kennedy would be out here with Senator McClellan and we would all be put on McNeil Island for more days than I have left.

Senator Hartke, I listened with interest and compassion to your talk the other night about the plight of the coal miners. Come stand with me at the mill employment door and watch the men lining up for jobs out here in the Northwest and then weep a little for this industry that is dying, not from an inability to compete nor from a lack of markets, but is dying because of the economic strangulation put upon us by those who should be helping us, by our own laws and our own Government agencies.

And, gentlemen, what recourse do we have to this form of Forest Service dealing? If we have the time and the money and the good fortune needed, we can appeal to the ranger and then on the supervisor and then on to the regional forester and then on to the Chief of the U.S. Forest Service, the omnipotent one. And, Senators, there is no more accurate reflection of what we run up against here than the Chief Forester's own statement in reply to these same charges; and I will quote:

> Part of the cause for recurrence of the same issues is the refusal of industry representatives to accept decisions which the Forest Service considers to be the resolution of an issue.

May I read that again?

And you ask why some sawmills are going out of business? The reason is that they cannot take this underrun in their scaling. The reason is that they cannot tie up the vast amounts of money required to build the Forest Service superhighways.

Senators, we have one moment and that is all to do something about this situation. That moment is right now.

All we are asking of the Congress of the United States is a fair competitive opportunity to compete in our own market.

Thank you.

(The material previously referred to follows:)

DWYER LUMBER & PLYWOOD CO., PORTLAND, OREG.

Recapitulation of discrepancies in log scale footage and log count between the U.S. Forest Service and Columbia River Log Scaling & Grading Bureau on U.S. Forest Service timber sale contract No. 41979 (airstrip); dated Mar. 3–14, 1960; completed January 1961

	Douglas-fir		Hemlock and others		Total	
	Pieces	Footage	Pieces	Footage	Pieces	Footage
Total logs scaled from U.S. Forest Service report of timber cut	10,650	5,946,600	5,914	2,158,310	16,564	8,104,910
Less logs scaled by the Forest Service only and delivered to Rollin Lumber Co	423	184,920	30	5,590	453	190,510
U.S. Forest Service scale on logs also scaled by the bureau	10,227	5,761,680	5,884	2,152,720	16,111	7,914,400
Columbia River Log Scaling & Grading Bureau scale on above logs	10,337	5,392,460	5,876	1,956,510	16,213	7,348,970
Excess of Forest Service scale over bureau scale	-------	369,220	8	196,210	-------	565,430
Excess of bureau scale over Forest Service scale	110	-------	-------	-------	102	-------
Forest Service scale over bureau scale (percent)	-------	6.85	-------	10.03	-------	7.69

Computation of overcharge by U.S. Forest Service on above footage:	
Douglas-fir (340,900 feet at $61.82)	$21,074.44
Douglas-fir (28,320 feet at $69.29)	1,962.29
Hemlock (196,210 feet at $21.69)	4,255.79
Total overcharge (565,430 feet)	27,292.52

Now, I would say that a temporary quarterly quota on imports will be of assistance until a permanent solution is found. Thank you, Senator.

Senator MORSE. Bob, I'd like to have you make clear for this record by commenting on a point I want to raise. There has been some public comment in Oregon recently that the Forest Service must not be asked to establish a program on sustained yield. These comments have been made in connection with this problem of allowable cut. I have two or three questions on this.

No. 1, do you know of any lumberman in the State of Oregon who is asking the Federal Government to violate a sound sustained yield program?

Mr. DWYER. I do not, sir.

Senator MORSE. Is it not true that what the lumbermen are saying is that in some instances the Forest Service has not come through with a management program that permits of a sound allowable cut figure?

Mr. DWYER. That's correct, Senator. Mr. Kelsay pointed that out earlier.

Senator MORSE. Is it not also true that the lumbermen try to point out that in many instances the allowable cut figure is reached by the Forest Service in making timber available?

Mr. DWYER. Correct.

Senator MORSE. I reiterate it then by putting this final question: All the lumbermen are asking the Forest Service to do is to fix that point of allowable cut that will give a sound sustained yield program, and then make it possible for you lumbermen to buy the timber up to that cut. Is that not correct?

Mr. DWYER. Correct, sir.

Senator MORSE. Thank you.

Senator HARTKE. Thank you, Senator Morse. First, let me make it clear that I don't want to inspect McNeil Island. In your last statement there, you said the immediate answer is a tariff quota?

Mr. DWYER. No; a temporary quarterly quota would be a solution. We need help now, Senator. We need it within the next 60 days.

Senator HARTKE. Now, this is something that I think is vital. Do you know whether or not there has ever been an effort made or a petition filed for a tariff quota under section 7?

Mr. DWYER. I do not know that.

Senator HARTKE. That is, under the Trade Agreements Act, or under section 22 of the Agriculture Act?

Mr. DWYER. I do not know.

Senator HARTKE. The reason I ask—and this is something that I think you should consider—is the fact that there never has been, as far as I know, an increase in the tariff quota imposed in the absence of a procedure by formal request under either one of those two provisions of the law.

Mr. DWYER. Would you suggest that we make that?

Senator HARTKE. Well, the point I'm making is that, if you feel this is a solution, then this would be the proper procedural step to take. I'm not going to try to tell you how to solve your problems at this stage. What we are here for today is to get facts, but the point of it is, that, if you are interested and if you think it would help you, if you

petition the Tariff Commission, you might get a favorable decision. You never can tell. It's not impossible.

Senator MORSE. Mr. Chairman, you have raised this point, and I want Bob to stay here for a moment. I have raised this point in my statement which was released today. We might as well face up to what we are going to be hit with, Senator Hartke, when we hear this case.

You say, "Well, why hasn't the industry made use of the existing law for hearings in regard to the desirability of tariff impositions because of the fact that irreparable damage has been done to the industry by Canadian imports?" I can understand that, and, of course, I think that we probably ought to go ahead and offer those petitions, but the difficulty, Bob, is that we are now in the fix where that time element is going to prove so costly that we will be exporting more jobs to Canada, and one thing I want to stop is the exportation of these jobs.

Nevertheless, I think you gentlemen in the industry ought to give immediate consideration to making use of the law already on the books. You should decide whether or not, as a matter of policy, you want to start this petition around. In my judgment, it doesn't stop you from asking for emergency relief, too. We have already asked for that from both the Forest Service and the Department of Agriculture. We have also asked for some from the Interior. We've asked for some directly, as you know, at the State Department and the White House itself, but we ought to get ourselves in the position where they can't hit us in rebuttal with the argument, "Well, you're in here pleading for the lumber industry, but you have never filed one of these petitions."

I'm not ready this morning to pass judgment on whether or not you should file. I have raised it in my statement because, before I came to this hearing it was suggested to me. I thought it ought to be made part of the record here this morning. You ought to consider it, but I want to repeat: I'm not going to be diverted or sidetracked for emergency relief simply because the lumber industry, whatever its reasons may be, has not followed that route heretofore.

Mr. DWYER. Fine, Senator Morse and Senator Hartke. I myself am not an attorney or a Senator, but we're in trouble out here and we came to you for solutions. I hope you don't come to us, because I think you know more about the solutions than we do. Thank you very much. We will petition you for a hearing on the tariff measure.

Senator HARTKE. Don't petition me.

Mr. DWYER. I'm just a broken-down choker setter.

Senator HARTKE. That's all right, Bob. Let me say this: I think Senator Morse and I agree on this. I was a member of the Special Select Committee on Unemployment Problems and I know the heartaches that go with these things about people being out of work, and my sympathies are with you. But you want action, and this is why we're here. This is the total purpose of our being here. Thank you, Bob.

Our next witness will be Mr. Bill Williams from the Medford Chamber of Commerce.

STATEMENT OF WILLIAM J. WILLIAMS, MEDFORD CHAMBER OF COMMERCE, MEDFORD, OREG.

Mr. WILLIAMS. Senator Hartke, Senator Morse, staff, and ladies and gentlemen, my name is William J. Williams and I am vice president of Harry & David at Bear Creek Orchards, Medford, Oreg., and first vice president of the Medford Chamber of Commerce. I have a short statement I would like to read.

Medford is the fourth largest city in Oregon, the county seat of Jackson County, located in the southwestern part of of our State. Our county depends largely upon the logging and lumbering industry for the maintenance of its economy. Jackson County covers an area of 1,500,000 acres, of which over 1 million acres are comprised of commercial timberlands. These timberlands contributed, through proper harvesting and manufacturing, nearly 4,000 jobs out of a total county employment of approximately 14,000, or nearly one-third of all those people gainfully employed, with an annual payroll of over $22 million. The lumber and wood products industry is by far the most important industry in our county, bringing over $75 million in annual income.

I am not in the lumber business but, as a resident of Jackson County, I know of the enormous impact the lumber industry has on our economy. We have seen the number of mills decline from 80 in 1952 to 25 today.

We see the present mills making tremendous capital expenditures to improve their efficiency and their competitive position. Yet at the same time, we see these same mills curtailing their production and laying off workers because they cannot compete with the ever-increasing competition from Canada. Our property tax rate, $8.57 per $100 of assessed valuation this past year, is already high, and will remain so in our effort to maintain the kind of services and facilities needed by our residents. From a percentage of the income of the timber sales on public lands, Jackson County receives approximately $2,500,000 annually. If this revenue is further reduced by a reduction in timber sales caused by excessive foreign competition, we must in our county either reduce necessary services to our residents or increase our already high tax rate. Either one of these alternatives will have serious adverse effects on our county. This $2,500,000 derived from O. & C. land timber sales makes up over one-half of our entire county budget for schools, roads, law enforcement, and all of the other needed facilities and services. Any reduction in this income would place intolerable burdens upon our local taxpayers.

Our county and our State need a vigorous, agressive, and prosperous lumber industry to maintain and improve our economic health. There exists a very real urgency to make our own mills competitive in our own domestic markets with imports of foreign lumber. The citizens of Jackson County urge your support in the immediate alleviation of this unfair and destructive competition.

I would like to say in connection with my statement about the decline in the number of mills in our area, these mills have not been merged or absorbed into larger operations but are skeletons now standing in the county as a reminder of jobs and income that is lost to our economy due to higher stumpage price and declining market.

Senator HARTKE. I might say, just as an aside, I have tasted your product and it is excellent.

Mr. WILLIAMS. Thank you, sir, very much. Thank you, Senators.

Senator HARTKE. Next is Don Barke.

STATEMENT OF DONALD R. BARKE, BARKE WILLAMETTE LUMBER CO. AND CABAS MILLS, EUGENE, OREG.

Mr. BARKE. Senator Hartke and Senator Morse, I owe you an apology because this is strictly an extemporaneous oration—or call it what you wish.

I have a four-point program that I want to bring up. My name is Donald R. Barke. I should say that I have sawmills with a hundred thousand capacity in Eugene. I have a sawmill in Josephine County near Grants Pass that cuts 150,000 capacity.

The first subject that I would like to discuss—and I know you have been well informed on it—is the Canadian situation. One thing that has not been brought up, at least at this meeting—and I realize all the import duty problems that this Government has at the present time on foreign trade relations—I also make this suggestion, which I think is very fundamental, that the FHA and the VA programs that the Government is utilizing and loaning its money to aid the housing situation in this country, that some legislation should be put on it so that if Government money is put into these programs to aid the economy, that American lumber and American stamped lumber should be utilized under any type of Government building or any type of Government financing.

We know the import and the export situation in this country under the present administration is a little up in the air, and we're going to have some economic reaction throughout this country over them. Whether we can get this Canadian thing completely solved on the basis that a lot of people would like to have it solved is going to be questionable.

I would have to agree with all the solutions that are recommended, but I would also like to inject this recommendation, that under the FHA and under the VA situation that American stamped lumber is put into the finance program so that at least our American lumber is put into Government-financed housing and urban renewal.

Senator MORSE. Mr. Chairman, could I interrupt the witness at this point?

Senator HARTKE. Yes.

Senator MORSE. Mr. Barke, are you through with your point now?

Mr. BARKE. Yes.

Senator MORSE. You will be interested to know that we have just finished marking up the foreign aid bill. We had quite a battle in committee over an ancillary phase of this issue that you raise. How is our money to be spent, for example, in Latin America under the Alliance for Progress program? And some of us insisted on an amendment which was adopted in committee.

I want to say that in the forefront on this issue were Senators Capehart of Indiana, Humphrey of Minnesota, and myself. We succeeded in having adopted a provision that the money will be spent in the

United States for the materials unless the materials are produced in these countries where the aid is to go.

It's very interesting, isn't it, that we had that battle on expenditure of American dollars in Latin America, but when we come to the expenditure of American dolars for Government projects here in the United States, apparently it's going to be wide open to the world. I don't say that we are going to carry our amendment on the floor of the Senate, but the principle is the same, and I don't think there is any question about the fact that, when it comes to Government projects, we have just as much right to insist that the expenditure be for products produced in the United States, and if it's a Government project in the United States, then we have that same right to make that insistence in Latin America in regard to Government projects down there.

Mr. BARKE. Also, on the Government-loan basis, not only on the basis of finances for the Government, but under the situations of FHA and VA Administration where the Government is advancing the loan and guaranteeing the money going into these housing and building projects.

Senator MORSE. Correct. That's what these projects are in Latin America. They are loan projects.

Mr. BARKE. My second point is the problem of lumber procurement in the area in which I live. I have to live with both the Forest Service and the BLM. Ninety-seven percent of all the trees, that I have to have, have to come from Government lands. I have no place to go. I have no place to run. I have no private timber. In some cases, I buy logs from outside sources, and they, too, are coming off of Government lands.

In the Forest Service, we've had a traditionary situation that has existed since Gifford Pinchot and Teddy Roosevelt got together. We have a basic problem with them in the fact that they are aloof, on cloud 9, so far as participation in the problems that the people in the industry have. They have not put up the allowable cut. They have argued for years over the position that they are taking on their allowable cut situation. They refused back in 1958 to go to Senator Magnuson, who at one time was begging them to ask for more money to put in access roads that would aid in opening up this timber, which is rotting on the stump. They have refused basically to put up their timber sales at times when we could utilize them in the spring and the summer. I've seen them sit on their tails and wait until such time as the market would go up. They even sit and wait for the economic market to go up in the hopes that the GAO, the General Accounting Office, will get a great impression of the methods that they are using in getting their timber on the market, but, in the process of doing this, they are hurting the people who need it sincerely and very badly.

Their methods of cruising, their methods of roadbuilding, and, certainly, their methods of appraisal, are cutting us to little bits. I realize that the competition in the business gives the Forest Service a chance to go back and say, "Well, we put up a sale of our timber; we put it up at an appraised price." Our boys are clashing, fighting, and beating each others' heads off, and raising the stumpage values way up so we're even dropping our appraised prices, because, frankly, we

just don't have enough timber, and the small and medium operators are just beating each other to death in an attempt to stay in existence. That's why we're not competitive with Canadian lumber on any kind of a basis, because we don't have adquate timber supply resources.

I think that this is one situation that applies especially to my Grants Pass situation, where I am hurting very badly for timber to stay in existence, and for 10 years I have had to shut down for a month and a half to 2 months in an area that is severly down in employment—in fact, the second largest area in the United States in 1957 and 1958—because we don't have adequate Government timber, and they don't bring their allowable cuts up to a basis that's fair and equitable.

The personnel in the Forest Service, I believe and I sincerely hope some day will come to a realistic position and realize that we're not here as subversive elements in this community, that we are here as cooperative elements. We are trying to sustain the community, the economy of the State, and to make our contribution to the national economy.

Another problem we have is concentrated with BLM, the Department of the Interior, the O. & C. Land Management. There we have a cruising problem which is unfair, inadequate, and is costing us underruns; poor practices, 16-foot logs, scaling methods, and the underrun picture is breaking us. We had two sales, one in the Eugene district, one in the Coos Bay district. As badly as we need timber at the present time, last week, there wasn't anybody going for them because they were so poorly worked over and so poorly appraised. We couldn't even bid a nickel on it, let alone for what it was appraised, because the pond value was higher than any type of value you could afford to pay today for lumber.

Senator MORSE. I want to interrupt there if I may. We are going to hear about that. I wish you would file for this record a memorandum setting forth why there were no bids on that particular offer; first, because of the appraised value, and, second, because of the condition of the lumber. Just as sure as we sit here, we're going to be told, away from this record, that they put up some timber and you fellows didn't even bid on it.

It will be of great help if you will submit for the record a memorandum telling in detail why you didn't bid on it and what the problem was in regard to that timber.

Mr. BARKE. Personally, one of the sales, we tried to prepare a bid, but it was 3 days before the sale, and even the district manager in Eugene said that it didn't look very good. The appraisal was $18,000 under ours because the BLM was very reluctant to reevaluate on the falling and bucking costs, which are ridiculously low, with respect to their schedule 12. They have gone from $4.65 per thousand basis, that was going on in 1958 and 1959, and changed their whole schedule 12 procedure where they are now $1.12, $1.15 and $1.65, and, very frankly, we can't even transport our crews out to the woods to fall and buck the stumpage for these rates.

The BLM has also gone into another situation where they have gone into an extensive roadbuilding program. The only problem they have is that they haven't got adequate personnel who can do it on a proper basis and give us a fair and a legtimate break. The timber on

these particular sales is pretty fair timber. The appraisal for the stumpage wasn't too bad, but the road construction costs were so far out of this world and the underrun on the basis of their unfair cruising, which includes our No. 4 common or economy lumber that is not utilized and cannot be recovered in our sawmills, which they are shoving into their basic price.

Now, I've had a lot of problems on these things with both the Forest Service and the BLM. I've come to certain conditions where they have said, "Well, we can't do this." We want, in one instance, to get a fair and square shake on our cruising ability. We don't want a big overrun, and we're tired of this consistent heavy underrun. The answer was, "Well, we can't overrun this situation; if we do, the GAO is going to be on our backs." That's their stopgap proposition, the General Accounting Office. They say, "Gosh, if we get in a position here with a little overrun by mistake, the General Accounting Office is on our backs."

So, instead of an analytical reevaluation on a fair basis, which is going to help this industry throughout the State of Oregon, they're still running with their tails between their legs and back against the wall, and saying, "Well, the GAO won't do this." So, we have Government regulations that have to be changed by the legal department in Washington. We've asked for some bonding privileges, and I've worked on it for 2 years and got a commitment that we would get them. We still haven't got them yet because of legal entanglements among the operators operating in O. & C. timber.

I want to put this point forward on the Canadian situation, which is a little difficult and a little competitive. Our own situation in Government agencies is starving us out and freezing us out of the picture, and I certainly don't think that the economy of the lumber market, or the basic pricing of the lumber market should have any influence or bearing on the ability of the Forest Service or the BLM to hold their sales back until they think that the market is going to rise so that they will look good in front of the Government.

Senator Morse, I have one more problem that I want to address to you personally. It is in the Grants Pass area of Josephine County, which, as you well know, is a disaster area in unemployment. In the last 5 years, there has been over 30 sawmills go out of that area. There are about eight or nine basic sawmills that are trying to exist, and our big problem down there is this shutdown problem. I have already stated that I have to shut down for a month and a half to 2 months every year because I am unable to buy timber. The Bate Lumber Co. down there have already pulled out their band headrig and their gang headrig and laid off 250 people. They still have their plywood plant in existence, and this is all because there was not a fair and basic amount of timber for them to operate on.

The plant across the street from my planing mill in Grants Pass went out of business and went broke. It was known as the Grants Pass Plywood Co. We now have a promotional situation through an ARA and an SBA loan of $12,500 at 4-percent interest for 25 years to rehabilitate and reconstruct this lumber company, to start it up and help it to employ people in the community. Fine, but to put it in a position where it is going to be in a competitive situation with those few of us existing in the Grants Pass and Josephine

County area, and give it a Government subsidy, is going to be one of those unfair things, one of the most unfair things that has ever hit. In other words, those of us, who are still in existence, are fighting desperately to stay there and to operate on a 12 months' basis if we can just get enough trees, which we haven't got.

I realize that the petition to the ARA has been changed to the extent that now they are going to the Happy Camp district out of district V in San Francisco in a national forest situation. The Government has come through and said that there is plenty and adequate timber over there, and if they want to put in another green end to usurp the raw materials over in that area and bring them into the Grants Pass area for manufacture, it's not going to be a difficult problem and it's going to work fine, but this is very untruthful. I saw some that comes out of the Illinois Valley, which is very good timber, but I have to shut down because of the lack of timber for 1½ to 2 months every year and lay my people off and cause unemployment. We have to go over the Siskiyous and try to buy in our same area, but they want to put in an additional green end.

I appreciate what ARA is trying to do for the community, but also the community people, who are trying to sustain the community and live there, need hearings sincerely before that loan is made to show what their problems are, and the fact that we need timber in the timber where they wish to establish their green end and their raw material facility.

Senator MORSE. You have raised a point, and I think the record should show the position of the Oregon delegation on it, particularly the position of the senior Senator, because these matters have a way of getting in one office and another, and you can't have everyone going down to the ARA. I want you to know what my position was.

The petition was filed under the law. The law is there to be of assistance in an area where there is a surplus of labor. The people of Grants Pass have a perfect right to have legal counsel submit their material to the ARA. I have nothing to do with the policy. If they can show that they are eligible for it under the ARA law and that they are entitled to get the loan, the ARA has the responsibility.

I understand, and I hope it's true, they made an investigation as to the effect of this loan, if any, upon the competitive situation in the Grants Pass area. As you know, the loan first requested was that Happy Camp be included in it. The ARA insisted that Happy Camp be excluded in the first hearing on it. The loan was authorized for $812,000 just for the Grants Pass area. I understand that is being held up now because they have filed a new application and will include Happy Camp. The last I heard was that it is under consideration.

Well, I want the record to show that all we did was to submit to the ARA, as it was our clear duty as legislative counsel, the material, then called upon the ARA to make the investigation, and as long as that law is on the books which says if they can qualify under the law, it's up to the ARA to grant the loan or not grant it, depending upon what they find the facts to be, but I have received a lot of letters—some of them ought to come in asbestos envelopes—seeming to indicate that we were seeking to get that loan. We said that under the

law, if the facts show that they are entitled to it, we want them to get favorable consideration; that was our position.

Mr. BARKE. But, Senator, we sent a telegram back to the ARA advising them that there were six sawmills and two plywood plants, and a number of other small mills that participated, and we sent you a copy of it, asking for a hearing before this ARA loan is given to the west coast plywood people, that we be given a hearing and let us present our case, because of our employment factor, because of lack of stumpage and trees is as great or greater than installing a new installation where there is going to be tapping of our timber sources and supplies, and because we have struggled to stay in existence in that area for 10 years.

Senator MORSE. Your opinion is that the ARA did not go into the competitive factor. If they didn't, I want to know it because you're entitled to have it considered.

Mr. BARKE. We'll have some more witnesses from that area today, who will also substantiate my overall picture of the thing. I very seriously protest this ARA thing and, basically, we don't mind them starting up there providing they're not going to tap the timber supply that might be available for that area and help us retain our employment.

Senator MORSE. As I understand it, one of the reasons it is being held up is because they called upon the Forest Service for a report in regard to the timber supply.

Mr. BARKE. They got a good one out of district V out of San Francisco, which doesn't pertain to the Grants Pass area, but people in certain areas have to go over to Happy Camp or over into the Six River National Forest to stay alive because we don't have enough timber supply out of the Siskiyous and certain other areas to even keep ourselves in existence.

Thank you very much.

Senator HARTKE. I might explain what Senator Morse is talking about in the area where we develop loans. The question of competition, the competitive effect upon the granting of the loan, is one of the factors which must be considered under the law, and the regulations, of course, are in compliance with the law. Why Senator Morse was bringing this point out was that, if the Area Redevelopment Administration had failed to comply with this provision of the law, it certainly is a very important factor in the overall determination of the action that should be taken on this loan application.

Mr. BARKE. The big problem is I don't think they've got down to the basic facts of the problems the whole area has, and that's what we would like them to have before it goes through, if someone will allow us to appear before them, present all the facts of our needs and our employment fluctuation because of a lack of timber before they allow this loan to go through and tap our resources.

Senator HARTKE. I don't think they would deny you, sir. If they did, I think you should call their attention to the fact that they buy raw materials in addition to furnishing the market with finished products. In other words, these factors must all be taken into consideration. Is there a supply of raw material which can be utilized, and, after they have produced it, is there a place where they can sell it? The theory of the law is not to bring in a new competitor. The theory

of the law is to provide jobs for the people in the distressed area, where they can go ahead and continue, under this system.

Mr. BARKE. As long as they don't take away our opportunity to carry on and continue our employment by taking our raw material that we need badly.

Senator HARTKE. I think this is a factor which should be considered. Thank you very much, Mr. Barke.

Next is Mr. Lester M. Merritt.

Senator MORSE. Before this next witness starts, Mr. Chairman, with respect to this GAO problem that was brought up in our conferences with the lumbermen and in these hearings, I want to point out that in Congress we have the right to ask them to get a representative out here to go into these complaints and see if they can't work out on a cooperative basis the machinery whereby the GAO will understand the problem of the pricing of this lumber, and the need for getting these men back to work. We pour great sums of money into the depressed areas by way of trying to create new job opportunities, and then the Government at the same time maintains these very high stumpage prices. It's a case, I think, of where the right hand doesn't know what the left hand is doing, and the GAO should be briefed, so that it won't put the so-called heat on the Forest Service and the BLM for high stumpage prices.

What is needed is to get some stumpage set up at reasonable rates so that the people can go to work.

Senator HARTKE. Thank you. Good morning, sir.

STATEMENT OF LESTER M. MERRITT, REPRESENTING FERRY COUNTY TIMBERMEN'S ASSOCIATION, FERRY COUNTY, WASH., AND TIMBER OPERATORS FROM STEVENS AND PEND OREILLE COUNTIES, WASH.

Mr. MERRITT. Senator Hartke, Senator Morse, and members of the committee, my name is Lester Merritt. I am here today representing the Ferry County Timbermen's Association, Ferry County, Wash., and the timber operators from Stevens and Pend Oreille Counties, Wash., and I have a statement I would like to read into the record.

Nearly all of those operators of this area depend upon the national forests for the timber that is necessary to sustain their plants. Therefore, the policies of the national forests and the administration of these policies have a very decisive effect on the economic stability of the timber industry in this area. For over a year and a half, the Ferry County Timbermen's Association has been working with the Forest Service and our elected representatives to try and bring about certain changes in policies and practices of the Forest Service that we felt were necessary for the survival of this industry. We feel that if we are going to survive as the most important industry in our area, then we must have the cooperation of all the people in Government with the responsibility of working with our industry.

In a speech at Spokane, Wash., last year, Secretary of Commerce Luther Hodges stated that the answer to the problem of the lumber industry was not a high protective tariff. Mr. Hodges said rather than a high tariff, we would be further ahead if we could become more

competitive for the world's market. We agree with Mr. Hodges that being more competitive would solve many of our problems. The basic limiting factors in the lumber industry even though markets are poor at the moment, is the availability of logs and the cost of those logs. Under the present policies of the national forests, the lumber industry is paying too high a price for their logs. Listed below are some of the reasons these prices are too high:

1. Appraisals: When the Forest Service make their appraisals of timber sales, they use lumber selling prices that are unrealistic and they also use overrun figures that are not true. Their lumber selling price will vary from $5 to $20 above the market value. As an example of this, the Forest Service on the Colville National Forests in a sale that was made just recently used a lumber selling price on ponderosa pine of $101.28. In checking with the mills of that area, no mill received within $20 of that figure. On their fir and larch, the Forest Service was using a lumber selling price of $67.67. Again, that figure was higher than what the mills were actually receiving.

Now, the Forest Service tell us that they use western pine price index on their appraisals but yet the prices published by the western pine read like this: ponderosa pine, January 1962, $79.62; February 1962, $80.16; March 1962, $81.62; April 1962, $8.75. We would like to know how the Forest Service can come up with a figure of $101.28.

On their overrun factor on fir and larch, the Forest Service used the factor of 16 percent overrun. Again, checking with the mills in our area, no mill was getting this type of overrun. If a mill is not recovering 16 percent overrun, then why should they be charged for it?

On the appraisal profit margin the Forest Service used in this particular sale was 12 percent. Twelve percent profit margin is not enough in consideration of today's cost which are not reflected in the appraisal.

2. Roads: The lumbermen are paying the cost of the roads. The Forest Service contends that these costs are coming out of stumpage price. This is not exactly true. On many sales, which again we can show you the figures, the Forest Service is not coming up with the true cost figures. Another thing, the Forest Service is making the lumber industry put in roads that are absolutely unnecessary and unwarranted. We can show you in our area many roads that will back this statement up. We can show you roads that were required by the Forest Service that parallel other well established roads that could have taken the timber out. We can show you roads where the Forest Service has required turnouts, culverts, and cattle guards that were absolutely unnecessary for the removal of the timber.

The engineering on some of these roads has cost the lumber industry and the taxpayers of this country—which the lumbermen hope to be again some day—a great amount of money which was absolutely unnecessary.

3. Allowable cut: In our area, we have a head rig capacity that exceeds the allowable cut. For a good number of years, the policy on our forests was not to sell the full allowable cut. Of course, this resulted in high competitive bidding. Last year, mainly through the efforts of the chairman of this committee, Senator Magnuson, the Forest Service agreed to increase the volume of timber that it would sell this year in order to relieve the situation that prevailed. Now,

how did they handle it? As an example, we will take the Curlew District in the Colville National Forest, instead of putting up more sales to relieve the competitive bidding, they merely increased the size of the sales that were already scheduled and used the sealed bid method whenever possible. Naturally, there has been no relief from the high competitive bidding.

4. This is probably the most important. All of these problems that we have, we have discussed them many times with the Forest Service from the Chief's office down to the local district office. Last year, at two different meetings in Republic, Wash., various members of the Forest Service sat in meetings with men from the lumber industry and discussed various ways to bring about solutions to our problems. Quite a number of agreements were made, but very few have been carried out.

One thing that was agreed to in particular was that there would be a Forest Advisory Board set up on our forest with the lumbermen from our area. This request was made by the Ferry County Timbermen's Association to our Congressmen and Senators with the thought in mind that if we had a closer relationship with the Forest Service, we could solve most of our differences. Because of our requests, our Senators and our Congressmen asked the Forest Service that this be done. Of course, the Forest Service set up an Advisory Board but not one man from the Ferry County Timbermen's Association was asked to serve on that Board. That is not what we call a closer working relationship.

Today, of course, one of the big problems facing the lumber industry in this Pacific Northwest is the imports from Canada. It is certainly true that the Canadians have made substantial gains in the past few years, particularly the last 2 years, in our market. The reason for this is certainly no accident, it was brought about by the change of policy toward the lumbermen in British Columbia. I would like to quote from the Western Timber Industry newspaper the following analysis, based partly on its recent factfinding trip through British Columbia.

In British Columbia, the manual in effect for forest resources is a report by the late Honorable Gordon McG. Sloan, Chief Justice of British Columbia, who was appointed January 7, 1955, as a Royal Commissioner to examine the status of the forest resources. The foling paragraph is a key policy conclusion quoted from his report:

> There is a fundamental fact basic to our plans and one which I am certain will be just as vital in 1966 as it is today, 1956, if not more so. Expressed briefly, it is this: We live by our exports. We must sell on world markets in order to survive. Our forest policy must in consequence be geared to the stark necessity of assisting our industry in every reasonable way to remain competitive on these markets. It is, in consequence, essential for us to take a long look out of our windows to see what is transpiring in other parts of the world and to adjust our perspective according to what we see.

In plain language, the above paragraph declares the policy of pricing and developing the forest resource in such a manner that it will be competitive on the world markets. Because of the attitude of the British Columbia Forest Service operating under Sloan's theory, the following examples illustrate some of the conditions which the British Columbia operators are working under.

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In the Nelson District in the British Columbia forest, lumber selling prices that are used in appraisals are taken directly from the mills' own invoices. As a result of this, fir and larch, in a sale that is now being advertised, is based on a lumber selling price of $59.50 for the fir and $59 for the larch. This particular sale has no ponderosa pine in it but it has a volume of white pine which has a lumber selling price of $88. In other words, the mills are buying their stumpage on the basis of what they are actually receiving for their lumber, which certainly seems fair and sensible.

On profit margins, the British Columbia Forest Service allows from 11 to 23 percent. On the particular sale that referred to, the profit ratio on the fir and larch is 19 percent, and on the white pine it is 16 percent.

Another example when an operator buys his sale in British Columbia, he submits the logging plans and lays out the road for that particular sale. This is quite a bit different from the way it is done here. The British Columbia operator has his own licensed scaler. As a result of this, the British Columbia operator pays only on the net scale. The British Columbia Forest Service has also revised its allowable cut and method of offering timber for sale which has resulted in the fact that almost 97 percent of the timber sales in the Nelson District are sold at the appraised price.

Another advantage that the British Columbia operator has is this: When he buys a timber sale, the logs are paid for after they are delivered to the mill. This proves that the attitude of the British Columbia Government toward its lumber industry is one of trust and cooperation.

Even our Government is working for the British Columbia operator. It is a known fact that an American operator cannot buy logs in British Columbia and remove logs to the United States for manufacture. On the other hand, an operator from British Columbia and, as far as that goes, any place in the world can purchase timber from our national forests and remove this timber to their country for primary manufacture.

In order to help the lumber industry in our area to regain the position as the No. 1 economic force in Ferry, Stevens, and Pend Oreille Counties, of the State of Washington, we submit the following recommendation:

1. The Forest Service change its method of arriving at lumber selling prices.
2. Completely eliminate the overrun factor used in appraisals.
3. Change the profit-ratio to a maximum of 23 percent.
4. Relax requirements on roads to be more in accord with the harvest of the timber.
5. Sell the full allowable cut each year.
6. Require that the logs from the national forests be manufactured in the United States.
7. Establish appeal methods that are equitable.
8. Establish an advisory board with the lumber industry in each area that is workable and meaningful.
9. Have the Forest Service attend a meeting, or a series of meetings, with our timber operators and discuss these problems, and when an agreement is made, carry it out.

In conclusion, all of this boils down to the very simple and basic facts. This lumber industry in the Pacific Northwest could have a very stable economic outlook if the people with the responsibility in Government will work with us. There is no reason why we can't complete with anyone if we are given the opportunity to do so. The lumbermen have always been people who have been independent, who have worked hard, and there is no reason that they should be forced out of business just because of policies and regulations. The industry itself has spent much money and time in meeting the challenge of foreign imports and the challenge from other products. If you people will work with us, we can win this fight and, not only will the timbermen benefit, but our entire Nation will be strengthened.

Senator HARTKE. Thank you, Mr. Merritt.

Senator MORSE. I want to go into item No. 6:

Require that the logs from the national forests be manufactured in the United States.

This morning Mr. Bishoprick, of Dant & Russell, gave me a letter that I put into the record, which deals with this point. It describes what is happening by way of export of logs into Canada. I need not tell you that, when Congress or this committee comes to deal with this matter of seeking to make restrictions upon owners of logs in this country, as to where they can sell them, your lumber industry is far from unanimous on what that policy should be.

So, I think we should have for this record a memorandum in some detail bearing upon this problem, showing to what extent it exists. I'm not talking about the Japanese log problem right now. That will come out later on. I'm talking about the Canadian log problem, what effect that's going to have on the economy of Oregon and Washington, and to what extent we can justify stopping all exports of logs to Canada. You point out in your testimony that Canada does that, as far as exports to the United States are concerned, but I can't plead too strongly that you gentlemen in the industry put forward, as much as possible, a united front, because this technique applies here, too. When you get before the committee and get rebuttal evidence from the log producers who want to sell elsewhere, we're down in the middle, where I find myself so often anyway. That doesn't concern me, but I want to be sure that I have my facts and that I've got facts that will support a sound public policy, knowing full well that any public policy is not going to be approved by all segments of the industry.

I want to plead with you to get to me, between now and the time we close these hearings in Washington, a detailed memorandum on that particular point. Take a look at the record in regard to the Bishoprick letter that I put in the record this morning. It's very illuminating, and I have no doubt that Stanley will comment on it when he testifies.

Senator HARTKE. Thank you, sir. Next, we will hear from Mr. Denbo. Good morning, Mr. Denbo.

Let me explain to you that Mr. Denbo attended an outstanding institution of higher learning—I think one of the best in the United States—where I graduated, Evansville College. He was there a few years before I was. Quite to my surprise this morning, he asked if I

had heard of Evansville College, and then he identified himself, and he was there at Evansville College with my brother.

I'm delighted to see you again, Dick.

STATEMENT OF R. F. DENBO, REPRESENTING THE HUMBOLDT COUNTY BOARD OF TRADE, EUREKA, CALIF.

Mr. DENBO. Thank you, Vance. Senator Hartke, gentlemen, I want to say for the benefit of Evansville College that Senator Hartke, I believe, is a trustee at the present time, and if you people have any extra funds and you wish to write them off as tax deductions, I am sure that the Evansville College Foundation could use those funds.

Senator MORSE. In order to keep the money at home, I am a trustee for Pacific. I make the same request.

Mr. DENBO. I am representing, today, the Humboldt County Board of Trade, which is an institution of the Board of Supervisors of Humboldt County and the Eureka Chamber of Commerce. I would like to read my statement.

(*a*) Location: The county of Humboldt, Calif., is located in the northwestern part of the State of California. It is bounded on the north by Del Norte County, on the south by Mendocino County, on the east by Trinity and Siskiyou Counties, and on the west by the Pacific Ocean. Humboldt County is 283 miles north of San Francisco, Calif., and 466 miles south of Portland, Oreg.

(*b*) Population growth: From the year 1940 to the present time, Humboldt County has had the following population growth:

Year	Population	Percent increase	Year	Population	Percent increase
1940	45,812		1960	104,892	51.48
1950	69,241	53.23	1962	[1] 107,000	2.01

[1] Estimate.

(*c*) Acreage: Humboldt County has an area of 3,634 square miles or 2,286,720 acres. The California Forest and Range Experiment Station report of 1951 states that 1,740,000 acres of this is commercial forest lands, constituting 76 percent of the total acreage of Humboldt County. Another 206,000 acres of forest land is classified as noncommercial for timber production. Government owns and controls 30 percent of Humboldt County's total acreage.

(*d*) Basic economy: The basic economy of Humboldt County is as follows:

	Percent
Lumber and forest products	75
Tourist and convention trade	12
Commercial fishing	8
Agriculture	5

(*e*) Lumber production: Humboldt County has approximately 46 billion board feet of virgin timber consisting of redwood and Douglas fir.

As shown, timber is 75 percent of Humboldt County's basic economy. This county is one of the largest lumber producing counties in the United States.

In 1951, Humboldt County had 262 producing sawmills cutting approximately 1,225 million board feet of timber annually. According to operating permits issued to date, there are 55 sawmills operating in Humboldt County today. Fifteen thousand families are directly dependent upon the harvesting of the county's lumber crop.

(*f*) Employment: The counties north, south, and east of Humboldt County have been declared labor surplus areas. They too are dependent upon the harvest and sale of forest products. Humboldt County has not been declared labor surplus, although it is in what the California State Department of Employment terms a "gray" area. According to the Department of Labor, in order to receive a labor surplus classification, an area must have had 100 percent over the national average of unemployment for a period of 12 months. Humboldt County has not sustained this percentage over the national average because of the coastwise shipping from its harbor. Water shipment is an economical method of transportation to our markets in the San Francisco Bay area, the Central Valley, and Los Angeles, southern California.

(*g*) Federal forests: There are 305,000 acres of Federal forest lands in Humboldt County in addition to thousands of acres under Bureau of Land Management. There are certain problems in doing business with Federal Forest Service.

(*i*) The buyer must bear the cost of construction access roads into the Federal forest.

(*ii*) Humboldt County's annual allowable cut of 163 million board feet annually is seldom prepared for sale. Consequently, schools, county roads, and the general economy of the area suffers.

Conclusion: It is impossible for Humboldt County and northern California to compete with the import of Canadian lumber because of——

(*a*) Canada's devalued dollar.

(*b*) Canada can renegotiate a lumber contract; whereas when we contract with the Federal Government, which controls 30 percent of Humboldt County's total acreage, the contracts cannot be changed.

(*c*) Shipping in Canada is more economical.

(*d*) The U.S. Federal Forest Service allows only 10 percent to the buyer for profit and risk; whereas the Canadian Government allows 15 percent. In this case Canada seems to be a better exponent of the free enterprise system than is the United States.

Therefore, the Humboldt County Board of Trade protests H.R. 9900, the President's trade bill, or any other bill that would place the economy of America at a disadvantage.

We appreciate the opportunity of expressing our views and of participating in this hearing, but we do respectfully request our elected representatives to give consideration to the protection of the livelihood of the citizens of Humboldt County.

Senator Hartke, I would like to change the next to last paragraph of my prepared statement to read as follows:

Therefore, the Humboldt County Board of Trade hopes that H.R. 9900, the Presidents' trade bill, or any other bill, will not place the economy of America at a disadvantage.

I want to say that I am particularly pleased to meet my good friend, Vance Hartke, from Evansville, Ind.

Senator HARTKE. I might say your Congressman, Clem Miller, is very active in this matter. He is very interested in this problem and he is very sympathetic to it. Thank you very much. I'm glad to have seen you again.

Next is Rudie Wilhelm, Jr., Portland Chamber of Commerce.

STATEMENT OF RUDIE WILHELM, JR., PORTLAND CHAMBER OF COMMERCE, PORTLAND, OREG.

Mr. WILHELM. Good morning, Senator Hartke and Senator Morse.

Senator HARTKE. Let me say to you—and this can be either on the record or off the record—I am surprised that you don't have a rose in your lapel. The first thing that I received when I came down was a rose. Unfortunately, I left it in my room this morning.

Mr. WILHELM. The same thing happened to me. I have several suits, but it's not on the suit I'm wearing. You've got me on that since I'm the president of the chamber of commerce.

My statement is very short and I will try to make it shorter because of the time. Some of it is generalities and what you have already heard.

My name is Rudie Wilhelm, Jr., and I reside in suburban Portland, Oreg. I am a businessman, engaged in public warehousing and trucking in the Portland area. I appear before you today as president of the Portland Chamber of Commerce, which is an association of nearly 4,000 businessmen and businesswomen working together for the betterment of their community and their trading area.

First of all, we wish to thank the Senators for holding this hearing here today.

The Pacific Northwest lumber industry is the primary contributor to this region's basic economy and this industry is now in the doldrums. During the past 3 years many sawmills have closed in the State of Oregon and during this same period of time employment in the lumber and wood products industry has declined. You will hear from experts in this field, which I am not, but we did want to put in an appearance to assure you that the entire business community is deeply concerned with this problem. It is not just a source of worry for the forestry industry that the rest of us can ignore.

This situation has become most critical in recent years due to changing world market conditions. The Canadian lumber industry, finding it difficult to maintain its position in other important foreign markets, has made a severe penetration into the east coast of the United States, a prime market of the Pacific Northwest lumber industry because of substantial competitive advantages.

In order to protect the jobs of many thousands of workers in northwest forest industries, the Portland Chamber of Commerce believes that every effort should be made to eliminate adverse competitive factors and thereby provide the opportunity for the Pacific Northwest lumber industry to compete with Canada for the markets our industry has enjoyed in the past.

In the Pacific Northwest the majority of the land is owned by the Federal Government. The national forests represent an important

source of timber and in some areas the only source. Therefore, much of our lumber industry is substantially dependent upon the Federal Government for its raw materials.

We recommend that the Department of Agriculture carefully reexamine its present policies to see if Secretary of Agriculture Wilson's directive of 1905 "to secure the greatest good of the greatest number in the long run" is now being accomplished:

(1) Is there an efficient plan for regular orderly timber sales up to the maximum allowable cut tailored to meet customers' needs? Forest products operators need to have 3 to 5 years of timber under contract so that they are not on a hand-to-mouth raw material basis and can take a long-term approach to utilization, marketing, and finance.

(2) Are present appraisal and bid procedures fair to all operators or does the Government's sometimes monopolistic position in timber, where bids are frequently unrealistically high due to lack of an alternative source of supply, force some operations out of business owing to complete reliance on Government timber?

(3) Is there an adequate appeals procedure which is prompt and impartial?

(4) Are various contract conditions such as road standards, et cetera, overly harsh and expensive for the buyer?

These are some of the questions and problems brought to the attention of the chamber and on which you will hear from those in the industry today.

In order to eliminate other adverse factors the Portland Chamber of Commerce has gone on record urging the Federal Government to take immediate steps to establish equality in transportation and tariffs for forest products as between the United States and Canada.

This particular recommendation is rather general and reminds me of a political party platform designed to catch everyone's vote and offend nobody. However, if the statement means anything at all, it certainly calls for an examination of the Jones Act and the present advantage that Canadian shippers have over our own Pacific Northwest shippers in the use of cheaper water rates. It would appear that if the national interest would not best be served by amendment or repeal of the Jones Act on forest products, at least some suspension of that act under certain conditions should be considered. From the economic standpoint, the Pacific Northwest has more to lose by loss of a large part of the east coast lumber market than by any conceivable loss that might come about from the suspension of the Jones Act on these particular products in intercoastal traffic.

The other most frequently mentioned transportation disadvantage has been the railroad 15-day-hold provision in Canada which has not prevailed recently in the United States. According to the latest papers, Canadian railroads are canceling this provision out so we will have achieved equality there even though this will not be to the liking of some segments of the lumber industry who would prefer to have the 15-day hold apply in both countries.

With regard to equality on tariffs, it is our understanding at the present time lumber moving into the United States is taxed at the rate of 25 cents to $1 per thousand depending upon the grade and species

whereas lumber moving into Canada is on from 7½ to 10 percent of value. On the basis of $70 per thousand this would be $7 per thousand at 10 percent, and it is the feeling of the Forest Products Committee of the Portland Chamber and ratified by the Portland Chamber that consideration should be given to bringing about equalization of those tariffs.

Thank you very much, gentlemen, for your kind attention.

Senator HARTKE. Thank you for being with us. It's a fine statement.

Mr. D. E. Abram of the U.S. National Bank of Portland is our next witness.

Senator MORSE. While we wait, Mr. Chairman, for the witness, I want to call your attention to the fact that we have a very fine, dedicated public servant in this area in the regional forest director, Mr. Stone. We announced that later this month, on the 14th and 15th, we wil have hearings in Washington. I want to make my request on this record that the Forest Service have Mr. Stone back there because I think that Mr. Stone is entitled to have an opportunity to discuss the testimony that has been given here today. He doesn't write the policy; he administers the policy. In my work with him on forest problems, I have found this man to be an encyclopedia of facts. He should be brought back to Washington, and we should have an opportunity at those hearings in Washington to have him comment on the points that have been made here in regard to Forest Service policy.

I think Mr. Stone knows that I find myself in disagreement with some of those policies, but, as an officer of the Congress as well as of the Forest Service, I think we ought to have him back there for examination purposes.

Senator HARTKE. I'll take note of that. The committee will call him to Washington for that purpose and take cognizance of his statement. I'm sure it will be very helpful.

Mr. Abram, we are glad to have you with us to testify.

STATEMENT OF DAVID E. ABRAM, UNITED STATES NATIONAL BANK, PORTLAND, OREG.

Mr. ABRAM. Thank you. My name is David E. Abram. I am senior vice president of the United States National Bank of Portland, Oreg. I have a statement I would like to read for the record.

Our bank has 82 offices with assets of over a billion dollars.

While I will not dwell on the economic indexes of Oregon, I am sure before the day is over economists and businessmen will firmly establish the fact that our economy is relatively flat as compared to the Nation. While the economy of this country has been improving in the past 3 years, Oregon's growth has been sluggish, if not nonexistent.

In the banking business we are of the belief that our No. 1 industry, timber and wood products, has experienced a recession adversely affecting our total economy. Other major sustainers of our basic economy are definitely doing better than the timber industry—in fact, tend to improve the overall business statistics.

The cause of the recession can be discussed more effectively by others. The effect of the lumber recession is something that naturally

shows up in banking. In that ours is a local statewide bank, our statistics should be helpful in analyzing the local situation.

Demand deposits of individuals, partnerships, and corporations are a good index of business. The following statistics show Oregon's static condition as related to the Nation:

	Oregon	Nation
December 31, 1959	$1,025,717,000	$116,225,000,000
December 31, 1960	967,328,000	117,103,000,000
December 31, 1961	1,026,556,000	(1)

[1] Unavailable.

The National statistics were obtained through the Federal Reserve bulletin. The 1961 figures are unavailable, but the U.S. Department of Commerce records indicate that the figure when published will show an appreciable gain over 1960.

We have a compilation of facts on deposit and loan trends from published financial statements of 65 of the major banks in the 22 largest cities of this country. Portland, with 2 large banking institutions reporting, showed an increase in loans between December 31, 1959, and December 31, 1961 of 4.9 percent and is listed as 18th in the list of 22 cities. It is true that some cities showed losses in loan totals; but it is likewise true that some, such as Los Angeles, showed gains as large as 37.2 percent.

Localizing the loan trends and correlating them with the wood products business, we analyzed the trends in assigned invoice financing of lumber shipments through our branches. From December of 1959 through December of 1961, we found declines in the number of customers as well as the volume of loans. The number of shippers dropped 20 percent in this period and loan totals were down 36.2 percent.

We also did a quick statistical survey on our largest office to determine how our lumber industry borrowing customers were doing. Again these statistics show a comparison between yearends with 1959 listed as the base year:

Sales

	Percent
1959	100.0
1960	87.1
1961	86.2

Composite net worth trend

	Percent
1959	100.0
1960	78.2
1961	61.9

Average balances on deposit

	Percent
1959	100.0
1960	96.9
1961	86.1

We think these figures speak for themselves. It is also interesting to note that the composite profit as related to sales and prior to taxes on all these customers was 2.7 percent in 1959, but showed a loss of 1.1 percent in 1960 and likewise 1.7 percent in 1961.

Many have suggested improvement loans to small inefficient mills in the hope that improved equipment and technical knowledge would save them from ultimate failure. Although we have made, and will continue to make, term loans for these purposes, it is becoming increasingly difficult to approve such applications. The reason being that such capital loans can only be repaid through the cash flow created by profits and depreciation. With the profit margins thinning you can see that additional analysis and scrutiny is necessary.

Another effect on Oregonians that can be recorded through our banking records is through the statistics of our consumer credit department. The installment totals of the commercial banks of the Nation increased from $14,922 million in 1959 to $16,843 million in 1961. The totals in Oregon increased from $186,953,000 in 1959 to only $189,547,000 in 1960. 1961 figures for the State are not available but records in our own bank would indicate that no increase was recorded that year. This clearly shows a lack of confidence in employment. When people are insecure in their future, they are unwilling to obligate the family through contraction of additional debt.

I mention the internal statistics of our own bank. For the period starting on December 31, 1959 to the yearend of 1961 our consumer credit note count decreased 2.1 percent. Our dollar outstandings in the same category decreased 4.3 percent, while Oregon was enjoying a population increase of 2.14 percent. These are mentionad merely to emphasize that what happens in our No. 1 industry inevitably affects the consumer. To amplify this statement, the delinquency of our installment portfolio was studied for the period under discussion and it was found that delinquencies increased 39.6 percent between yearend of 1959 and yearend of 1961. This may in itself be tolerated and corrected but another statistic covers an irretrievable situation. I am referring to repossession frequency in the automobile field where we had a 13 percent increase in 1961 over 1959. This is a statistic that is the end result of a recession causing possible unemployment or shortened work weeks which leave the obligor without adequate funds to service his contracted debt.

As I mentioned earlier, these are things we see in the field of banking which are the effect on an economy without growth. This flattened economy is attributable to the problems of the lumber industry. The correction of those problems would undoubtedly react favorably and immediately on the areas that I have tried to cover.

Senator HARTKE. Mr. Abram, let me ask you in regard to your statement on page 3, the first paragraph. You say that many have suggested improvement loans to small inefficient mills in the hope that improved equipment and technical knowledge would save them from ultimate failure.

In these cases, as to the statement that they are inefficient mills, is this due to the fact that they have lacked sufficient capital to modernize their plants?

Mr. ABRAM. That's correct.

Senator HARTKE. As you you know, the tax bill is now before the Finance Committee, and, as I indicated previously, I am on the Finance Committee, and I know this isn't a factor necessarily related to lumber, but it is a factor which is very important to me. Do you feel

that such an investment practice would be a material benefit to people in the lumber business in this type of operation?

Mr. ABRAM. It would be a favorable factor, no doubt, but there are many other factors that might perhaps overhelm the situation, as these men have pointed out today.

Senator HARTKE. Yes. As you know, there is a 7-percent investment tax credit, which would be involved and which would provide them an opportunity. I feel this could be of some help, and we have a bill along this line.

The other factor is a revision of schedule F, the lengthening of the term. Do you think that this will have any material effect?

Mr. ABRAM. It should be of some help, definitely.

Senator HARTKE. Then, let me ask you another question while I'm at it, in addition to this. Have you had any applications from these people for combination loans? That is, participating loans in the Small Business Administration?

Mr. ABRAM. Yes, we have.

Senator HARTKE. And you are participating in such activity?

Mr. ABRAM. Yes, we are.

Senator HARTKE. And do you feel that they are of any help?

Mr. ABRAM. Yes, indeed.

Senator HARTKE. Fine. Thank you.

Next, we will hear from Mr. Harold Saltzman.

STATEMENT OF HAROLD H. SALTZMAN, REPRESENTING WESTERN LUMBER MARKETING ASSOCIATION, PORTLAND, OREG.

Mr. SALTZMAN. Senator Hartke, Senator Morse, gentlemen of the committee, my name is Harold H. Saltzman, and I appear today in behalf of the Western Lumber Marketing Association of Portland. I have a statement here to read.

I am executive vice president of the Oregon Pacific Forest Products Corp. of Portland, Oreg. Oregon Pacific is a wholesale distributor of both lumber and plywood, with sales in 48 States from Maine to California and Washington to Florida.

I am also a past president and currently a director of the Western Lumber Marketing Association, which is headquartered at 411 Alderway Building in Portland, Oreg.

I appear today as the representative of the Western Lumber Marketing Association, whose members cut, ship, and sell more than 150,000 carloads of lumber per year. Approximately 70 percent of this lumber originates in Oregon, Washington, Idaho, Montana, and California.

Attached to my testimony is a petition addressed to this committee from 132 sawmills in Oregon, Washington, California, Idaho, and Montana—none of them members of my trade association—who endorse the program of action which I will propose, and who are asking for this committee's assistance.

We believe that the goals of these hearings should be to bring relief from the present profit squeeze on Pacific Northwest lumber producers, to halt the alarming rate of mill closures, and to sustain employment in our industry—thereby aiding the economy of this area.

We believe that these goals can be achieved primarily through direct action by two Federal Government agencies: the U.S. Forest Service

and the Interstate Commerce Commission. We are here to offer suggestions which we think are practical and which can be accomplished within a reasonable period of time and without involving international politics, foreign policy, and the complexities of other noncompeting industries.

There are some who claim that the best solution to our problems in lumber is to restrict Canadian competition, thereby raising American prices to such levels that everybody, hypothetically, would make a larger profit. These anti-Canada advocates forget that timber prices would soar disproportionately higher, offsetting any possible profit increase. Therefore, we do not believe this approach to be practical.

Let us examine how today's lumber prices compare with what they have been during the 5-year period 1956-60. According to Random Lengths, an industry price-reporting newsletter, the average price of green Douglas-fir 2 by 4's for this 5-year period was $67. The average for the month of June during this 5-year period was $68. The price today is $70.

For 2 by 4 utility green Douglas-fir, the 5-year average was $44. The 5-year average for June was $46. The price today is $47.

For 2 by 4 kiln-dried hemlock standard and better, the 5-year average was $69. The average for June during this 5-year period was $70. The price today is $70.

These prices seem to indicate that lumber stays within a certain price structure, based on seasonal supply and demand, and that over the years the average seems to find its own level. Therefore, it seems unrealistic to expect that merely raising prices is the answer to our problems, especially in view of past experience in having stumpage and log prices increase more substantially than increases in market prices. How many sawmill operators in this room have actually made greater profits on a $60 market than they make today on what we shall call a $70 market for green Douglas-fir? Many of the cost factors cannot be reduced, such as machinery and labor, but the primary cost variable is the cost of timber or logs purchased on the open market, and this is the main cost factor which the Government can do something about—by stabilizing it.

Does the economy of an area gain anything when there are only 100 mills, but they are paying $30 to $40 for Forest Service stumpage? Or does the economy of an area benefit more when there are 200 or 300 mills paying only $10 or $15 for this same stumpage? Would it not be better for healthy mills to make a profit and thereby give the Government added revenue through payroll and corporate income taxes?

Mills without assured timber supplies must compete for available open-market timber and, with a relatively inelastic supply of logs, mills are being forced to bid prices up to acquire the supply to maintain even their existing capacity to saw.

In the past decade, approximately 3 billion feet of annual sawmill capacity has gone out of existence and has been replaced with approximately 1 billion feet of modern sawmill capacity and 2½ billion feet of new plywood capacity. In some areas sawmill production has declined while plywood capacity has expanded.

It is generally recognized that plywood mills get a better return on logs and therefore are in a much better position to bid competitively for those logs. This is not to imply that the plywood industry is the villain in this dilemma, as plywood is vital to our economy and its manufacturers must have an adequate log supply for their ever-expanding markets. But, by the same token, we must always recognize that it is often plywood mill versus sawmill in bidding for existing timber.

For example, according to statistics from the office of the Oregon public utilities commissioner, carloadings in Oregon for plywood and veneer were 17,169 cars in 1951, and 96,010 in 1961—a 550-percent increase, while for lumber they were 216,027 cars in 1951, and 150,799 in 1961—a 30-percent decrease.

The per capita consumption of plywood is increasing while the per capita consumption of lumber has not shown the same healthy trend. In only 10 of the past 100 years has the per capita consumption of lumber been below the 204 board feet estimated for 1960, which lends further support to those of us who believe that lumber cannot afford to price itself out of the market and must stay within a reasonable price structure.

I am not insisting that today's prices are the best they should or could ever be. Rather, I am stressing that we should never look to the extremely high points of any market as being a median or norm figure. Lumber is a relatively low-cost commodity and, to maintain our markets, it must remain one. We must compete not only with lumber from other areas located closer to the leading U.S. markets, but we must also compete with steel, aluminum, plastics, concrete, and brick.

To those who say "restrict the incoming Canadian lumber and increase tariffs against it," I ask, "Is this approach practical in view of Canada being the U.S. No. 1 export customer?" Canadian shipments of lumber to this country account for approximately 10 percent of our Nation's total lumber consumption; in the softwoods, Canadian imports total approximately 12 percent of our domestic consumption.

The lumber we ship to Canada accounts for about 10 percent of their domestic consumption and they are also the U.S. No. 1 foreign lumber customer.

If quota or tariff restrictions were imposed against incoming Canadian lumber, what might happen if Canada should retaliate against other U.S. industries which export substantially to that country? Consider exactly what the United States does sell to Canadian consumers: 88.4 percent of all Canadian agricultural implements come from the United States; 61 percent of their vegetable oils; 55 percent of their primary plastics; 36 percent of their iron and steel products; 30 percent of their fruit products; 25 percent of their transportation equipment.

Canada provides duty-free entry for our agricultural machinery, primary chemicals, and many other items of industrial equipment. Consider the reaction from these U.S. industries if we in lumber became responsible for provoking economic retaliation from the Canadian Government.

I believe that quotas, restrictions, and higher tariffs directed against Canada should be evaluated by Government agencies more informed than our association in matters of long-range economic and political effects.

What can be done? Although we are primarily a marketing organization, we have a great interest in Forest Service policies because we are the sales arm for hundreds of small- and medium-sized mills whose survival is closely related to those policies. Therefore, we strongly recommend direct Government action to influence changes in Forest Service policies to: (1) Provide full allowable cut, resulting in more reasonable timber prices; (2) institute reasonable road requirements rather than requirements beyond what is necessary and which only add more costs to already high-priced stumpage; (3) program the sales of U.S. timber so that longer range production goals can be planned; (4) recognize and provide for reasonable assistance to the small- and medium-sized sawmills who cannot compete with the superior resources of large integrated operations.

Direct Government action can provide the climate of marketing freedom which is necessary to meet the needs of many customers and a large number of the producers. We specifically suggest that the Interstate Commerce Commission can and should allow U.S. railroads the right to provide one free 15-day hold and free diversion for U.S. lumber shipped by rail, and that immediate Interstate Commerce Commission hearings be recommended by this committee to achieve either this goal or one deemed equally reasonable in view of the needs of a substantial segment of our industry. We must recognize the need to have our products available continuously and close to markets where they are needed. Has anyone asked the consumers what they want or what they need?

Does it seem strange that our industry is divided on the issue of one freehold and diversion? Not really when one considers the relative competitive position of the average small- or medium-sized mill against the large integrated operation—which understandably, has been the backbone of a numerically small group opposing this much needed service by the railroads.

First let us examine what happens to the two segments of our industry—large operators and small mills—when fierce competition forces timber prices up. The large timber-holding operation can take a substantial capital gain on the difference between what it paid for timber 10, 20, or 30 years ago and today's price for timber and could actually afford to manufacture with little or no profit attributed to operating income.

For example, in the May issue of Fortune magazine, an article on the Georgia-Pacific Corp. states that the Weyerhaeuser Co. paid taxes at a rate of 27 percent and Georgia-Pacific paid 29 percent. The small sawmill operator who pays current high prices for stumpage and then—if he is fortunate enough to make a profit—pays his taxes on a straight income basis if he is a corporation, pays at the rate of 52 percent.

This hardly seems like tax equality, although I am sure that there must be good reasons for allowing large timber-holding companies this tax advantage. However, there is no reason for them to have every advantage and that is why certain directives must be made changing Forest Service policies and transportation regulations to at least give the small operator a fighting chance to survive and grow.

Many of the large integrated operations have warehouses and/or distribution yards and/or sales offices throughout the country to sell their products. Most small- and medium-sized mills must depend on wholesalers to distribute their products. A few small mills do have adequate storage facilities and financing resources to maintain large inventories, but most do not have either and therefore must market their lumber from the planer into the car directly to eastern markets. This is one of the reasons why a hold privilege must be reinstated for U.S. lumber, so that these mills can get their lumber to eastern markets within an economical and orderly merchandising framework.

Two of our leading trade associations have opposed granting a freehold and diversion privilege to the railroads and their lumber-shipping customers. We recognize the value of these associations' trade promotions and grading standards, but I do not feel that they are sufficiently aware of day-to-day competitive factors affecting small mills. These people are primarily administrators. They are not on the firing line, buying and selling every day, as many of our members are. There are members of these associations who argue that freehold and diversionary rail services would discriminate against large operators who have their own distribution yards and warehouses. This is not true, as such services would be available for everyone to use. I might add that they have been extensively used in the past by large operators, at certain times of the year when their own warehouses were filled.

There are members of some associations who say that restoration of these shipping privileges would create car shortages. Let us examine the likelihood of car shortages being created by a hold privilege. In the Olympia hearings, at least two lumber firms testified that no car shortage has plagued the mills in our area since removal of the hold privilege, other than the perennial wide-door car shortage for plywood and mechanical loading. Yet, in the next breath, opponents of the freehold complain that we are losing lumber orders to other modes of transport, to other lumber areas closer to eastern markets, and to other products competing with lumber. So we do have enough cars for lumber loading but not enough orders for lumber.

Keep in mind that U.S. railroads first adopted the 15-day freehold, not the Canadian railroads, and many western lines supported this method rather than the longer and more costly circuitous routes.

Members of Western Lumber Marketing Association have always advocated a reasonable rail-hold period for lumber shipped east from the Pacific Northwest States, to permit more orderly marketing of our forest products. U.S. railroads provide many services—free diversion, free transit, and freehold at ports—all with the purpose of holding rail markets and offering marketing assistance to grain, coal, fruit, and vegetables.

Many commodities secure multiple free diversion, free transit services, and several changes of destination, while lumber is permitted only one change enroute, and diversion charges of $7.72 and more are assessed.

It is interesting to note that while the West Coast Lumbermen's Association has reported that western lumber producers and railroads "are losing at least $50 million a year to the Canadians on transit car business," this same association does not want the mills in our area to be given back their advantage in marketing lumber over long distances via rail.

The most vocal objection to reinstating hold privileges centers around an allegedly inadequate car supply among the Nation's railroads. Yet most western railroads report an adequate supply of cars for lumber loading, since lumber mills that would utilize the hold use mostly older and more obsolete equipment which cannot be used for many other commodities. Many eastern railroads do not have enough business to warrant repairing bad order cars and hence fail to increase or replace their fleet of cars. During a 1959 committee hearing by the U.S. Congress, two eastern railroad officials testified that in the case of one road 2,000 cars did not move a wheel during 1 entire year. Another reported 1,300 cars did not move during an entire year. Does this sound like a car shortage?

Railroads have been building more specialized equipment, some for a few firms here in the Pacific Northwest. Much of this new equipment can be used "one way only" and must be returned without any cost to the shippers; some even assigned service, yet at no cost, such as cars hauling paper and chips.

We submit that our railroads can help lumber mills meet increased competition by endeavoring to work out these problems instead of placing more and more restrictions on lumber shipments from the west coast.

Total forest products shipments from the Pacific Northwest account for approximately 2 percent of national carloadings, with less than one-tenth of this 2 percent involved in any hold privilege—it is inconceivable that this insignificant percentage of national carloadings could be responsible for a car shortage. However, in the event of an emergency, the Interstate Commerce Commission should have the power to temporarily withdraw this privilege.

In summary, our association believes firmly that the ailments plaguing small- and medium-sized sawmills in the Pacific Northwest—which we hope are by now apparent to this committee—can be cured.

The cure, which can be permanent, not stopgap in character, lies within the United States. The healing power rests with the Interstate Commerce Commission and the U.S. Forest Service. This committee, the only investigatory instrument to thus far probe in depth our varied problems, has the respect and authority to convey to both of these Government agencies the enormity of our economic peril and the emergency character of the help we need from them—now.

Our regional lumber industry can prosper, but not when its ability to compete is stifled or restricted by elements inside our Nation and

within our own Federal Government. Surely the encouragement of initiative and the right to compete is fundamental to democracy; not the tendency to confine private enterprise and in so doing narrow down competition within our industry to a handful of corporations.

It would be tragic if any of the sawmill owners who have affixed their names to the appended petition should be forced out of business in the immediate future either because our own Government failed to comprehend their problem or because a well-financed and smaller segment of our industry raised a smokescreen which obscured their problems.

Some have mentioned Canada and equality in shipping practices, then gone further to stipulate that "equality" means Canada's elimination of its freehold and diversion latitude. I assure you that the rail transportation flexibility needed by our country's small sawmills will still be an imperative, regardless of whether Canada changes its internal hold privileges.

Let us take these two specific steps, at least to start meeting our problems head on. Let us seek Forest Service policies compatible with the economic interests of our hundreds of small mills and our thousands of lumberworkers and with the future of our communities which rely upon these mills' existence, and let us achieve the reinstatement by the Interstate Commerce Commission of one reasonable freehold and diversion.

(The material referred to previously follows:)

PETITION TO THE U.S. SENATE COMMITTEE ON COMMERCE, HON. WARREN G. MAGNUSON, CHAIRMAN, WASHINGTON, D.C.

We, the undersigned owners, operators, and executives of sawmills within the States of Oregon, Washington, Montana, Idaho, and California, respectfully petition the Committee on Commerce and its Subcommittee on Interstate and Foreign Commerce, upon completion of its current public hearings relevant to economic problems facing this region's lumber industry, to incorporate into its findings and to recommend to the appropriate Federal agencies the following courses of action to bring relief to our segment of this industry:

1. We pray that the Committee on Comerce will request the Interstate Commerce Commission to reopen its hearing files in I&S docket 7050, or to institute new hearings, and to effect much needed regulatory changes which are needed by our segment of the lumber industry; changes which are imperative to the constantly decreasing profit margins resulting from pressures both within and outside our industry.

2. We pray that the committee will request Secretary of Agriculture Freeman, and the Chief of the U.S. Forest Service, to change that agency's policies concerning the sale of federally owned timber, so that small sawmills can purchase sustained quantities of their raw material at prices based upon the best interest of the mills, their employees, and the communities they serve, rather than on solely the administrative interest of the Forest Service. Certain Oregon communities' economies depend in large part upon the existence of small, independent sawmills. To survive, these mills must be certain of a competitively priced source of supply.

3. We pray that a governmental study committee, bureau, or agency will be created upon this committee's recommendation, to give the lumber industry a continuous opportunity to communicate various future changes in its economic status to Federal authorities; changes which might require further legal or administrative action to maintain a stable foundation beneath our industry, those States in which lumbering is the prime index of economic progress, and the thousands of workers who are totally dependent upon our survival as independent operators.

Submitted on Monday, June 4, 1962, at Portland, Oreg., by:

OREGON

Alley Lumber Co., Medford
Andrus Lumber Co., Springfield
Armstrong Lumber Co., Springfield
Atlas Lumber Co., Falls City
Bauman Lumber Co., Lebanon
B. J. Lumber Co., Dallas
Beaver Lumber Co., Clatskanie
Capitol Lumber Co., Salem
Chaney Lumber & Remanufacturing Co., Boring
Chetco Lumber Co., Tillamook
Clear Lumber Co., Sweet Home
Columbia Lumber Products Co., Portland
Douglas Fir Lumber Co., Eugene
Douglas County Lumber Co., Roseburg
Edwards Bros. Construction Co., Albany
Ellingson Lumber Co., Baker
Erion Lumber Co., Portland
Eugene Veneer Co., Eugene
Fir Milling & Planing Co., Ashland
Flory Lumber Sales, McMinnville
Flynn Lumber Co., Philomath
Fort Hill Lumber Co., Grand Ronde
Freisen Lumber Co., Salem
Garrabrant Lumber Co., Willamina
3-G Lumber Co., Wrens
Glendale Stud Co., Glendale
Gram Lumber Co., Portland
The Hallock Lumber Co., Portland
Harmsen Lumber Co., Nashville
Haskins Lumber Co., Philomath
Hub Lumber Co., Roseburg
Johnson Lumber Co., Junction City
D. R. Johnson Lumber Co., Riddle
Kappler Lumber Co., Mulino
Keller Lumber Co., Roseburg
LaCreole Lumber Co., Dallas
L & H Lumber Sales Co., Sutherlin
Lichty-Gregory Lumber Co., Inc., Eugene
Lulay Bros. Lumber Co., Scio
McKenzie River Lumber Co., Blue River
Mistletoe Lumber Co., Ashland
Monroe Lumber Co., Eugene
Moser Lumber Co., Kings Valley
Mount June Lumber Co., Natron
Mount Baldy Lumber Co., Yoncalla
Nebraska Bridge Supply & Lumber Co. of Oregon, Portland
North Powder Pine, Inc., North Powder
North Side Lumber Co., Philomath
Orme Lumber Corp., Eugene
R & R Shingle Co., Cottage Grove
Rainier Manufacturing Co., Rainier
Rein Lumber Co., Independence
Riddle Manufacturing Co., Riddle
Ronde Valley Lumber Co., Union
Rudy Lumber Co., Mill City
S.H. & W. Lumber Co., Grants Pass
S & M Lumber Co., Oregon City
San Juan Lumber Co., Inc., Mount Vernon
Schneider Lumber Co., Brownsville
Star Lumber Co., Eugene
St. Johns Planing Mill, Portland
Sunset Lumber Co., North Plains
Tru-Cut Lumber Co., Rogue River
Tru-Fir Lumber Co., Wolf Creek
Umpqua Manufacturing Co., Cottage Grove
W & W Manufacturing Co., Cottage Grove
Wigle Lumber Co., Philomath
Wilbur Lumber Co., Roseburg
W. O. W. Lumber Co., Eddyville

WASHINGTON

ABC Lumber Co., Kettle Falls
Ash Lake Lumber Co., Inc., Skamania
Bennett Lumber Co., Clarkston
Buchanan Lumber Co., Olympia
Cel Chout Lumber Co., Colville
Chelan Box & Manufacturing Co., Chelan
Cowlitz Stud Co., Randle
Date Lumber & Fuel Co., Chehalis
G. W. Emerson Lumber Co., Wilbur
Idaho Pine Mills, Inc., Spokane
Layman Lumber Co., Inc., Naches
Layman Lumber Co., Goldendale
Landreth Timber Co., Inc., Tonasket
Littlerock Milling Co., Littlerock
Lind Lumber Co., Bellingham
Longview Lumber Co., Longview
M & R Mills, Inc., Arlington
Merrill & Ring Western Lumber Co., Point Angeles
P & M Lumber Co., Inc., Enumclaw
Silver Creek Lumber Co., Usk
Skagit Veneer & Lumber Corp., Concrete
Tacoma Narrows Lumber., Inc., Steilacoom
TC & M Lumber Co., Inc., Spokane
Vaagen Bros. Lumber Co., Colville
Walla Walla Mills, Inc., Walla Walla
Welco Lumber Co., Marysville
Western Lumber Co., Aberdeen
West Waterway, Seattle

MONTANA

Bitterroot Timber Industry, Inc., Darby
Broeder Bros. Lumber Co., Creston
Burkland Studs, Inc., Livingston
James Lumber Co., Polson
Dupuis Bros. Lumber Co., Polson
Plum Creek Lumber Co., Pablo
Plum Creek Lumber Co., Columbia Falls
Tobacco River Lumber Co., Eureka
West Yellowstone Lumber Co., West Yellowstone

CALIFORNIA

Bremmer Lumber Sales, Carmichael
California Pacific Redwood Co., Inc., Arcata
California Pacific Sales Co., San Francisco
Central Valley Lumber Co., Project City
Eastlick Mills, Yreka
Forward Bros. Lumber Co., Red Bluff
Main Lumber Co., Redding
Meadow Valley Lumber Co., Quincy
R. F. Nikkel Lumber Co., for Meadow Valley Lumber Co., Loyalton
Ostrom Lumber Co., Marysville
Park Loading Corp., Eureka
Pine Mountain Lumber Co., Yreka
Riechers Lumber Co., Fortune
Sierra View Lumber Sales, Carmichael
Al Thrasher Lumber Co., Inc., Eureka

IDAHO

Anderson Vance Lumber Co., Fernwood
Geo. Atkins Lumber Co., Bonners Ferry
Bennett Lumber Co., Princeton and Moscow
Wm. Berklund Forest Products Co., Cottonwood
Broadfoot Lumber Co., St. Maries
Channel Lumber Co., Craigmont
Clearwater Mills, Kamiah
Coeur d'Alene Studs Co., Coeur d'Alene
Deep Creek Planer, Bonners Ferry
Forest Lumber Co., St. Maries
Mead & Howard Lumber Co., Juliaetta
Meridian Pine Co., Meridian
Polaris Stud Mills, Inc., Bonners Ferry
Price Valley Timber Inc., Tamarack
Rauch Lumber C., Troy
Regulus Stud Mills, Inc., St. Maries
Shearer Lumber Products, Inc., Kooskia
Tri Lakes Lumber Co., Post Falls

Mr. SALTZMAN. I would like to add that my comments in regard to Canadian lumber are my own and they do not reflect the views of all our mills.

Senator MORSE. I would like to ask, in connection with your carloading figures as shown on page 4 of your statement, if you would place in the record, by means of a memorandum, if necessary, what those figures mean from the standpoint of Canadian competition. Does Canada export very much plywood into the United States?

Mr. SALTZMAN. There's a 20-percent duty, I believe, on Canadian plywood, and I might also remark that this extra tariff or duty does not apply only to plywood products.

Senator MORSE. My question goes to the matter of the ratio in your total production and your total export in the United States with respect to the production of plywood in the United States and lumber in the United States, and the production of plywood in Canada and the production of lumber in Canada. It seems to me that we have to analyze those figures if we are going to deal with the Canadian competitive problem from the standpoint of whether or not one reason for this dropoff in lumber is Canadian export of lumber to the United States and a smaller percentage of Canadian exports by the United States.

Mr. SALTZMAN. The point I'm arriving at, Senator, is that lumber cannot solve this problem by raising prices, but these figures are based on American production.

Senator MORSE. I understand that.

Mr. SALTZMAN. We have no Canadian plywood coming into the United States, and yet we recognize that the plywood industry has a real problem there, and I merely point out the competition within our industry for existing timber is very often one of the problems for the sawmills.

Senator HARTKE. Mr. Saltzman, I have a question with respect to your statement on page 7 regarding the tax structure. Are you ad-

vocating that we eliminate the capital gains tax? This has been proposed, you know.

Mr. SALTZMAN. No, sir, because in studying the reasons for the capital gains tax, we believe it is sound. However, I think we must recognize the competitive disadvantage to the small mill and provide for them in some other way, either by a transportation policy or tax policy, but in some way make some allowance for them to become even slightly competitive with the larger intergrated operation.

Senator HARTKE. Which, is substance, would mean, in effect, some sort of subsidy from the Federal Government to make up the difference for the allowance of the capital gains tax reduction?

Mr. SALTZMAN. No, sir, I'm not advocating that. I'm advocating——

Senator HARTKE. I follow you now. You're talking about the railroads allowing a 15-day hold, is that right?

Mr. SALTZMAN. Yes, sir. We had this until 1960 when it was fought very strenuously primarily by the large integrated operations, and now we think this is one means of retaining equality.

Senator MORSE. Mr. Chairman, I wish to ask the witness a few questions.

Mr. Saltzman, we are very glad to put your testimony in the record. It shows a number of points of view at variance with other testimony we have already received, and this committee will be helped to a tremendous extent if we have a record which sets forth the pros and cons. I also want to be sure that, when the committee receives this record, it is a factual one.

Does the Western Lumber Marketing Association purchase lumber in Canada in some quantities for resale in the United States?

Mr. SALTZMAN. Some of our members do. We also have approximately 9 or 10 Canadian members. Better than half of our members purchase no lumber in Canada.

Senator MORSE. Second, you speak about the 15-day delay program, and you say that you want this transit program adopted irrespective of what Canada may do in regard to their own policy. Our staff has been advised that there is a probability that Canada may change this policy in the near future. While there is always the danger that there may be a slip between the cup and the lip, your position is that, even though Canada should change that transit policy, you still think that, particularly for the small operators in this country who do not have large warehouses and distribute across the country, they should have the benefit of this program, irrespective of what Canada does?

Mr. SALTZMAN. Exactly, Senator, but the need is still there. The consumers require the service on certain basic items, and if we do eliminate this 15-day hold, these mills are not able to set up large inventories four or five times what they have now. They are primarily dimension shippers or board shippers, and the most economical way for them to function is from the planer to the car.

I don't see the relevancy of whether or not Canada has it because the need is there, a need for our mills in this country.

Senator MORSE. I do think, Mr. Saltzman and Mr. Chairman, the record ought to show that, although we haven't obtained the action yet that many of us have asked for, it doesn't mean that there hasn't been a great deal of activity going on in Washington on the part of

the State Department, the Department of Commerce, the Departments of Agriculture and Interior. There have been strong representations made in Canada—that I can certainly testify to, of course—that apply to this particular problem.

You always have to keep in mind, too, the possibility that our good friends to the north may select certain forms that they think may silence us in demanding a broader program, and this may be one. Whatever good is accomplished by it in Canada, if they actually go through it, we appreciate it, but this isn't going to remove the obligation, as far as I'm concerned, on the part of our Government to go ahead with negotiations with Canada in other respects and aspects of this problem. I shall appreciate any improvements made in the program, including this one.

Mr. SALTZMAN. I might add one thing. So much of the Interstate Commerce Commission's views have been based on the 1960 hearing, and at that time there was no Western Lumber Marketing Association. In talking to lawyers who have read the testimony, they were appalled by the lack of organization of the mills who need the service, and we feel that the Interstate Commerce Commission made a mistake at that time and should reopen the hearings, and this is what we're asking for.

Senator HARTKE. Thank you, Mr. Saltzman.

Before recessing for lunch, I will introduce some statements for the record: a statement by Congresswoman Julia Butler Hansen, dated June 4; a statement and letter from James F. Johnson, of the port of Coos Bay, under date of June 4; the statement of Sig Unander, under date of June 4.

These statements will be made a part of the record at this point.

(The statements are as follows:)

STATEMENT OF HON. JULIA BUTLER HANSEN, U.S. CONGRESSWOMAN FROM THE THIRD DISTRICT, STATE OF WASHINGTON

Mr. Chairman, thank you very much for the courtesy granted me in presenting my statement for your hearing today on the problems confronting the forest products industry—complex and serious problems upon which I sincerely congratulate you for attempting to establish a firm basis of solution. I know I speak for the State of Washington and particularly the entire third district when I say that all efforts to solve these problems by your committee are warmly received.

Because of the lumber crisis and the resulting unemployment, no greater area of need currently exists. It is mandatory that action be taken, and taken as expeditiously as possible. The crisis of lumber began months and months ago. A constant deterioration has occurred. Our economy will no longer tolerate any further deterioration, nor can be possibly justify any postponement of solutions.

I testified through my staff at the April 20 hearing in Olympia, Wash., and my statement is a matter of record. In it I included my presentation to the House of Representatives summarizing some of the critical aspects of the lumber situation. Throughout the months we have called to the attention of the Departments of Commerce and Agriculture and to President Kennedy himself, this lumber crisis.

Since the April 20 hearing in Olympia, Wash., certain significant developments occurred on which I would like to comment briefly. Last week Assistant Secretary of State Dutton sent an announcement to our office of a multiple Federal agency study of the lumber industry and its wide, diverse, and growing problems. This response on the part of the administration is gratifying and encouraging to every Member of Congress who is so deeply concerned with unemployment, the situation on the lumber market, and the necessity for action that will curtail the crisis and reestablish the economic situation for the industry. It was action

comparable to that of the initiative taken by this committee under our own senior Senator, Chairman Warren G. Magnuson's leadership and provides additional attacks on the multiple problem.

I urge that this Interagency Task Study Group take into consideration three measures in which all of you are deeply interested. These measures, introduced April 15 in the House of Representatives, are aimed at correcting some basic problems of the forest products industry. This legislation provides (1) an appeals procedure for purchasers of national forest timber, (2) for the marking of imported wood products to indicate the country of origin, and (3) the classification of forest products as an agricultural commodity eligible for protective action by the Tariff Commission.

As I have heretofore stated, this legislation does not present complete solutions to all problems inherent in the forest products industry. Other facets involve and demand administrative action and, of course, always the possibility of additional legislation. There can be at this time immediate action of a temporary nature to stabilize and safeguard employment, but we should look beyond the temporary phases and develop long-range solutions on the administrative and congressional level.

We have received through the months tremendous correspondence from industry and labor relative to this growing crisis. Our files are thicker on the lumber industry than they are on any other phase of economic or legislative activity.

If I may, I would like to quote from a letter which I received last week from Mr. R. M. Ingram, president of the E. C. Miller Cedar Lumber Co. of Aberdeen, Wash., a long-established, stable, and highly reputable firm.

"Our Aberdeen sawmill and powerplant have not operated since last October. The Canadian competitive situation in the U.S. lumber market is getting more difficult to cope with. Today we are advising our sawmill and powerplant employees, about 100 people, by letter that these operations will be permanently discontinued.

"We still hope that our Government will take some action to permit operations like ours to compete in our domestic markets on a fair and competitive basis, not against depreciated Canadian dollars and the many other advantages, with which you are quite familiar, that are enjoyed by our Canadian competition."

Again, may I reiterate, this is only one of a long series of letters dealing with the situation confronting not only the Northwest but all the lumber product areas of the United States.

PORT OF COOS BAY, OREG., *June 4, 1962.*

U.S. Senate Committee on Interstate and Foreign Commerce,
Portland, Oreg.

GENTLEMEN: The result of Canadian lumber imports into the American market since the year 1955 reflects a very substantial decrease in the total waterborne shipments from the port of Coos Bay as shown by the following statistics:

Total outward waterborne shipments (foreign, Atlantic coast, and coastwise)

	Feet board measure
1955	660, 771, 572
1956	638, 334, 071
1957	635, 996, 981
1958	617, 603, 836
1959	572, 508, 721
1960	660, 530, 282
1961	494, 875, 390

Waterborne lumber shipments from this port in the year 1955 as compared with those of 1961 shows a drop of approximately 25.12 percent, which in turn reflects an alarming decrease of annual payrolls in the Coos Bay area. You can readily see this has become a serious situation—not only to the people in this area, but to the country as a whole.

We earnestly solicit your cooperation and assistance in resolving this problem in the hope of alleviating the present unfavorable circumstances.

Respectfully yours,

JAMES F. JOHNSON, *President.*

STATEMENT OF SIGFRID B. UNANDER, PORTLAND, OREG.

The Pacific Northwest lumber industry is being seriously affected by the increasing imports of softwood lumber from Canada, particularily western white spruce. The Canadians are able to send increasing amounts of this lumber into our domestic market due to several serious competitive disadvantages which American lumbermen must face.

One disadvantage is that we are forced to pay higher water transportation rates. According to the Jones Act, we must use American bottoms for intercoastal shipping. This law, known as the Merchant Marine Act of 1920 and with particular reference to section 27 thereof, in effect places a $7 to $10 disadvantage in water transportation on American lumber mills.

Another disadvantage is the fact that our Forest Service stumpage rates and the extreme competitive conditions existing in the Douglas-fir region make our stumpage considerably more costly than Canadian stumpage.

Another serious handicap to the American lumberman is the recent devaluation of the Canadian dollar. This devaluation, which has been agreed to by the International Monetary Fund, places American lumbermen at a further $4 to $5 disadvantage.

I have been impressed by the fact that the lumber industry in the early stages of this campaign for relief did not ask for quotas, tariffs, or subsidies, but rather for changes in Federal laws and policies which would permit American mills to compete on favorable terms with Canadian mills. Thus far, however, the results to the pleas from the lumber industry have been in the wrong direction as, for example, the Canadian devaluation.

One further handicap, namely, that of the 15-day freehold the Canadians offer, has been remedied, according to private sources, and will be withdrawn as of July 10.

The first step in solution of these problems is to establish and impose an immediate embargo on the import of western white spruce from Canada. This product is the main type of lumber shipped by the Canadians to this country and is the source of much of the problem relative to the sagging lumber industry in the Northwest. This quota should set the maximum allowable import by the Canadians of western white spruce at 50 percent of the approximately 1½ billion feet shipped to the United States in 1961, which would be 750 million feet annually allowable.

Immediate steps should be taken to recalculate the allowable cut of all public forests using most recent forest management policies.

With respect to water transportation, I have long since been on record in favor of legislation to amend the Jones Act to permit American mills the use of foreign bottoms. It is my opinion that the above would greatly ease this serious situation and would be a big step toward solving the problems of the small and medium producers.

Senator HARTKE. At this time, the committee will adjourn and we will reconvene at 1:45.

(Whereupon, at 12:45 p.m., the committee adjourned and reconvened at 1:45 p.m.)

Senator HARTKE. We will continue the hearings of the Commerce Committee on the question of the lumber problems.

The first witness we will have this afternoon is Mr. G. Cleveland Edgett, executive vice president of the West Coast Lumbermen's Association.

Senator MORSE. Mr. Chairman, while we are waiting for Mr. Edgett to take his seat, I would like to mention two newspaper items. One calls attention to the closing of a cedar mill at Aberdeen, Wash., and the other refers to the permanent closure of the sawmill and powerplant operation of the E. C. Miller Lumber Co., as announced Friday by R. F. Ingram. I ask that these articles be included in the records of the committee.

Senator HARTKE. Without objection, these articles will be included in the records of the committee.

STATEMENT OF G. CLEVELAND EDGETT, WEST COAST LUMBERMEN'S ASSOCIATION, PORTLAND, OREG.

Mr. EDGETT. Gentlemen, my name is G. Cleveland Edgett, of Portland, Oreg. I am executive vice president of the West Coast Lumbermen's Association, and I will proceed to read my statement.

We represent 161 member companies who account for approximately 60 percent of the total lumber production in western Washington, western Oregon, and northern California. Our membership includes small, medium, and large size producing mills in the Douglas-fir region.

The association appreciates the request of the Senate Commerce Committee to reappear at these hearings on the impact of softwood imports. Our initial testimony was submitted to the committee in Washington, D.C., on April 16, 1962. At that time we presented 11 detailed tables of comparative statistics outlining our competitive position. As these original data are part of the record and have been used extensively in subsequent hearings, there is little need to submit additional proof that we are being hurt badly by excessive imports of softwood from Canada.

Senators, the west coast lumber industry is only seeking reciprocity. We just ask for fair trade, fair conditions, and fair treatment. We simply state that prompt action is needed to prevent further economic attrition of our own domestic lumber markets. We merely warn that there is a growing feeling of abandonment when our continued pleas to our own Government go virtually unanswered.

May I emphasize, Senators, that the problem of excessive softwood imports is not confined to the Douglas fir region alone. Throughout the United States there are some 200,000 former employees of the industry drawing unemployment compensation. How do we explain to these people the apparent indifference of the administration? How do you suggest that we glamorize the one tangible action to date in the recent appointment of a White House committee to study the problem further?

There must be full recognition that we are part of the Nation's fourth largest industry. We help provide direct employment to 3 million people. We have sawmills as modern as any in the world. We have the finest skilled labor force of any industry. We have raw material in abundance. We want to contribute to the economic growth of this great Nation by being given a fair chance to compete with low-cost foreign imports.

Let us briefly review the nine areas where we thought there would be an opportunity for fair treatment. We submitted these proposals to the committee almost 2 months ago and already several of them have been rendered obsolete because of changing conditions.

(1) Amend section 27 of the Merchant Marine Act of 1920 to permit the transport of American lumber on foreign ships to Puerto Rico.

We fully recognize that this single amendment will not cure all the economic ills that beset our cargo shippers. We also recognize, however, that a complete revamping of the so-called Jones Act is fraught with complications. It seems logical to us to make a start in providing a measure of relief for the cargo mills by concentrating on an area where there are no impediments for immediate corrective action.

The U.S. lines serving the Puerto Rico market are unable to offer service on lumber shipments at anywhere near the rates available to Canadian shippers. In 1952 the United States enjoyed 70 percent of the volume of lumber sent to Puerto Rico whereas Canada only supplied 30 percent of the market. Ten years later there were no shipments from the United States and 100 percent of the 73 million feet originated in Canada. It seems inconceivable that this situation should be allowed to persist when neither rail nor water interests could register any logical objection for correction of this inequity.

(2) Amend section 14(b) of the Shipping Act of 1916 to exclude lumber and forest products for export, as was done with other bulk commodities in Public Law 87–346.

Under provisions of the law as now in effect, the Federal Maritime Commission requires the filing of rates by steamship companies, which acts to the detriment of lumber shippers in the United States. There are no such requirements on ships operating out of British Columbia to foreign markets, such as to the United Kingdom, Japan, and Australia, whereas the same ship may and does pick up lumber at U.S. ports where such filings are required.

This requirement greatly handicaps foreign traders in the lumber industry in meeting the competition of the fluctuating markets for ships and services which are accorded to Canadian shippers. It places our industry in the unenviable position of often having to quote prices for delivery of the same material on the same vessel to the same destination at a substantially different rate than our friends across the border.

If Congress is genuinely interested in helping the lumber industry increase export trade, prompt action must be taken to enact an amendment to the legislation along the lines suggested previously. We stand ready to do our full part in the promotion of lumber exports.

(3) Appoint a three-man commission to recommend measures for the equalization of lumber loading costs and the improvement of performance at various U.S. ports.

Steamship companies in quoting rates to foreign countries point out that loading costs are higher at U.S. ports than they are in British Columbia. Since it is the custom of the steamship lines to pay the stevedoring costs for loading lumber on ships, it becomes a very important factor in the level of the rates which are published.

On January 1, 1962, when the carriers first published the rates in conformity with Public Law 87–346, the rate from U.S. ports to the United Kingdom was quoted at 310 shillings. The rate was open from British Columbia but was quoted at the start at 245 shillings, a difference of 65 shillings. Today the quotation from British Columbia is down an additional 15 shillings which makes a total differential in freighting of more than $11 per thousand.

In any attempt to negotiate rates which are more competitive with British Columbia, it is always stated that the loading performance is such from U.S. ports that it is impossible to achieve any degree of parity. We believe that some additional facts are needed to clarify this matter and to assist in achieving equalization between ports. This is not intended as an indictment of labor because other factors are involved, such as the volume of stowage and the mechanical equipment available.

So far, this suggestion for a study by some department of Government seems to have fallen on deaf ears.

(4) Insure that the Interstate Commerce Commission has authority to order U.S. railroads to refrain from joining in on through rates of Canadian lumber shipments which have been accorded a 15-day freehold.

Senators, we are pleased to report to you today that you can disregard this recommendation for achieving fair treatment which was included in our previous testimony. The Canadian railroads have officially advised the American lines that freehold privileges in Canada will be abandoned within 45 days. Coincident with this move the American railroads have agreed to publish new tariffs which will eliminate the few remaining opportunities for free diversion of lumber shipments in the United States.

It should be noted in passing that this corrective action was initiated and finalized by private parties and did not involve any Government agency or department. It was the single point in our complete fair trade program where something could be done without administrative or legislative intervention. Perhaps it is a fair observation that it is unfortunate that more of our problems could not be solved directly through negotiation by industry.

(5) Request the U.S. Treasury Board to use the stabilization fund to counteract the manipulation of foreign exchange rates by bidding up the value of the Canadian dollar.

(6) Introduce a resolution at a future meeting of the International Monetary Fund requesting Canada to declare a fixed par value on the Canadian dollar.

Both of these recommendations have been effectively nullified by the action of Canada last month in pegging the dollar at 92½ cents. Senator Morse noted in the Congressional Record that at least the industry got part of what it was asking for in the foreign exchange field. I would like to make it abundantly clear at this time that the fair treatment that we were advocating visualized the pegging of the Canadian dollar at a higher level than the floating rate of approximately 95 cents where it was arbitrarily held previously.

With the 1 percent deviation in either direction that is permitted by the International Monetary Fund on pegged currency, we now find that the Canadian dollar is worth less than 92 cents. This represents an advantage to British Columbia rail shippers to the eastern United States of $1.20 per thousand on their freight bill and $6.08 per thousand on the f.o.b. mill value of the lumber. On cargo shipments to the Atlantic seaboard, the depreciated Canadian dollar gives the British Columbia shippers an extra $1.56 on freight plus an additional $5.10 on the f.a.s. value. This, on the average, is pretty close to a total of $7 per thousand or an advantage of $28 million a year, which can be attributed to the difference in exchange on lumber imports alone.

It is little wonder that Canadian Finance Minister Fleming announced last year that his new fiscal policy would encourage exports and inhibit imports. I feel sure that American industries that have traditionally exported to Canada are suffering from this unfair barrier to trade just as we have been suffering from this unfair competitive advantage in our own market. We, therefore, suggest the following

substitute proposal for our previous recommendations on foreign exchange:

That Congress enact legislation that will provide authorization for the imposition of a surtax of 8 percent on commodities and services that are imported into the United States from countries that have artificially depreciated the value of their currency.

(7) Accept the recommendation of the U.S. Tariff Commission of a separate classification for drilled, glued or treated lumber, but change the proposed tariff of 1.5 percent to the 20 percent level which is in effect in Canada.

Once again, Senators, we have been felled by a foul blow because this proposal has been knocked right out of the ring by our own Congress. Despite all the talking that we have done in the past 6 months, we now find that both the House and Senate have passed legislation that will provide a nominal tariff of 1.5 percent on lumber items from Canada that are classified as further manufactured than planed and tongued and grooved. These items would be subjected to a 20-percent duty if we tried to export them to Canada. There is little left for us to say on this matter except that drilled, glued and treated lumber should be added to the list of commodities that require reciprocal treatment in the following recommendation.

(8) Pursue the proposal of the national lumber manufacturers association for a conference between United States and Canadian Government officials and trade representatives to eliminate tariffs between the two countries on softwood lumber until imports reach 10 percent of domestic consumption.

I appreciate, Senators, that you did not travel to Portland to listen to a playback of the Congressional Record. However, the statement of Mr. Berry in the House of Representatives on May 24, 1962 is very pertinent to this proposal and it did not get adequate recognition in the local press. May I quote in part: [Reads:]

> On March 22 of this year the lumber industry asked the businessman's friend, the Secretary of Commerce, to arrange an early conference between representatives of the United States, of Canada, and of the softwood lumber industries of each nation, to work out a mutually acceptable solution to the real threat of present high level Canadian lumber imports to this country. Two months later there has been no formal reply to this request. There has been a 10-minute conversation between Secretary Hodges and lumber leaders after one of our members alerted the White House to the evident disinterest of Commerce on this matter, but polite conversation has never put one man to work, to say nothing of 200,000.
>
> The State Department has advised the lumber industry that more study of the problem is needed before any international conference can be arranged. We arrange cultural, educational, argicultural, scientific, and I might add, social exchanges with nations throughout the world—friendly and unfriendly, but when our industrial people seek a sanction for friendly talks with their counterparts in the neighboring country to the north, they are told that the problem needs further study.

Senators, I do not believe that I need to quote further.

(9) Adopt in full the National Forest Management recommendations of the lumber industry to the Secretary of Agriculture on performance standards, timber appraisals, appeals procedures and contract revisions.

Others appearing before you today will, I am sure, speak at length on this vital problem. Reference will be made to the delegation of 55 lumbermen who called on the Secretary on February 21 of this year.

I was present at this meeting and would like to pay tribute to our own Congressmen who spoke so forcibly at this meeting. I would also like to read into the record another quotation by Mr. Berry on this matter. [Reads:]

> At that meeting the lumber industry sought four moderate revisions to present timber management and sales policies of the U.S. Forest Service to alleviate conditions in the forest industries. As of today (May 24), the lumber industry has received no reply from the Department of Agriculture although the proposed changes lie well within the province of the Secretary of Agriculture. The U.S. Forest Service employs 30,000 workers. Are they all so fully occupied with distributing Smokey the Bear commercials that they cannot reply to a legitimate inquiry from the industry which provides them with $130 million a year in timber sales revenues? Must 3 months elapse before a letter can be transmitted?

The foregoing extracts from the Congressional Record and our own observations on possible long term solutions to our many problems indicate one very significant fact. It is going to take time, energy and diligence by our Congressmen before we obtain fair trade and fair treatment in the marketplace. It is also evident that time is an element that we cannot afford if we are to avoid further mill closures and unemployment.

Each week without action is costly in jobs, earnings, and taxes. Each week sees more attrition of our competitive position. Each week sees more silent green chains, more dimmed smokestacks, more injured communities. Each week sees less faith in the attributes of our great free enterprise system.

What is needed now, Senators, is action. We need evidence that our elected representatives have some influence on governmental policies. We need proof that our own administration recognizes its responsibility to one of the most basic industries of our Nation. Never before have so many asked so little from so few.

Eight weeks ago today, the West Coast Lumbermen's Association proposed to the President of the United States that a temporary quarterly quota be imposed on softwood imports. We indicated at that time that we would be the first to suggest the removal of a quantitative limitation once we were satisfied that all artificial restraints which have been imposed on our industry by governmental decree have been removed. Forty nine days later, we still stand behind this promise that was submitted to the President through the Senate Commerce Committee.

I should like to point out that there is ample precedent for our request. At the present time our Government imposes a quota on zinc, lead, and petroleum entering this country from Canada. I mention these because, like lumber, they are not price supported, and they come from Canada. As you know, quotas also regulate the imports of textiles as well as other commodities such as rye and apples which are covered by section 22 of the Agricultural Marketing Act.

It has been encouraging to us that virtually every segment of the lumber industry throughout the United States has joined with us during the intervening period in this emergency appeal. Other industries and other labor representatives have added their voices in support of the proposal. It is recognized universally that our cause is just in suggesting that Canadian softwood imports be limited on a temporary basis to 10 percent of domestic consumption for each quarter until our competitive problems are solved.

We believe that we are being more than fair in this proposal. We are offering to share our markets with the Canadians. We are offering them a larger share of our markets than they enjoyed for the 10 years from 1950 to 1960. We are doing this because we recognize that Canada is a country that must export to live. But, we also recognize that there is no justification for American lumber workers to be unemployed while their counterparts in foreign lands are prospering from lumber sales in our own domestic markets.

We have been patient, but, there is a point where patience can no longer endure. We have been tolerant, but, there is a point where tolerance can no longer substitute for hurt. Our industry is hurting, Senators. We ask again—no, we urge you, to your best efforts to get fair trade and fair treatment for your people.

I would like to add with respect to the testimony that was given to you this morning regarding the possible reimposition of the freehold in the United States. I would like to point out to you, Senators, that, if this was possible of achievement, which we rather doubt, we can be sure that the Canadian lines would reimpose the 15-day hold in Canada, which would mean, in effect, that shipments from British Columbia would have the opportunity of being accorded a total of 30 days, 15 days in Canada and 15 days in the United States. I'm just positive that Canada would take this action.

Also, a comment was made this morning, Senators, as to whether any definite approach has been made to the tariff quota question. On March 22 of this year, the lumber industry did write, as you know, to the businessman's friend, the Secretary of Commerce, to try and arrange an early conference between representatives of the United States and Canada.

Senator MORSE. May I ask if you followed the act by filing a petition for a hearing or for a conference? My question is: Have you specifically made formal request under existing law for consideration of tariff revisions?

Mr. EDGETT. Well, I think you would probably agree, Senator Morse, that any question of tariffs, even it it's the removal of them, is such that unilateral action cannot be taken, and, certainly, consultation will have to be made with Canada.

Senator MORSE. That's not my point. My point is whether or not this industry has followed this right under the act. You put us in a very rough spot, I might say. Very frankly, you put your representatives in a very difficult position when we try to get votes in the Senate of the United States for consideration to be given to the lumber industry. They say to us, "What has the industry done to help itself under the existing law?" As you say, you wrote us in March asking for conferences, but this is absolutely meaningless as far as meeting this opposition that we're confronted with. You frequently are writing us to line up conferences for you.

What we are wanting to know is what you have done to follow the procedures of the law. If you've done that, give me that and I'll make a fight in your behalf back there, or point out your rationalization of not following that so I can put our best foot forward.

Mr. EDGETT. As you probably appreciate, Senator Morse and Senator Hartke, there was some clarification needed with respect to section 22 of the Agricultural Marketing Act, and through the efforts

of some Congressmen, this clarification was made by the Secretary of Agriculture, and you are quite right in suggesting that the way is now clear so far as this act is concerned to apply for the imposition of quotas.

Senator HARTKE. You should have proceeded under section 7 of the Reciprocal Trade Act of 1951. This is the matter of procedure. I think Senator Morse makes a very good point, and I think the people here should understand that it's pretty hard for the Senators to pass legislation that provides for a procedure where you have irreparable damage being done to an industry, and then if no action is taken under this procedure, then come back and say, "Yes, I know you passed the law, but it wasn't the law we wanted; we wanted you to take direct action." This is the point that Senator Morse is making, and he cannot fight your battle against the rest of the people and the Senators unless the procedures are followed.

I would like to ask another question while we have interrupted here. On page 6 of your statement, to what legislation do you refer that was passed in the last 6 months?

Mr. EDGETT. This legislation—I do not have a copy of it in front of me, but it was passed in the House about 5 weeks ago and was favorably reported by the Senate Finance Committee which does provide for the tariff at 1.5 percent, and it passed the Senate 3 weeks ago. I'm sure you'll find this is true, Senator Hartke. I will be glad to look it up.

Senator HARTKE. Well, I'll look it up. What I wanted was the reference.

Mr. EDGETT. I just want to clarify this point on the question of the conference. I think you should appreciate that not only are we suggesting the possibility of legislation in our own country, but one of our competitive problems which we feel is somewhat unfair is the fact that we have a nominal duty on softwood imports of 25 cents to a dollar a thousand, and, as you appreciate, I know, Senator Morse, Canada, which permits rough lumber, treated, into the country, has a duty of somewhat around $80 per thousand.

Now, obviously, we can't pass any legislation that will make the reciprocal arrangement with Canada on tariffs. We do understand that Canada is interested in lowering her tariffs as a possibility to achieve reciprocity, and this is one of the suggestions that might very well come out of such a conference.

Senator MORSE. I would just like to comment with respect to your association's proposal regarding the imposition of a temporary quarterly quota on softwood imports, as mentioned on page 9 of your statement. I think we should ride that just as hard as we can. When it comes to the matter of showing the basis for the proposal that you make, we ought to stress that point just as hard as we can.

Mr. EDGETT. That's very encouraging, Senator Morse.

Senator MORSE. Mr. Chairman, I would say that the witness has gone into many points in his testimony that I would like to discuss at length, but I want to go back to page 6, with respect to the proposal for an imposition of a surtax on commodities and services that are imported into the United States from countries that have artificially depreciated the value of their currency.

I think that is an excellent point for the State Department to have in mind in its negotiations with Canada. I'd be less than honest, though, if I didn't say that, if you propose that kind of legislation, you will get a case of reciprocity in Parliament awful fast. I serve on the United States-Canadian Subcommittee of the Congress. We meet with the opposite representatives in the Canadian Parliament once each year, as we have for some years. We have been doing our best to work out a better understanding and cooperation between the two Parliaments, and this kind of proposal would simply be a red flag to the Canadian Parliament, let me assure you.

Nevertheless, I think it's important that our State Department, in negotiations with Canada, point out that this is the kind of reaction they're getting in the United States, and that they shouldn't get maneuvered into a position where we get into a legislative conflict with the Canadian Parliament. I think it's all right to use persuasive reason, but I'm not going to sit here and tell you that I think you've got a snowball's chance in the hot oven of getting that kind of legislation either passed through the Congress, or approved or signed by the President—any President. Nor would it be wise from the standpoint of its effects in the Canadian Parliament.

We're going to have to solve these Canadian problems without our doing it in a manner that will bring us into serious conflict with them.

As you know, I'm a strong supporter of most of the recommendations you have in this statement, but I want you to know I don't buy that one because I know what its effect would be.

Mr. EDGETT. Senator Morse, I would also be less than honest if this was proposed as a salvation for the foreign exchange advantage, but we did feel it was appropriate to bring to the attention of the committee, this differential, this competitive differential that exists.

Senator MORSE. And it is artificial, as you testified.

Mr. EDGETT. It's just not sufficient to say just that Canada has pegged its rate at 92½ cents. We've had it. This is a powerful tool that can be used in our State Department, and this was the prime purpose of bringing this to your attention.

Senator MORSE. Thank you.

Senator HARTKE. On your page 6, I have not been informed on this by our staff and I do not recall it. This evidently—well, I should say this increase that you refer to that Congress acted contrary to your wishes on, in this item 7, about the treatment of certain legislation, I frankly know that this measure and no measure passed out of my committee this year, which has really been of a controversial nature, and the fact of the matter is, one of the most controversial that Congress has faced, but with all the controversy tied up in that, we are having a difficult time coming to any majority agreements.

I have been informed that the local Senators from Oregon and Washington were not advised, to the best of our knowledge, that there was any objection to this.

Mr. EDGETT. Well, your intelligence reports might be better than mine, Senator Hartke. I know Mr. Grinstein and probably this is true. However, the reports that we have had from the National Lumber Manufacturers Association would indicate this to be the case.

Senator HARTKE. Did you testify at the hearing?

Mr. EDGETT. No, I didn't testify. As a matter of fact, I believe that——

Senator HARTKE. The lumber industry testified.

Mr. EDGETT. I know the NLMA did wish the opportunity to testify, but that it was taken under executive action, and there was no opportunity for hearing.

Senator HARTKE. Well, Senator Byrd is chairman of the Senate Finance Committee, and to my knowledge for the time that I have served on that committee, I have not known of a time when he has denied the right to any organization to be heard on any matter of legislation.

Mr. EDGETT. Well, I believe it will materialize very quickly, Senator, and I would like to make this clear at this time, and, first, may I have the opportunity of following up on this because it's very important.

Senator HARTKE. I would be glad to have you do so.

Mr. EDGETT. This is primarily what has come out of the National Lumber Manufacturers Association, but I would like to stress the fact that we do believe, and we do believe very strongly, that these items, drilled, glued and treated lumber, should have separate classifications. As a matter of fact, the U.S. Tariff Commission has had this matter under study for some 2 years, and this was the proposal.

The only thing that we are specifically questioning on is why 1.5 percent should come out when Canada does have the 20-percent duty on this class of commodity.

Senator HARTKE. The point that I want to get at is that it leaves the impression from your statement that we have acted in the face of a recommendation contrary to your recommendation, when frankly I know that this is not the intention of Congress. I wouldn't have traveled out here to Portland today in order to act contrary to the best interests of he lumber people.

This is the point. We're not trying to hurt you, and I know Senator Morse is not as he speaks on these matters up there all the time. He wouldn't have let this go by unnoticed if anyone had called it to his attention.

Senator MORSE. Mr. Chairman, I think Mr. Edgett is entitled to have his remarks in this record reviewed by counsel of the committee, so that we will have a history of the whole matter. I think it is only fair to him that his association be advised as to what happened. It's all news to me.

Mr. EDGETT. Well, it shouldn't be news to Senator Morse because in our regional testimony 2 months ago——

Senator MORSE. Before what committee?

Mr. EDGETT. Before this committee—it was part of our original testimony.

Senator MORSE. It still remains news to me. I sat there as legislative counsel and I happened to be a member of this committee, and I don't know of any representation that your organization or any other organization ever asked to make that I haven't gotten through to the appropriate officials. I can testify that I had no representation made to me on this point nor have I been asked for any assistance on it. But be that as it may, I'm at your service to see what we can do to rectify it.

Mr. EDGETT. Thank you.

Senator HARTKE. As I understand, you do not know the date that it passed the Senate?

Mr. EDGETT. No; I haven't the exact date. It was a very short time ago, Senator Hartke. I think I can give you the date that it passed the Senate Finance Committee.

Senator HARTKE. I will be interested in that.

Mr. EDGETT. I'm afraid I can't give you that date, Senator.

Senator HARTKE. We will furnish this information for the record at a later date. Thank you, sir. We appreciate your testimony today.

(The information requested follows:)

The statement of G. Cleveland Edgett, of the West Coast Lumbermen's Association, before the Senate Commerce Committee at Portland, Oreg., on June 4, 1962, was:

"Once again, Senators, we have been felled by a foul blow because this proposal has been knocked right out of the ring by our own Congress. Despite all the talking that we have done in the past 6 months, we now find that both the House and Senate have passed legislation that will proide a nominal tariff of 1.5 percent on lumber items from Canada that are classified as further manufactured than planed and tongued and grooved."

The proposal mentioned concerned a recent complaint that the tariff of 1.5 percent on drilled, glued, or treated lumber, should be changed to 20 percent.

The legislation mentioned is Public Law 87–456, the Tariff Classification Act of 1961, signed by the President on May 24, 1962.

The tariff reclassification study by the Tariff Commission was a monumental job requiring over 4 years. During this period numerous conferences and hearings were held to iron out complex problems. Wide publicity, including direct contacts with interested industries and associations, made it certain that those wishing to appear had this opportunity.

The study as sent to the Congress and the House Ways and Means Committee publicly asked for comments or objections.

The bill was before the House committee for a year before it was adopted. When it reached the Senate Finance Committee in early 1962 a new request was made for those interested to present their suggestions. All suggestions received full and proper consideration.

During all this period not one representation was made either to the Tariff Commission or the House and Senate committees by the West Coast Lumbermen's Association.

National Lumber Manufacturers Association representative, Mr. Henry Bahr, vice president and general manager, did appear before the Tariff Commission and submitted letters only pointing out certain desired changes with regard to imports of Russian spruce and certain mouldings from Mexico. The Tariff Commission made the revisions necessary to take care of the Russian-spruce situation and pointed out its inability to revise the moulding classification. Mr. Bahr never mentioned the matter of a desired reclassification of lumber items from Canada, "that are classified as further manufactured than planed, and tongued and grooved."

In plain language, neither the Tariff Commission nor the Congress was ever approached on this matter nor were they asked to decide whether any group or organization had a case for the reclassification of these lumber products from Canada.

The statement by the West Coast Lumbermen's Association that they had been, "felled by a foul blow," and that this had taken place despite all the talking they had done in the past 6 months is certainly not borne out by the facts. It should be clear that the Reclassification Act is not a tariff revision act and was not intended to be one. It deals solely with existing rate reclassification. Furthermore, if any kind of legitimate tariff reclassification would have helped the domestic producers, they have only themselves to blame for an absolute failure to present their case at any point during the almost 5 years when the study and ensuing legislation was in progress.

Because the Congress recognized that problems that may not at first have been apparent should be corrected, or that some industries or associations may have been somewhat dilatory about offering suggestions, the tariff classification bill, in section 104, specifically provides for further revisions. Between the time of the

passage of the bill and the time when the new classifications are to be made effective, anyone desiring to see changes made may appeal to the Tariff Commission where they will be heard and their requests carefully considered. It is estimated that the machinery for making effective the new classifications would take about 1 year. During this period all those dissatisfied with the suggested changes may appeal and present their case. This has been public knowledge since the bill was first presented to the Congress.

Since that time no appeal has been filed by any lumber association or group for further revisions in the classes having to do with lumber further manufactured than tongued, planed, or grooved. This door is still open, it has been open, and there may be some who are still asleep at the switch and this news may serve to awaken them.

U.S. TARIFF COMMISSION

[87–456–1]

CERTAIN PROVISIONS OF THE TARIFF SCHEDULES OF THE UNITED STATES

NOTICE OF HEARING AND OPPORTUNITY TO PRESENT WRITTEN VIEWS

The U.S. Tariff Commission hereby gives notice that on June 18, 1962, a public hearing will be held for the purpose of affording interested parties an opportunity to be heard in connection with the Commission's further consideration of certain provisions of the tariff schedules of the United States which are identified in annex I of this notice. This action is taken pursuant to sections 101(*b*)(4) and 101(*c*) of the Tariff Classification Act of 1962 (Public Law 87–456, approved May 24, 1962) on the basis of further information received by the Tariff Commission which in its judgment justifies further consideration of the provisions in question.

The tariff schedules of the United States are set forth in the report of the Tariff Commission entitled "Tariff Classification Study, Proposed Revised Tariff Schedules of the United States," dated November 15, 1960, as changed by the "First Supplemental Report" of January 1962. Copies of the above-mentioned tariff schedules are available for inspection at the office of the Tariff Commission in Washington, D.C., and at its New York office, at U.S. customhouses, at Department of Commerce field offices, and at most large libraries in the United States; copies may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.

Information and views may be submitted either in writing or by oral testimony at the public hearing, or both. Fifteen copies of written statements must be submitted. Each such statement should be submitted as early as possible, and, in order to assure due consideration, must be submitted not later than June 22, 1962. Written statements and oral testimony must be limited to the provisions identified in annex I of this notice. Submissions which deal with other matters are not relevant and will not be entertained.

REQUEST FOR APPEARANCE AT THE PUBLIC HEARING

Request to appear at the hearing must be filed in writing with the Secretary of the Commission not later than June 13, 1962. Any such request must include (1) the name, address, telephone number, and organization of the person filing the request, and the name or names of any witness or witnesses who will testify; (2) the particular provision on which testimony will be presented.

The public hearing will begin at 10 a.m. eastern daylight saving time, on Monday, the 18th day of June 1962, in the hearing room of the Tariff Commission Building, 8th and E Streets NW., Washington, D.C. Parties who have properly entered an appearance by June 13, 1962, as indicated above, will be notified individually of the date on which they are scheduled to appear. Such notice will be sent as soon as possible after June 13, 1962 (the closing date for requests to appear).

All communications regarding this public hearing, including requests to appear, should be addressed to the Secretary, U.S. Tariff Commission, Washington 25, D.C.

By order of the Commission:

DONN N. BENT, *Secretary.*

Issued June 1, 1962.

ANNEX I

PROVISIONS OF THE TARIFF SCHEDULES OF THE UNITED STATES UNDER CONSIDERATION

1. Headnote 10(e)(i) of the general headnotes and rules of interpretation relating to classifications controlled by use other than actual use. Further consideration is being given to determine whether clarification is required.

2. Items 148.42–148.50, part 9B, schedule 1, covering *olives, in brine.* Further consideration is being given to determine whether the existing rates of duty expressed on a gallon basis should be converted to a pound basis.

3. Item 167.15, part 12B, schedule 1, covering *cider.* Further consideration is being given to determine whether the product description for this product is too restrictive.

4. Item 182.32, part 15B, schedule 1, covering *chewing gum.* Further consideration is being given to determine whether the rate of duty in rate column No. 1 is incorrect.

5. Items 245.00–245.30, part 3, schedule 2, covering *hardboard.* Further consideration is being given to determine whether changes are required for purposes of clarification and for properly reflecting the equivalent of the existing tariff levels.

6. Headnote 4, part 2D, schedule 6, in regard to *continuous cast aluminum products.* Further consideration is being given to determine whether this headnote should be deleted or changed.

7. Items 649.43–649.49, part 3E, schedule 6, covering *interchangeable tools for hand tools or for machine tools.* Further consideration is being given to determine whether separate subordinate description should be inserted for certain files (including rotary files) and rasps to avoid significant rate increases on such products.

8. Headnote 3(b), part 1A, schedule 7. Further consideration is being given to determine whether changes should be made in that part of this headnote which provides that *footwear* in item 700.50, if wholly or in part of natural rubber, shall be dutiable on the basis of American selling price.

9. Items 709.01–709.27, part 2B, schedule 7, *medical, dental, surgical and veterinary instruments and apparatus, and parts thereof.* Further consideration is being given to determine whether subordinate provisions should be inserted for *percussion hammers* and *otoscopes* to avoid significant increases in the rates of duty applicable thereto.

10. Headnote 2(b), part 4B, schedule 7, defining "inlaid" as used with regard to *linoleum* (item 728.05). Further consideration is being given to determine whether the headnote requires clarification to avoid a possible unwarranted rate increase on certain types of linoleum.

11. Item 808.00, part 1C, schedule 8, covering *substantial containers and holders.* Further consideration is being given to determine whether this provision should be enlarged to provide for the free entry of containers and holders which are determined by the Secretary of the Treasury to be instruments of international traffic.

Senator HARTKE. The next witness we have called is Mr. A. F. Hartung, president of the International Woodworkers of America.

Senator MORSE. Mr. Chairman, while Mr. Hartung is taking the stand, may I have a ruling from the Chair as to the operators in the Siuslaw Forest having permission to file a subsequent statement for this record on the problem that we took up during the noon recess. I also would like to have in the record the wire that I sent to Mr. Cliff, Chief of the Forest Service, as a result of that conference. It reads as follows:

Have met with Siuslaw Forest operators who vigorously protest Forest Service revision of scaling operations. They contend they have not been afforded adequate hearing to present their case. I believe it is of utmost importance that you issue stop order on procedural changes planned by regional forester pending an immediate review and opportunity for operators to present their case to you. Please wire reply to my Oregon office.

NOV 1 1962 MANHATTAN, KANSAS

I signed it. This is just another example of where I think we have to work out the procedure that makes it possible to settle these disputes by way of an appeal procedure so that these matters can get to the head forester, if necessary, very quickly.

So I have asked the head forester, Mr. Cliff, to pass judgment on that particular ruling. It seems to me to be quite arbitrary.

Senator HARTKE. The wire has been made a part of the record here, and also the record will be held open for the testimony of the group you mention.

You may proceed, Mr. Hartung.

STATEMENT OF A. F. HARTUNG, INTERNATIONAL WOODWORKERS OF AMERICA, PORTLAND, OREG.; ACCOMPANIED BY ELWOOD TAUB, DIRECTOR, DEPARTMENT OF EDUCATION AND RESEARCH

Mr. HARTUNG. Mr. Chairman, Senator Morse, members of the committee, my name is A. F. Hartung and I am president of the International Woodworkers of America. I have a rather short statement I would like to read for the record.

I represent approximately 100,000 workers in the lumber and wood products industry, both in the United States and Canada.

Inasmuch as the chairman of the committee requested us to make as brief a statement as possible, we shall not take time to repeat what others may have said before this committee. We do not believe that the picture is as grim as has been reported in the newspapers, nor do we believe that solutions to the problem need be as drastic as have been suggested.

CANADIAN WATERBORNE SHIPMENTS

First of all, there is no question that British Columbia shipments to the Atlantic coast have increased during 1961 (during 1961 they were 794 million board feet, as compared to 695 million board feet a year earlier, and increase of 14 percent). West coast shipments declined 30 percent in the same period, from 849 to 594 million board feet. It is interesting to note that the gain in Canadian shipments was not as great as the decline in west coast shipments to the Atlantic coast. As a consequence, total waterborne shipments from British Columbia and the west coast to the Atlantic coast diminished during 1961.

The latest data we have, for the first quarter of 1962, indicate that total British Columbia and west coast shipments are up. British Columbia shipments are up 32 percent. West coast waterborne shipments to the east coast are down about 12 percent.

WATERBORNE SHIPMENTS REPRESENT A SMALL PORTION OF U.S. SHIPMENTS

But to focus only, or constantly, upon waterborne shipments from the western part of the continent to the eastern part of the continent would be an error. As a matter of fact, U.S. waterborne shipments of western softwoods to the Atlantic seaboard constitute only 3 percent of all western softwood shipments. All U.S. waterborne shipments to the east coast constitute but 7.8 percent of all Douglas-fir shipments.

The balance of shipments are either consumed locally or go eastward by rail (and truck).

IS CANADIAN LUMBER THE CULPRIT?

As shown above, Canadian waterborne shipments during 1961 exceeded those of 1960 by approximately 100 million board feet, and west coast shipments declined by about 255 million board feet. During this same period (1960 and 1961), southern pine shipments increased from 6.2 to 6.5 billion board feet, an increase of 300 million board feet. Traditionally, the bulk of southern softwoods is consumed in the South, but it is reasonable to assume that a sizable portion of the 5-percent increase in its shipments went outside of the South, thereby capturing a portion of the formerly held western shippers' market.

HAVE OTHER FACTORS AFFECTED THE MARKET?

In addition to competition from southern pine, other goods, a preponderance of which are produced here on the west coast, are also responsible for some of the inroads being made into traditional markets.

Softwood plywood production, for example, has increased from 5.3 billion square feet in 1957 to 8.5 billion square feet in 1961, as increase of 60 percent in the last 5-year period. Not only that, but first quarter plywood production is running 21.9 percent ahead of a similar 3 months from 1961.

In addition to plywood, both insulating board and hardboard products have made inroads into traditional markets: insulating board has increased output 10 percent over the last 5 years, so that 1961 production was 1.1 million tons; hardboard production increased 29 percent over the last 5 years—its 1961 production was 738,000 tons. Additional improvement in processing chips, most of which formerly were wasted, are creating other new chipboards, hardboards, pressed board, and so on. These are being used for exterior finishes as well as for building which is concealed when completed.

Since there are so many uses for our logs, plywood especially, they serve to sustain and drive up the price for logs. When the market is depressed, there is little question that log prices would diminish. As a matter of fact, most companies still pay considerably more when bidding for logs than the appraised price.

MILL CLOSURES AND THE EMPLOYMENT SITUATION

During the past several months, there has been a great deal of publicity about a hundred mills which have gone out of business in the past year, all allegedly because of Canadian competition. We suggest that there is no evidence to support this conclusion. In fact, the available evidence suggests entirely different forces are at work. From 1948 through 1959, approximately 1,000 mills have closed their doors, and if another hundred have closed their doors in the past year, it suggests further the trend which has been clearly established in the industry: the capacity of the industry has been maintained among fewer producers; that is, large mills have replaced smaller ones and older mills have expanded.

Nor has the trend toward expansion stopped. Many companies, especially the large ones, are adding new facilities, both sawmill and plywood, to their productive capacity.

The employment situation also warrants a close look. As a matter of fact, employment in Douglas-firm sawmill and planing mills diminished from 62,500 in 1950 to 37,500 in 1960, in both Oregon and Washington. This is a decline of 25,000 men. Logging employment in the Douglas-fir region in the two States has diminished from 25,300 men in 1950 to 20,400 in 1960, a decline of about 5,000 people.

Both employment in the lumber and wood products industry (excluding furniture) in these States is now picking up. In Oregon, employment in March 1962 was at a level of 65,400 men, an increase of 7,000 people above the figure of a year ago. A somewhat later figure is available for the State of Washington. April 1962 employment was 41,300, a gain of 1,600 people over the April 1961 figure and a gain of 5,300 people above the March 1961 figure.

Thus, we think the situation is not as desperate as has been suggested. We do not believe the answers lie in imposing quotas on Canadian imports. We think the answers lie in other directions.

SUGGESTIONS FOR IMPROVEMENT IN THE INDUSTRY

The industry has some problems, and we do not mean to shut our eyes to them. But we believe they can be corrected by means other than those that have thus far been suggested. We propose the following:

(a) We propose that the State Department seek elimination of the Canadian tariffs on the goods produced by our industry or seek reduction of them to a level comparable to the tariff imposed by us on Canadian lumber products.

(b) We urge the industry to make efforts to avoid the wild price fluctuations that have been characteristic of many of its segments in the past. We think such fluctuations discourage the purchase and use of our products.

(c) We urge the industry to undertake improved grading methods, so people will receive what they believe they have purchased. This is necessary to avoid discouragement of the use of our products.

(*d*) We urge the industry to join with both us and the administration in seeking legislation that will improve the plight of great numbers of people who live in slums and other poor houses. Expanded urban redevelopment programs and programs for the aged will not only provide decent houses for many people but will also help the industry. We remind the industry that it can no longer climb on a pedestal and seek to oppose such action because such action might require a subsidy from the Treasury. This position of the industry has been undermined by its demand for a subsidy for shipping interests. We are not opposed to revision of the Jones Act as has been proposed, to provide a subsidy to compensate for the Canadian shipping advantage.

(*e*) We urge both the industry and the Interstate Commerce Commission to examine again the situation with respect to rail transit restrictions. Although some of the problems of the industry may be solved by having Canadians impose the same kind of restrictions that U.S. railroads have, it may be just as feasible—if not more so—to

allow U.S. west coast shippers the same kind of liberties which the Canadians now have. Such allowances would be more in line with other findings of the ICC that have helped the industry, such as the relatively recent rate reduction it effected.

(*f*) We urge the industry to expand its research and development functions and investigate new building methods. As much as 10 percent or more of the housing market is now being taken by shell and prefabricated houses. Such houses begin to come within the reach of those who constitute the great number of poorly housed people of this country, those who have incomes of $7,000 or $6,000 or $5,000 annually, or less. Development of a house for these people would tap a market greater than that which followed World War II.

(*g*) We urge the industry to join with us in seeking legislation which will provide low-interest loans to potential homeowners of limited incomes. We also urge them to join with us in seeking elimination of many of the outrageous practices which affect the mortgage industry: point discounts, and so on.

(*h*) We urge the industry to realize that foreign trade problems cannot be solved by hiding behind a wall of protectionism. The U.S. plywood industry shipped 2.8 million square feet of plywood to Canada in 1960 (full 1961 data are not yet available). It shipped another 5.4 million square feet to other countries. Canada shipped 16 or 17 times this amount to countries other than the United States. The bulk of this went to the United Kingdom, where Canada has a preferred status. The obvious solution is to get equal treatment with Canada.

Accordingly, we urge the industry to support the program of the administration to provide access for U.S. goods into the European Common Market. This will require a reversal of the already announced role of the National Lumber Manufacturers Association, but it will provide access for American lumber and wood products into a market as great as that of the United States. We remind the industry that British Columbia has already opened offices in France and West Germany, looking forward to the day when it has unfettered access to such markets. This market probably will not come by itself to the United States; we shall have to compete for it.

In terms of total output, the industry is an expanded one, but parts of the industry have problems. Builders have learned a long time ago not to use two boards, where one will do. They have also learned not to use lumber if plywood or something cheaper can do the job. By the same token, homebuilders here and abroad have demonstrated their liking for wood products. The market is there for those who will compete for it.

With regard to my suggestion on page 4 as shown in paragraph (c) regarding improved grading methods, I would like to read you a letter dated June 1, 1962, and it comes from Washington, D.C. It's right in line with that particular paragraph, and it says:

DEAR MR. HARTUNG: As a so-called happy homeowner, please let me register a complaint. During the past winter, I paneled a room in my house, built two closets, a window seat, and some extra-wide bookshelves. Having now finished this do-it-yourself project, I am looking around for a substitute material, anything but wood, for future projects.

Let me make it clear that I am not objecting to the price of lumber. I am objecting as bitterly as possible to the quality of lumber available at the yards

in this area. Almost without exception, the shelving I purchased was badly warped. After returning a number of pieces to the yard as unusable, I attempted to handpick my needs. I can't say that I enjoyed searching through piece after piece of pine shelving looking for boards that didn't resemble roller coasters. When I did find shelving that could be used with the aid of molding, I then had to check for knotholes. Sure, I expected knotholes in buying shelving, but I didn't expect Swiss cheese. Time and again, I had to reject boards because it was impossible to find a straight edge that didn't have an inward curve caused by a knot.

It seems to me there is a real boon in doing self-work and a high potential market for lumber, but the available product certainly adds an incentive to using other materials. According to the manager of one large yard, he is unable to obtain good shelving. He claims that, when he orders a carload, while the top pieces are good, the rest is junk. The mills are complaining about the consumption of lumber. I suggest that they improve the quality and stop worrying about the price. I, for one, would be willing to pay more, but let me have something I can work with.

This is signed by Kenneth Young.

Senator MORSE. I would like to ask the witness a couple questions, Mr. Chairman.

Senator HARTKE. Yes.

Senator MORSE. Mr. Hartung, in the opening of your statement, you say:

> I represent approximately 100,000 workers in the lumber and wood products industry, both in the United States and Canada.

Will you state for the record how many of those workers are in the United States, and how many in Canada?

Mr. HARTUNG. About 42,000 of them in Canada, and the rest in the United States.

Senator MORSE. Mr. Hartung, do you take the position that the Canadian mills, in which your members work, do not enjoy various advantages that the Canadian Government gives to them, in contrast to like advantages that your workers and members in the United States enjoy?

Mr. HARTUNG. Well, I don't agree that today the lumber worker for the Canadian producer has all of these advantages. After all, the Canadian workers are well organized. For your information, they just got a 16-cents-an-hour wage increase for 2 years offered them.

Senator MORSE. How does the wage compare with the workers in the United States?

Mr. HARTUNG. I would say that the 16 cents would bring them practically up to par as far as the cutting and logging end, and the falling and bucking, and their wages have been apart for many years and many of them have the same jobs. It is true that common labor has been somewhat under, but, beyond that, the Canadian worker enjoys many Government protections that the American worker does not enjoy.

We feel that the competition between the Canadian worker—I am talking particularly about the west coast and, for that matter, the east coast—is quite comparable also.

Senator MORSE. If that is true, then, Mr. Hartung, that would be all the more reason for us to take into account the fact that the Canadian mill has an advantage over the U.S. mill.

Mr. HARTUNG. I wouldn't say so. I think that the price of stumpage might be somewhat cheaper. However, Canada has a transportation problem for its raw material that is much greater than you have

anywhere in the United States. Here, we have county roads, superhighways leading into many of our major forests, where up in Canada they don't have that. They have to depend upon building their own roads, and in the inlets they are towing logs by barge to the mills.

Senator MORSE. To go along with that, if I may, I don't mean that this be an unfriendly question, but there are some questions that I want for the record here, as I did this morning when the representative from the marketing group with Canadian interest also was on the stand.

Am I correct in the conclusion I draw from your testimony that, so far as the fallers and buckers in the woods, as you testified, the wages have been at par with the wages in the United States? However, this last 16-cent-an-hour increase that is about to go into effect in Canada, would, for the first time, bring up to par the present wages that your members in American mills receive?

Mr. HARTUNG. It would apply to the hourly worker, not the pieceworker, Senator.

Senator MORSE. Well, what I want to know is, in the past and for how long in the past has the millworker in Canada received an hourly wage less than the wage earned by the millworker in the American mills?

Mr. HARTUNG. It has been over a period of years, Senator. However, the gap has gradually been closed year by year.

Senator MORSE. Now you've got it closed with this 16 cents?

Mr. HARTUNG. Yes, this year it is closed, unless the grant in negotiations here are successful.

Senator MORSE. That was going to be my next question.

Mr. HARTUNG. Right along with that, Mr. Senator, we have the factor of Government laws which guarantee them vacations with pay, of which we have nothing here. They are guaranteed so much, whether they have a contract, or whether they don't. They also have benefits and accident compensation up there that is much better than we have down here. So, when you take the overall labor costs, you pretty well can compare them in the last few years.

Senator MORSE. I'll be through very shortly, Mr. Chairman, but I think we should have all the pros and cons in this record if I can get them there.

You, now as of this hour, with your 16 cents in Canada, when it goes into effect, are on par, but you are about to negotiate on wages in this country, and if you are successful, and knowing your past record we'll be hearing from you when those negotiations are over, let's assume hypothetically—and I'm not too sure it's hypothetical—that you get an increase in this country for your millworkers, you will then continue, will you not, the differential that you yourself testify has existed for some years between U.S. mills and Canadian mills?

Mr. HARTUNG. That's true. There will be some differential, but there are advantages which they have guaranteed them by Government laws, which advantages the workers here do not have.

Senator MORSE. So, the Canadian mill has some labor advantages, as far as labor cost is concerned?

Mr. HARTUNG. I'd say very slightly.

Senator MORSE. Whatever the cards show, then.

Mr. HARTUNG. There are sections in this country where one section has advantages over the others, too.

Senator MORSE. Yes, you are right. You brought that out in your statement. We're dealing with the United States-Canadian problem right now. Now you talk about the advantages that the Canadian Government makes available to its workers that are not made available in the United States. Does that not, however, give the Canadian mill an additional advantage over the U.S. mill?

Mr. HARTUNG. I would say not, no.

Senator MORSE. It does not from the standpoint of labor supply and the quality of the work performed become beneficial to the labor relations that flow therefrom?

Mr. HARTUNG. I would say that we have more labor supply here available now for the logging industry than they've got up in Canada.

Senator MORSE. What I'm trying to bring out is that the Government in Canada not only subsidizes with the various types of subsidies that this record seems to indicate, but also subsidizes the employer also by making available to the employees at Government expense certain advantages that are not made available in this country at Government expense, but are made available only as you negotiate for them as fringe benefits in collective bargaining, thereby imposing an additional cost on the American lumber mill. Doesn't that put the American lumber mill at a disadvantage? See, you whet my curiosity. Since you've arbitrated before me so many times and I'm accustomed to these arguments, I want to know your answer to that.

Mr. HARTUNG. The Government derives its income from taxes, I presume, and, as you well know, the Government up in Canada imposes a tax on the lumber industry to help make up the budget of the income in order to meet the benefits. It is a guaranteed benefit to the worker up in Canada, which we don't have down here. We have to negotiate them here, and many of the operations that are still unorganized here in the United States do not have to meet those competitive conditions They just don't pay them, the fringe benefits are out the door. So, there is a certain benefit to the industry that is unorganized whereby it has these advantages.

Now, as to the Canadian lumbering industry, you hear the loud cries of the operators here in the United States. After all, they own about 35 to 40 percent of the Canadian lumber market, and if they are exporting themselves out of business down here, it would seem to me that they have pretty good control of that themselves. They could exercise control of their exports to the United States.

Senator MORSE. One more question on this matter of relative costs, and the question as to whether or not our lumber mills operate at a disadvantage in comparison with the Canadian mills, generally: Am I correct in drawing this deduction from your testimony, that you do not deny that the Canadian mills are the beneficiary of some largess from the Government, but you do dispute whether it happens to be the particular types of advantages that the mill operators testified to so far in this testimony? You don't question the fact that they get some stumpage advantage, you don't question whether or not they get the advantage in regard to scaling, you don't question whether or not they get some advantage in regard to transportation cost. Wouldn't you say that some of the contentions made by the operators

here today you do question? Is that a fair summary of your statement?

Mr. HARTUNG. That is correct. I think it's a fair summarization of the situation up in Canada, and the Canadian mills, for which they appear, many of them are in the process of where they need modernization, and many of those mills up there do not have the productive capacity that many of our newer mills have here in the United States.

We have mills—I might advise you—we have one up at Shelton, which produces somewhere around 140 to 150 board feet of lumber a day and employs about 12 to 14 men. Now, Canada has no such mills available up there yet because their mills have just reached this period of time where they probably have used them long enough so that a lot of them need modernization, and, for this reason, we have many mills here that can outproduce them five or six times per man-hour, compared to what some of their mills can do up there.

That is not always true on logging. However, the logging shows up in Canada, some of them are good, and some of them are quite scattered, some are up in mountainous country, and the cost of building roads and getting them in and rafting them and towing them into the mill area is quite expensive.

Senator MORSE. Mr. Chairman, I want to ask one more question and then I will close this examination.

You made a remark, Mr. Hartung, and I don't think it ought to be allowed hanging in this record without some documentation. You made a remark a couple minutes ago about, as I understood it, and correct me if I'm wrong, about American operators operating also in Canada, with large investments in Canada. I thought you implied that that worked to the disadvantage of the United States. I want you to, first, point out the facts about your statement, and, second, what deduction you want us to draw from them.

Mr. HARTUNG. The only reason for that comment, Senator, was that the American lumber industry has invested in Canada, and I am informed that it runs from 35 to 40 percent by reliable figures.

Senator MORSE. You mean some of the mills in the United States also own mills in Canada?

Mr. HARTUNG. That's right, the same companies, Crown Zellerbach, and other companies, who are operating on both sides of the border.

Senator MORSE. And your testimony on these investments is that they amount to 30 to 40 percent of the investment in the lumber mills in Canada?

Mr. HARTUNG. Control 30 or 40 percent of the companies in Canada. The only reason I made the remark for the record was that this segment of Canadian-American companies could have some effect on the Government curtailing the imports to this country, if they are so damaging as they claim they are.

Senator MORSE. I will ask some similar questions of some operators, but Mr. Chairman, I want the operators to have the right to file memorandums and Mr. Hartung a supplemental one, if they wish to on this point. We ought to have the facts in regard to this crossing the line and investments, too.

Mr. HARTUNG. There's no question about it. The percentage might vary 2 or 3 percent, but you will find that it's between 35 and 40 percent, or pretty close to that.

Senator HARTKE. I have no questions. Thank you, Mr. Hartung.

If Mr. Edgett is here, the matter to which he referred to as a reclassification act was not a specific act, referring to lumber alone. It passed the Senate April 17. You testified before the Commerce Committee on April 16. However, before the proceedings, there had been 6 years of hearings before the Tariff Commission, which covered many other items besides lumber. This item was before the House Ways and Means Committee and written statements were requested and received from many people. It was also before the Senate Finance Committee and written statements were received. There is no record of the lumber industry ever submitting any statement whatsoever either to the House or to the Senate.

The act does contain an appeal procedure, and the provisions of that do not go into effect until the first of January 1963, some 6 months or more away. The hardboard people have filed an appeal, and if the softwood lumber people desire to do so, they could.

I just think that that should be in the record for clarification.

Our next witness will be Mr. Prichard.

STATEMENT OF LEWIS G. PRICHARD, THE FIRST NATIONAL BANK OF OREGON, PORTLAND, OREG.

Mr. PRICHARD. Senator Hartke and Senator Morse:

My statement is going to be quite brief. I have prepared a written statement here with some charts, and the intent of my presentation is not to duplicate anything that has been put in the record, but to try to orient the lumber industry to the importance to the economy of Oregon and Washington.

Looking at Oregon, you will find that Oregon's population has increased, its total employment has increased, its income has increased, and as to all of those things, it might be a little difficult for you yourself to orient to the lumber industry, and I have tried to present the overall picture in these charts, which are headed and which will show that the lumber industry has undergone some intricate changes over the years. I think it becomes clearly evident from the charts, which are attached, and they will also show that Oregon's total economy has grown, and it has been other industries that have been our lifesaver in building up our economy, and those points should be brought out.

For example, exhibit I, attached hereto, was a reproduction of some charts which show the production and the consumption of lumber nationally and show Oregon's place in the entire lumber picture, and those charts will show that Oregon's 1961 lumber output was the smallest it has been since 1947, and that chart is based on the charts which are printed and are in the Real Estate Trends report, which is published semi-annually in Portland by a group, and it is based on National Lumber Manufacturers Association data.

Chart II shows the trends of employment in the lumber and plywood industry in Oregon over a period of years, and that chart shows that lumber employment has declined an average to 39,200 in 1961, from a high of 70,400 in 1951, and also it shows the combined employment in plywood and lumber and millwork in Oregon in 1961 is 66,900 persons, which was the lowest level in the 1948–61 period.

Chart III, attached, is a rough trend history in the lumber industry, showing the estimated value of the lumber produced in Oregon by years from 1925 through 1961. The mill realization of lumber produced and the number of sawmills in the area is shown, and this chart shows that the number of sawmills dropped from about 1,500 in 1947 to less than 500 in 1961, which figures, of course, are estimated partially.

Then chart IV indicates some relationship in our business to the lumber business. It shows demand deposits of individuals, partnerships and corporations, continued to level off in the same period that the value of lumber leveled off. Of course, I do not want to imply that lumber is the sole factor in these trends, that farming and other important industries in Oregon somewhat follow the same trends, but there evidently is a relationship in the leveling off of the lumber with the leveling off of the other products. These items cannot be depicted, but they are there.

Charts VI, VII, and VIII show the composite picture of employment in the various industries in Oregon. They show employment in all manufacturing, except lumber, manufacturing in these other industries has gone up much faster percentagewise in Oregon than it has gone up in the Nation, comparing identical industries. So, other industries have been real lifesavers to Oregon's economy, and the lumber industry has suffered extensively.

I'm not going into any of the details of the lumber industry. I just wanted to point out that these charts and figures do emphasize the fact that these other industries have been a factor in upholding Oregon's real growth, and that the lumber industry has suffered extensively, and I would like to have these events noted and related to our total economy for the industry.

Senator HARTKE. These charts are very interesting, Mr. Prichard. They are a side of the picture we haven't had.

Senator MORSE. One question, Mr. Prichard, you refer in your explanation of these charts to the lumber industry. Are the charts based upon the total lumber industry which includes plywood, hardboard, and certain paper products, as well as softwoods?

Mr. PRICHARD. Well, of course, the chart with respect to lumber, I believe, was chart III, and it pertains solely to the lumber industry, and it gives the number of sawmills, the production, and so forth, and chart II, dealing with employment, of course, shows the total employment in lumber, plywood, and millwork. That's the group which the employment department classifies, and that does not include paper, it does not include hardboard, but it does deal with this category. As a matter of fact, logging and plywood, and the paper industry as such, is dealt with in charts VII and VIII, which do show figures for the base period 1947–49 for Oregon and for other States, and there we show a comparison of the growth from the 1947–49 base period to the year 1961, and there you will notice that in Oregon in lumbering it declined more in employment even from the base period to 1961 in Oregon than it did in other States. It will also show, of course, that we went up faster than other States in plywood and things of that kind. We went up faster in about two-thirds of the manufacturing industries percentagewise than other States. A few industries only in Oregon have not grown faster in manufacturing than they have in the other States percentagewise.

Of course, we are small, 1 percent of the Nation, but we like to think of being 1 good percent.

I would like to have my statement and charts placed in the record.

Senator HARTKE. I have no questions, and we appreciate your testimony.

Your prepared statement will be made a part of the hearing record at this point.

(The prepared statement follows:)

My name is Lewis G. Prichard; I am a vice president of the First National Bank of Oregon, Portland, a statewide banking institution. My statement regarding the lumber industry and its relationship to economic trends in Oregon represents solely my own views which may not necessarily be the opinions of the management of the bank.

This presentation largely consists of various charts and tabulations to graphically emphasize two points. First, Oregon's lumber industry has undergone somewhat drastic changes through the years. Secondly, other industries in Oregon have shown extremely healthy growth during the postwar period which has been a lifesaver to Oregon's economy.

Exhibit I attached contains charts reproduced from the report entitled "Real Estate Trends in Portland, Oreg.," prepared semiannually by the Metropolitan Portland Real Estate Research Committee, a civic group. The original source of the data is the National Lumber Manufacturers Association. These two charts showing lumber production and lumber consumption reveal Oregon's place in the Nation's lumber industry. It will be noted that Oregon's 1961 lumber production was the lowest of any year since 1947.

Exhibit II is a chart also reproduced from the report, "Real Estate Trends In Portland, Oreg." This chart shows that employment in logging and sawmills declined from a peak of 70,400 in 1951 to the lowest level of 39,200 in 1961. This chart also illustrates that employment in the lumber industry is highly seasonal. Perhaps it should be pointed out that as employment in lumbering declined seasonal unemployment also shrunk; consequently during the years 1959, 1960, and 1961 Oregon's unemployment situation was more favorable in proportion to its size than in the Nation. But, of course, in the aggregate, employment in logging, lumbering, plywood, and millwork in Oregon totaled 66,900 in 1961 which was the lowest level in the 1948–61 period.

Exhibit III containing several charts shows the estimated value of Oregon's lumber output, the estimated price trends, the estimated production, and the estimated number of sawmills in Oregon. The number of sawmills dropped from about 1,500 in 1947 to less than 500 in 1961.

Exhibit IV shows certain relationship between bank deposits and the lumber industry. Specifically, demand deposits of individuals, partnerships, and corporations, containing checking accounts of lumber companies and others, rather closely follows the trends of value of lumber. However, it is not intended to imply that lumber has been the sole cause of these trends in bank deposits. This chart also shows that the two major segments of Oregon's economy, lumbering and farming, have stood still or sagged during many of the postwar years and that demand deposits of all banks have corresponded somewhat to a similar pattern.

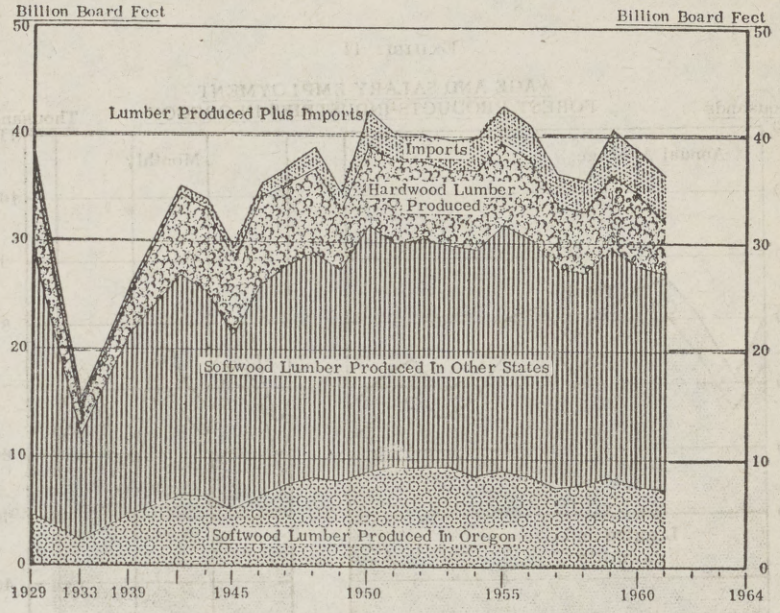
Exhibit V has been designed to emphasize the fact that farming trends and demand deposits have also fluctuated in patterns which indicate a relationship.

Exhibits VI, VII, and VIII are attached to dispel any notion that Oregon's economic outlook is dim in fields other than lumbering. Had lumber been able to uphold its share of Oregon's economy there would have been exceedingly favorable growth. However, the growth in other fields exceeded the decline in lumbering so that Oregon's overall trends of expansion have paralleled the national rate.

In summary the attached charts and tabulations show that Oregon's lumber industry has declined notably. Such trends in the lumber industry have been a drag on Oregon's total economy. Had not certain other industries prospered Oregon's total economy would be bleak. Oregon's economy is heavily dependent upon the lumber industry and, of course, the lumber industry is greatly dependent upon Government-owned timber. Consequently policies with respect to the cutting of and the sales of Government timber are important to Oregon's overall economy. Appropriate policies should be established for the future well-being of Oregon and the Nation.

EXHIBIT I

LUMBER PRODUCTION AND IMPORTS IN THE U. S. AND OREGON'S LUMBER PRODUCTION



NATIONAL LUMBER CONSUMPTION AND EXPORTS

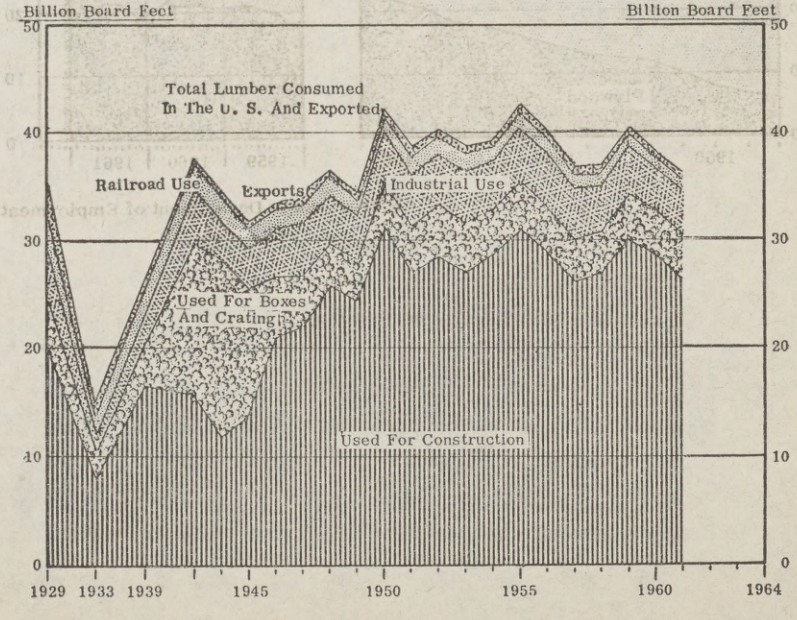
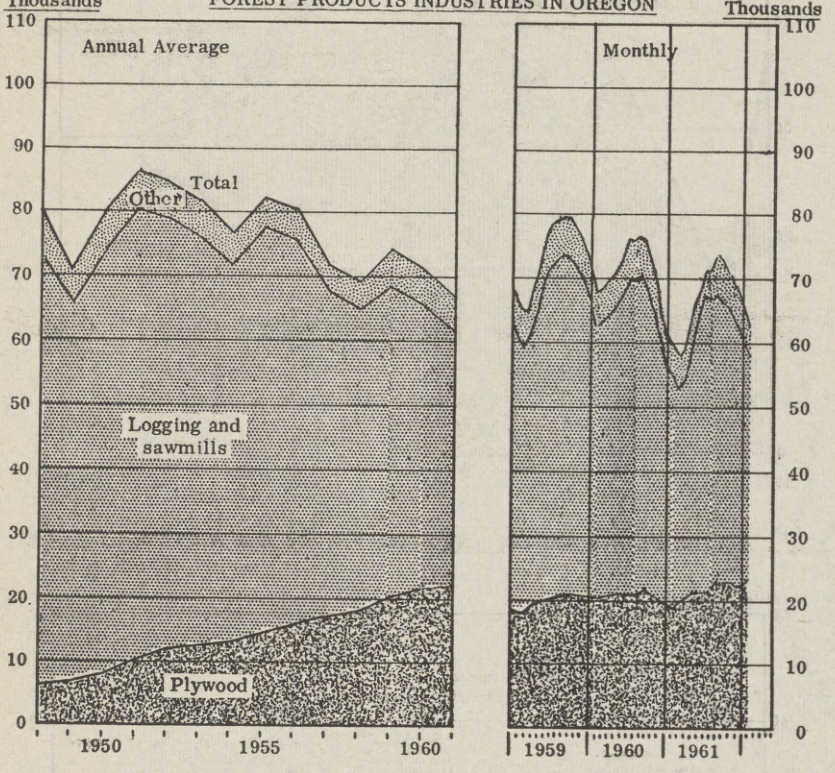


EXHIBIT II

WAGE AND SALARY EMPLOYMENT
FOREST PRODUCTS INDUSTRIES IN OREGON



Source: State Department of Employment

EXHIBIT III

HISTORY OF THE LUMBER INDUSTRY IN OREGON

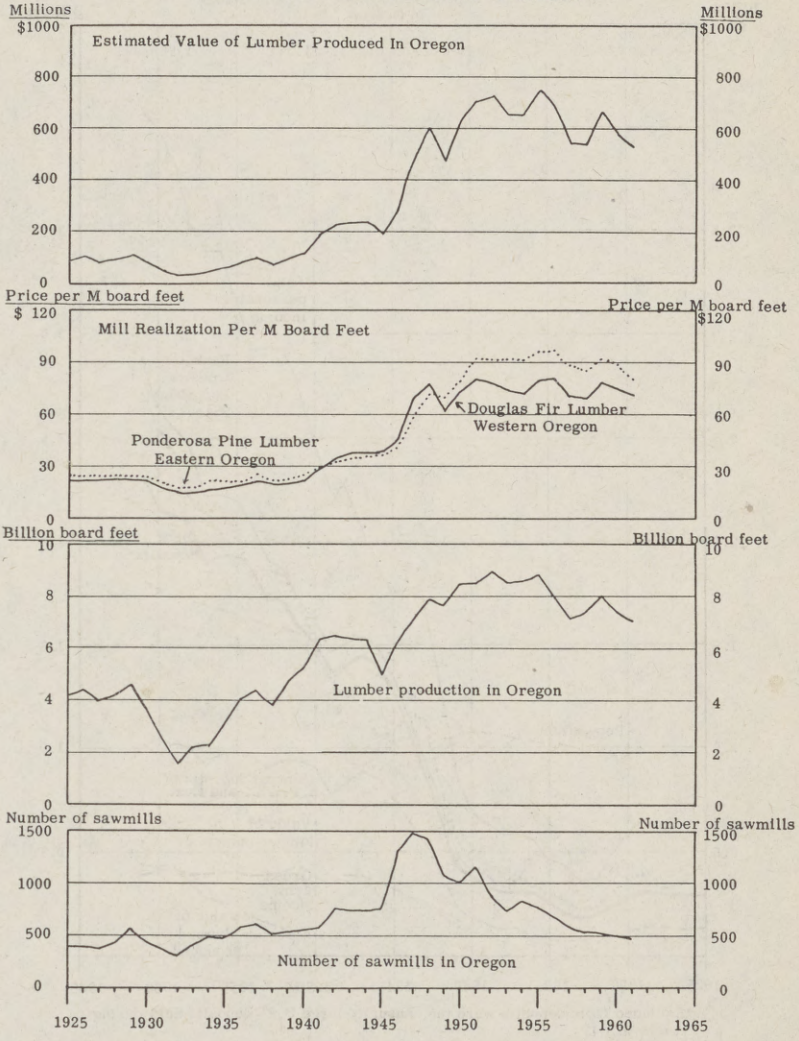


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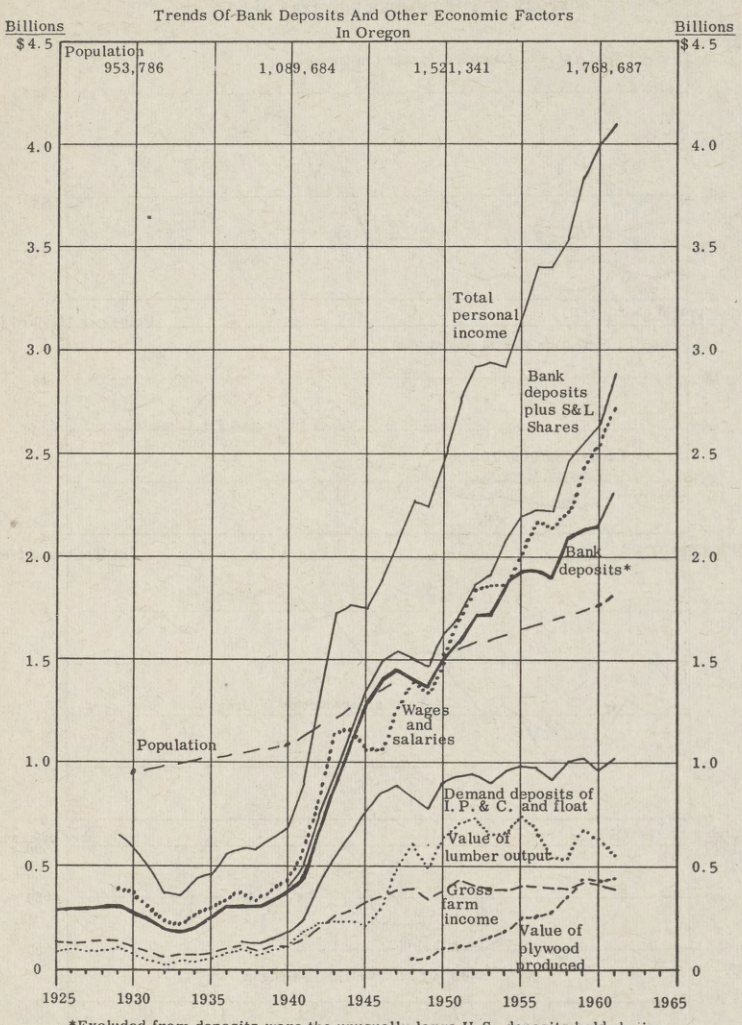
EXHIBIT IV



*Excluded from deposits were the unusually large U.S. deposits held during World War II

EXHIBIT V

Bank Deposits And Farm Income In Oregon

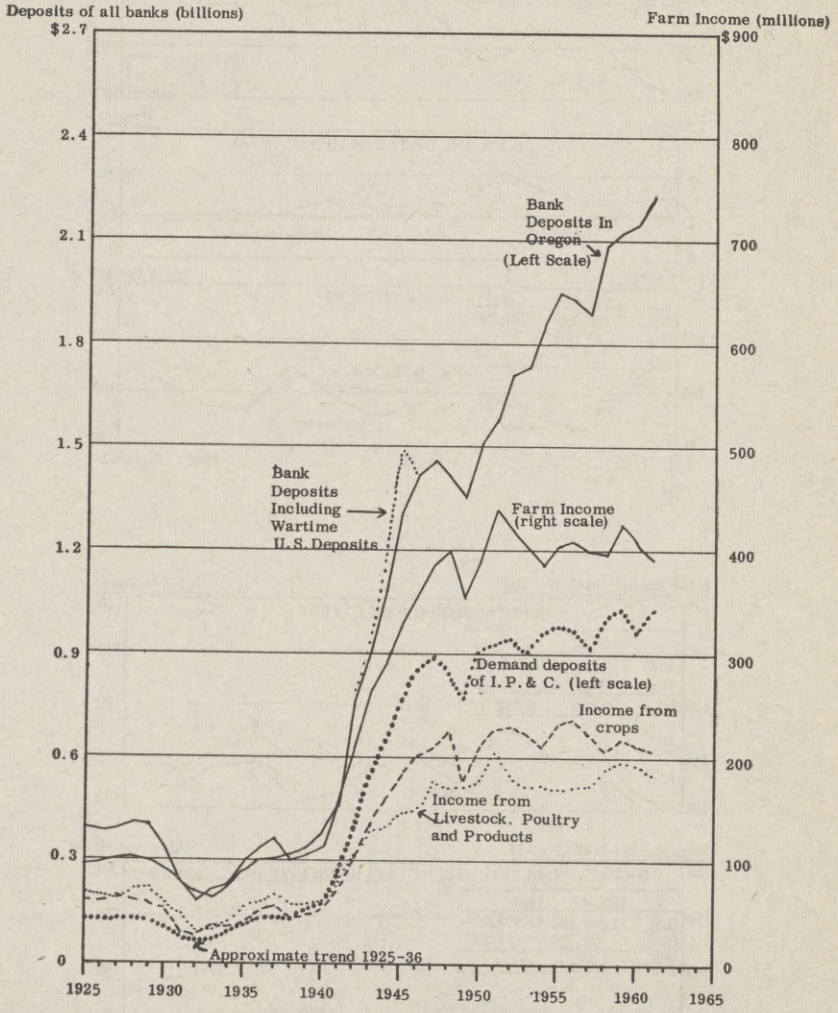
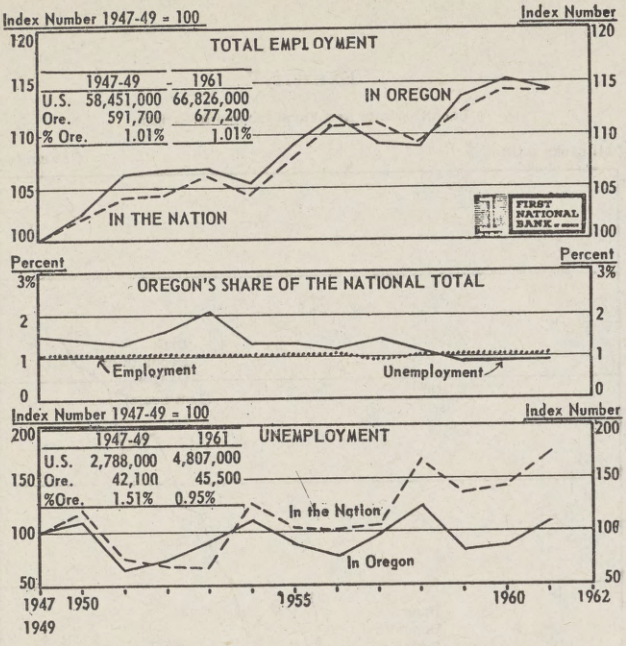
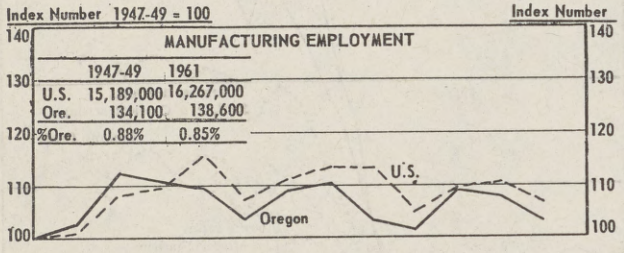


EXHIBIT VI


Index Number 1947-49 = 100
Index Number
TOTAL EMPLOYMENT
1947-49 1961
U.S. 58,451,000 66,826,000
Ore. 591,700 677,200
% Ore. 1.01% 1.01%
IN OREGON
IN THE NATION
FIRST NATIONAL BANK
Percent
OREGON'S SHARE OF THE NATIONAL TOTAL
Employment
Unemployment
Index Number 1947-49 = 100
UNEMPLOYMENT
1947-49 1961
U.S. 2,788,000 4,807,000
Ore. 42,100 45,500
%Ore. 1.51% 0.95%
In the Nation
In Oregon
1947 1950 1955 1960 1962
1949


Index Number 1947-49 = 100
Index Number
MANUFACTURING EMPLOYMENT
1947-49 1961
U.S. 15,189,000 16,267,000
Ore. 134,100 138,600
%Ore. 0.88% 0.85%
U.S.
Oregon

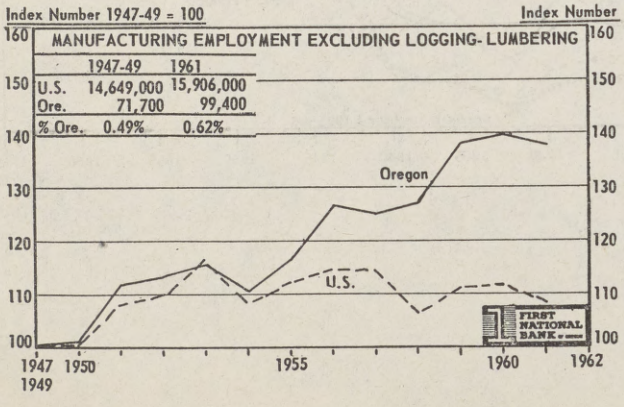
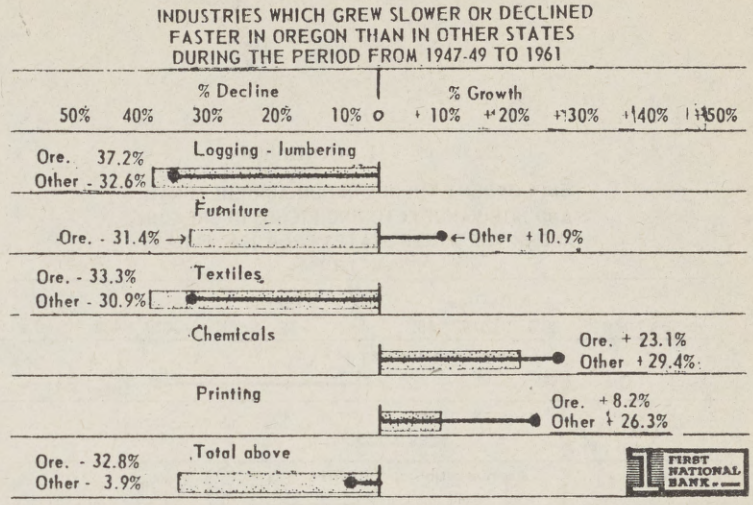

Index Number 1947-49 = 100
Index Number
MANUFACTURING EMPLOYMENT EXCLUDING LOGGING-LUMBERING
1947-49 1961
U.S. 14,649,000 15,906,000
Ore. 71,700 99,400
% Ore. 0.49% 0.62%
Oregon
U.S.
FIRST NATIONAL BANK
1947 1950 1955 1960 1962
1949

EXHIBIT VII


INDUSTRIES WHICH GREW SLOWER OR DECLINED
FASTER IN OREGON THAN IN OTHER STATES
DURING THE PERIOD FROM 1947-49 TO 1961
% Decline
% Growth
50% 40% 30% 20% 10% 0 + 10% +20% +30% +40% +50%
Logging - lumbering
Ore. 37.2%
Other - 32.6%
Furniture
Ore. - 31.4%
Other +10.9%
Textiles
Ore. - 33.3%
Other - 30.9%
Chemicals
Ore. + 23.1%
Other +29.4%
Printing
Ore. +8.2%
Other +26.3%
Total above
Ore. - 32.8%
Other - 3.9%
FIRST NATIONAL BANK

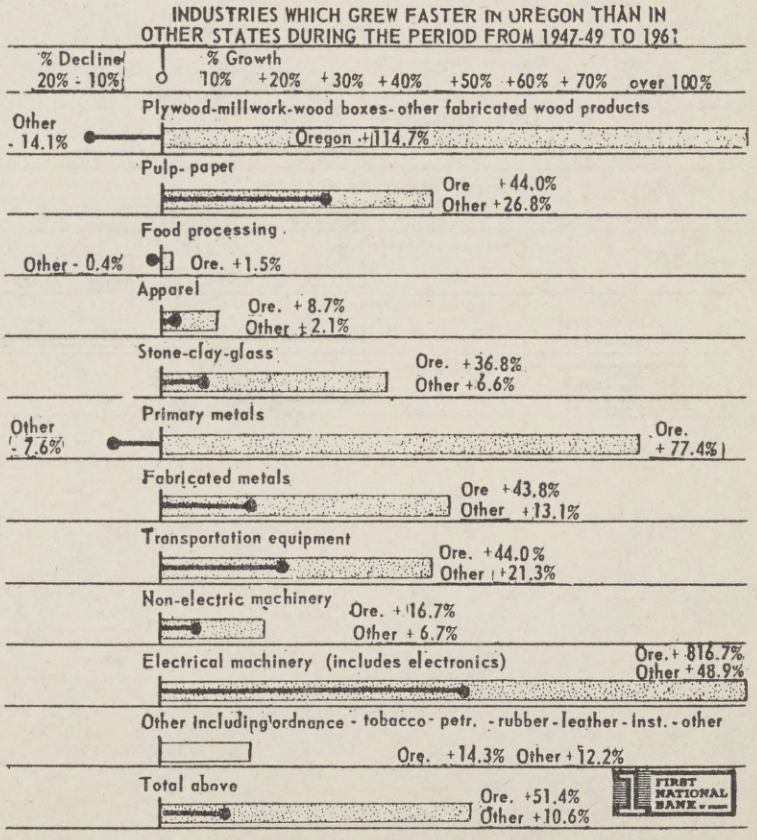

INDUSTRIES WHICH GREW FASTER IN OREGON THAN IN
OTHER STATES DURING THE PERIOD FROM 1947-49 TO 1961
% Decline
20% - 10%
0
% Growth
10% +20% +30% +40% +50% +60% +70% over 100%
Plywood-millwork-wood boxes-other fabricated wood products
Other - 14.1%
Oregon +114.7%
Pulp-paper
Ore +44.0%
Other +26.8%
Food processing
Other - 0.4%
Ore. +1.5%
Apparel
Ore. +8.7%
Other +2.1%
Stone-clay-glass
Ore. +36.8%
Other +6.6%
Primary metals
Other - 7.6%
Ore. +77.4%
Fabricated metals
Ore +43.8%
Other +13.1%
Transportation equipment
Ore. +44.0%
Other +21.3%
Non-electric machinery
Ore. +16.7%
Other +6.7%
Electrical machinery (includes electronics)
Ore. +816.7%
Other +48.9%
Other including ordnance - tobacco - petr. - rubber - leather - inst. - other
Ore. +14.3% Other +12.2%
Total above
Ore. +51.4%
Other +10.6%
FIRST NATIONAL BANK

EXHIBIT VII—Continued

EMPLOYMENT TRENDS IN NON-AGRICULTURAL AND NON-MANUFACTURING FIELDS IN OREGON AND IN THE OTHER STATES FROM 1947-49 BASE PERIOD TO 1961

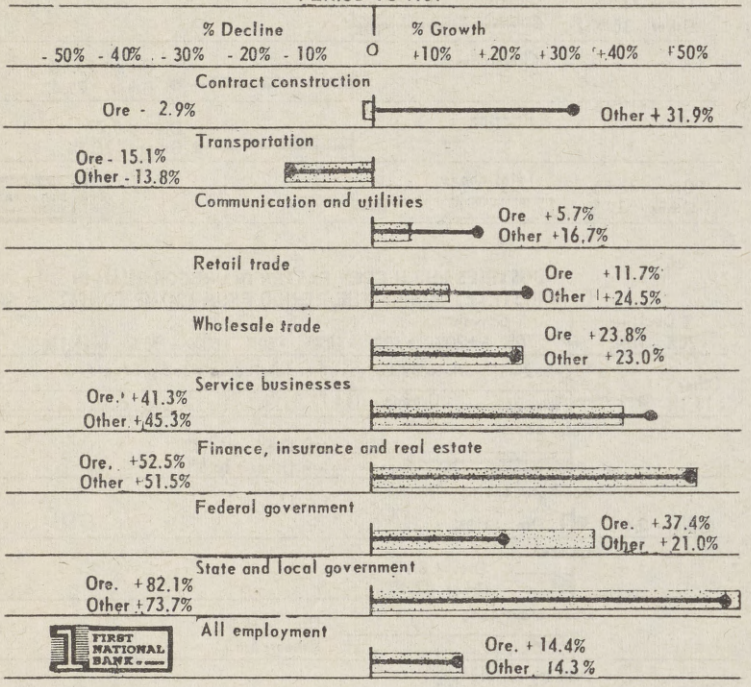


EXHIBIT VIII

Postwar employment trends in Oregon and in the Nation

[Average annual number employed in thousands]

	1947–49 average			1961			Percent change		
	Oregon	Other States	Nation	Oregon	Other States	Nation	Oregon	Other States	Nation
Unemployment	42.1	2,746	2,788	45.5	4,761	4,807	+8.08	+73.38	+72.42
Employment	591.7	57,859	58,451	677.2	66,149	66,826	+14.45	+14.33	+14.33
Agricultural	84.8	7,993	8,078	72.2	5,448	5,520	−14.86	−31.84	−31.67
Self-employed, domestics, etc	83.0	6,108	6,191	98.9	7,110	7,209	+19.16	+16.40	+16.44
Manufacturing	134.1	15,055	15,189	138.6	16,128	16,267	+3.36	+7.13	+7.10
Mining	1.3	959	960	1.1	666	667	−15.39	−30.55	−30.52
Contract construction	24.4	2,081	2,105	23.7	2,745	2,769	−2.87	+31.91	+31.54
Transportation	32.5	2,853	2,886	27.6	2,460	2,488	−15.08	−13.78	−13.79
Communication, utilities	14.1	1,219	1,233	14.9	1,422	1,437	+5 67	+16.65	+16.55
Wholesale trade	24.4	2,421	2,446	30.2	2,978	3,008	+23.77	+23.00	+23.00
Retail trade	72.4	6,646	6,719	80.9	8,276	8,357	+11.74	+24.53	+24.38
Finance, insurance, realty	14.1	1,799	1,813	21.5	2,726	2,747	+52.48	+51.53	+51.52
Services and miscellaneous	47.2	5,126	5,173	66.7	7,449	7,516	+41.31	+45.32	+45.29
Federal Government	16.3	1,870	1,886	22.4	2,263	2,285	+37.42	+21.02	+21.16
State and local government	43.1	3,729	3,772	78.5	6,478	6,556	+82.13	+73.72	+73.81

Percentage of population employed and unemployed

	1947–49 average			1961		
	Oregon	Other States	Nation	Oregon	Other States	Nation
Unemployed	2.84	1.90	1.91	2.51	2.62	2.62
Employed	39.90	39.98	39.98	37.29	36.39	36.40
Agricultural	5.72	5.53	5.53	3.98	3.00	3.01
Self-employed, domestics, etc	5.60	4.22	4.23	5.45	3.91	3.93
Manufacturing	9.04	10.40	10.39	7.63	8.87	8.86
Mining	.09	.66	.66	.06	.37	.36
Contract construction	1.65	1.44	1.44	1.31	1.51	1.51
Transportation	2.19	1.97	1.97	1.52	1.35	1.36
Communications-utilities	.95	.84	.84	.82	.78	.78
Wholesale trade	1.65	1.67	1.67	1.66	1.64	1.64
Retail trade	4.88	4.59	4.60	4.46	4.55	4.55
Finance, insurance, realty	.95	1.25	1.24	1.18	1.50	1.50
Services and miscellaneous	3.18	3.54	3.54	3.67	4.10	4.09
Federal Government	1.10	1.29	1.29	1.23	1.25	1.24
State and local government	2.90	2.58	2.58	4.32	3.56	3.57

Postwar growth of manufacturing employment in Oregon and in the Nation

[Average annual number employed in thousands]

Industries	1947–49 average			1961			Percent change		
	Oregon	Other States	Nation	Oregon	Other States	Nation	Oregon	Other States	Nation
Manufacturing total	134.1	15,055	15,189	138.6	16,128	16,267	+3.36	+7.13	+7.10
Durable goods total	96.3	7,971	8,067	98.2	8,943	9,041	+1.97	+12.20	+12.07
Lumber and wood products	75.3	726	801	66.9	535	602	−11.16	−26.31	−24.84
Logging and sawmills	62.4	478	540	39.2	322	361	−37.18	−32.64	−33.15
Plywood and millwork	12.9	248	261	27.7	213	241	+114.73	−14.11	−7.66
Furniture and fixtures	3.5	329	333	2.4	365	367	−31.43	+10.94	+10.21
Stone, clay and glass	1.9	531	533	2.6	566	569	+36.84	+6.59	+6.75
Primary metals	3.1	1,231	1,234	5.5	1,137	1,142	+77.42	−7.64	−7.46
Fabricated metal products	3.2	947	950	4.6	1,071	1,076	+43.75	+13.09	+13.26
Nonelectrical machinery	4.2	1,306	1,310	4.9	1,394	1,399	+16.67	+6.74	+6.79
Electrical machinery	.6	962	963	5.5	1,432	1,437	+816.67	+48.85	+49.22
Transportation equipment	2.5	1,250	1,252	3.6	1,516	1,520	+44.00	+21.28	+21.41
Other durable goods [1]	2.0	689	691	2.2	927	929	+10.00	+34.54	+34.44
Nondurable goods total	37.8	7,084	7,122	40.4	7,185	7,226	+6.88	+1.43	+1.46
Food and kindred products	20.5	1,772	1,793	20.8	1,765	1,786	+1.46	−0.40	−0.39
Canning and preserving	(8.6)	(243)	(252)	(8.8)	(238)	(247)	(+2.33)	(−2.06)	(−1.99)
Textile mill products	3.0	1,270	1,273	2.0	877	879	−33.33	−30.94	−30.95
Apparel	2.3	1,170	1,172	2.5	1,194	1,197	+8.70	+2.05	+2.13
Paper and allied products	5.0	459	464	7.2	582	589	+44.00	+26.80	+26.94
Printing and publishing	4.9	729	734	5.3	921	926	+8.16	+26.34	+26.16
Chemicals	1.3	640	641	1.6	828	830	+23.07	+29.38	+29.49
Other nondurable goods [2]	.8	1,044	1,045	1.0	1,018	1,019	+25.00	−2.49	−2.49

[1] See the following table:

Industries	1947–49 average			1961			Percent change		
	Oregon	Other States	Nation	Oregon	Other States	Nation	Oregon	Other States	Nation
Ordnance and accessories			27			200			+640.74
Instruments			256			346			+35.16
Miscellaneous			408			383			−6.13
Total, other durable goods			691			929			+34.44

[2] See the following table:

Industries	1947–49 average			1961			Percent change		
	Oregon	Other States	Nation	Oregon	Other States	Nation	Oregon	Other States	Nation
Tobacco manufactures			113			90			−20.35
Petroleum refining, etc			223			204			−8.52
Rubber and miscellaneous plastics			306			364			+18.95
Leather and leather products			403			361			−10.42
Total, other nondurable goods			1,045			1,019			−2.49

Senator HARTKE. Capt. Homer Shaver, chairman of the Portland Commission of Public Docks.

Senator MORSE. I want to tell you, Mr. Chairman, while Homer takes his seat, that he was my first professor in labor arbitration.

STATEMENT OF CAPT. HOMER T. SHAVER, SHAVER TRANSPORTATION CO., AND CHAIRMAN, COMMISSION OF PUBLIC DOCKS, CITY OF PORTLAND, OREG.

Captain SHAVER. Thank you. Chairman Hartke and Senator Morse, I happen to be wearing two hats today, as chairman of the commission of public docks, and also as vice president and general manager of the Shaver Transportation Co. I have two statements to make. I will make my own first.

The Shaver family has been in the transportation business on the Columbia and Willamette Rivers since 1880. It started in the passenger and freight business in hauling supplies to the lower river to logging camps on both sides of the Columbia, and then when the timber began to be further away from Portland, about 1900, it gradually changed over its passenger and freight operation to log towing business. From that period on, the company built special stern-wheelers to do log towing and continued in this operation practically 100 percent up until about 1935 when it began to diversify its business into the towing and handling of ships in Portland and Vancouver Harbors that needed the services of tugboats.

In the days between 1900 and 1935, it served large sawmills in Portland and Vancouver Harbors, and did so until the time of their liquidation and closing after World War II. In the period between 1930 and 1940, there were five large towboat companies engaged exclusively in the towing of logs on the Columbia and its tributaries to mills all the way from Astoria to Oregon City on the Willamette, and to Camas, Wash., on the Columbia.

In the period between 1910 and 1940, there were some 15 large sawmills in the Portland and Vancouver vicinities served by these different towboat companies. Between 1930 and 1940, the Shaver Transportation Co., acquired through mergers and purchases, all of the equipment of the other 4 companies and the total number of tugboats engaged in the trade of the 5 companies was 30.

In the last 22 years, a lot of this equipment has been junked because of obsolescence. Now the Shaver Transportation Co., has only a fleet of 15 tugboats in operation, doing a large diversified business of which log towing amounts to about 50 percent, and the rest is in ship assisting, oil bunkering, and barge towing.

In 1925, the peak year of log towing on the Columbia River, this company alone towed in the neighborhood of 1,250 million board feet of logs. Seventeen years later, in 1942, combined with the other towboats, its volume was 777,177,385 board feet, and it has gradually gone down since that time with a few upturns at times, but there has been a gradual descent, so today with a combination of all five companies

that were in existence between 1930 and 1940, the Shaver Transportation Co. in 1960 only towed 330,922,218 board feet of logs compared to 1,250 million, which it towed alone in its own operation in 1925.

In that time everyone of the large sawmills in Portland and Vancouver have liquidated or shut down their operations. Some have revived for a short time in going into an automation operation on a smaller scale, but at the present time they are only running on a half-time basis, and the oldest mill of all, the Jones Lumber Co., established in 1859, has closed down its operations and is selling off its lumber, and there is a question whether it will start up again or not.

I would especially like to draw your attention to the years of 1958, 1959, 1960, and 1961. In 1956 this company handled 530,816,900 feet board measure. In 1957, it dropped to 410 million feet board measure. In 1958, it dropped to 352 million feet board measure. In 1959, the total was 380 million feet board measure. In 1960, it was 339 million feet board measure and in 1961, it was 330 million feet board measure. So the last 4 years of 1958, 1959, 1960, and 1961 have shown a very decided drop in the log towing business on the Columbia River. These figures include our towing for mills at Rainier, and at Astoria, and also for a lot of plywood and pulpmils, so they are not really a true figure for the lumber mills alone, as the largest part of our present log towing is for the plywood industry, and the pulp and paper industry. In fact, in the last 4 years, this company has only towed logs for two fir sawmills and one small spruce mill.

In the year 1941, there was a gradual change in our logging operations from the lower Columbia River to the upper Willamette. From 1941 to 1947, there was a buildup from 413,200,000 to 541,717,000. These logs were for the sawmills and for the plywood mills, and these statistics are from the U.S. Engineers tabulation of lockages that were put through the Willamette Falls locks at Oregon City.

In 1947, there was a gradual decline every year until we have the same pattern of the past 4 years. In 1958, they were down to 157,415,000 feet board measure. In 1959, it was 167,840,000 feet board measure. In 1960, it was 167,371,000 feet board measure, and in 1961, it was 160,785,000 feet board measure.

Today, the towboat people engaged in the log towing business find themselves in a very precarious position as their customer market as far as sawmills are concerned, they have practically disappeared from the river itself, and we are satisfied that this is not only due to a shortage of timber and logs or the substitution of other building materials, but we are sure that it is the competition of the Canadian market.

(The material referred to follows:)

U.S. ARMY ENGINEER DISTRICT, PORTLAND,
CORPS OF ENGINEERS,
Portland, Oreg., May 23, 1962.

CAPT. HOMER T. SHAVER,
Shaver Transportation Co.,
Portland, Oreg.

DEAR CAPTAIN SHAVER: In answer to your request for the amount of logs passing downstream through the Willamette Falls locks, a tabulation for calendar years 1940 through 1961 is submitted below:

Rafted logs passing downstream through Willamette Falls locks

Calendar year:	Feet board measure
1940	260, 134, 000
1941	413, 200, 000
1942	432, 630, 000
1943	536, 805, 000
1944	467, 637, 000
1945	369, 022, 000
1946	461, 701, 000
1947	541, 717, 000
1948	417, 534, 000
1949	377, 489, 000
1950	347, 210, 000
1951	388, 550, 000
1952	379, 294, 000
1953	342, 375, 000
1954	305, 857, 000
1955	267, 088, 000
1956	354, 970, 000
1957	219, 532, 000
1958	157, 415, 000
1959	167, 840, 000
1960	167, 371, 000
1961	160, 785, 000

If this office can be of additional service to you, please feel free to call me personally.

Very truly yours,

T. W. RAGSDALE.

SHAVER TRANSPORTATION CO.

Report of logs and sticks towed, 1942 to 1961

Year:	Feet board measure
1942	777, 177, 385
1943	608, 498, 701
1944	644, 917, 200
1945	493, 911, 167
1946	513, 137, 121
1947	747, 609, 898
1948	677, 598, 462
1949	587, 882, 027
1950	547, 956, 996
1951	695, 008, 459
1952	576, 667, 936
1953	623, 593, 826
1954	451, 471, 695
1955	532, 693, 056
1956	530, 816, 900
1957	410, 119, 731
1958	352, 713, 230
1959	380, 360, 355
1960	339, 886, 157
1961	330, 922, 218

Captain SHAVER. If I may, now, I will make a statement for the dock commission.

Senator HARTKE. Go right ahead, Captain.

Captain SHAVER. I have prepared this statement as the chairman of the Commission of Public Docks of the City of Portland.

As chairman of the commission of public docks, I would like to file with the committee the statement of total lumber shipments in Portland Harbor from 1949 through April 1962.

The commission of public docks is an autonomous body of the city of Portland whose duty is to furnish waterfront facilities and solicit cargo for the port of Portland. I have been a member of the commission since 1946.

In 1945, the Eastern-Western Lumber Co., one of our largest lumber mills in the harbor, liquidated its plant after selling the property to the commission of public docks. The commission in 1946 authorized plans and specifications and the solicitation of bids for a new terminal. This terminal was finished in 1948 and it immediately started to store lumber in transit for offshore, intercoastal, and coastwise shipping. It reached a maximum figure of 479,282 tons of lumber in 1951 and this tonnage gradually fell off from that day until 1954 when the commission of public docks built its first cargo shed to replace the lost lumber tonnage. This lumber was being transported by rail and by truck from the Willamette Valley mills to tidewater for waterborne shipments in intercoastal and coastwise shipping.

The commission, later on, as the lumber shipments decreased, found it necessary to build two additional cargo sheds, and then in the year 1961 completed a cargo transit shed on the property. So that today our large lumber terminal is now a general cargo facility with practically no lumber, and as the enclosed chart shows from 1951 of 479,282 short tons, the lumber shipments have declined to 145,387 tons.

This statement is submitted to show the decrease of lumber tonnage on the commission of public docks facilities and especially in the last 4 years which follows the pattern of the entire Columbia River area of the decline of lumber shipments from our docks in competition with Canada.

(The material referred to follows:)

Total lumber shipments for Portland Harbor [1]

[Reported in short tons]

	1949	1950	1951	1952	1953	1954	1955
Exports	120,461	104,379	252,245	246,025	149,891	186,476	164,852
Domestic shipments	85,616	159,793	197,979	140,411	112,748	113,537	65,457
Portland to Hawaii	10,624	27,163	29,058	28,338	32,660	22,941	29,440
Portland to Alaska	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Total	216,701	291,334	479,282	414,774	295,299	322,954	259,749

	1956	1957	1958	1959	1960	1961	1962 [3]
Exports	113,774	131,953	86,412	115,519	155,702	96,293	29,011
Domestic shipments	54,089	56,231	46,492	23,311	19,392	25,313	3,889
Portland to Hawaii	25,806	20,192	26,561	24,479	19,044	22,189	4,594
Portland to Alaska	(2)	(2)	(2)	(2)	(2)	1,592	13
Total	193,669	208,416	159,465	163,309	194,138	145,387	37,507

[1] Mercantile Exchange.
[2] Not reported, figures included in domestic tonnage listed above.
[3] January through April.

Lumber and log shipments from commission of public dock's facilities [1]

[Reported in short tons]

1949	-------	1956	134,198
1950	-------	1957	144,221
1951	-------	1958	103,596
1952	-------	1959	126,024
1953	108,680	1960	164,672
1954	229,169	1961	233,542
1955	191,362	1962 (January through April)	45,032

[1] Source: CPD monthly tonnage reports.

Senator HARTKE. Thank you, sir.

Senator MORSE. Mr. Chairman, while our next witness is coming up, I think I ought to read into the record a wire which Robert Dwyer and Dave James, cochairmen of the Lumbermen's Economic Survival Committee, sent to the U.S. Tariff Commission today. It reads as follows:

Canadian lumber imports have caused widespread unemployment in the Western United States. Lumbermen have asked that an emergency quarterly quota of an average of the imports for the last 10 years be imposed until a permanent solution be found. At the Senate Commerce Committee hearing in Portland today, Senator Morse of Oregon and Senator Hartke of Indiana suggested that the Tariff Commission be petitioned for such action. The need is urgent. How can this be accomplished?

The wire ought to go in the record.

Senator HARTKE. It is made a part of the record.

Let me say, gentlemen, we only have so much time and we have a long list of witnesses here, and all I'm going to say is that we are going to listen to you, but when the time comes to adjourn, we are going to have to stop. While you are testifying, please try to just summarize your statements and bring out those points which you feel would be especially important to us, and eliminate those which may be repetitious of previous testimony.

We don't want to cut anybody off, but we do want a chance to hear all of you, but this cannot be done unless we move a little faster than we have.

Senator MORSE. I might say, Mr. Chairman, that if they cannot testify, and it's obvious that they will not all be able to, their printed statements will be made a part of the record.

Senator HARTKE. Let me say that anyone who wants to submit his statement may do so, and we will be glad to have them. We will not cut anybody off so far as time is concerned, and so far as the record is concerned, it will be held open even for those people who did not complete their statements here.

Our next witness now will be Mr. Morrish.

STATEMENT OF WILLIAM R. MORRISH, THE OREGONIAN, PORTLAND, OREG., REPRESENTING MICHAEL J. FREY, PUBLISHER OF THE OREGONIAN

Mr. MORRISH. Mr. Chairman, I am William R. Morrish, assistant to the publisher of the Oregonian, and I have come here to read a statement by Michael J. Frey, the publisher of the Oregonian. If this were my statement, I might summarize it further as it is somewhat repetitive, although not too long.

(The statement for Mr. Frey follows:)

Senators, first let me welcome you to the Northwest. Your presence here today is both pleasant and comforting for the people in the Oregon area.

And comfort, as I am sure you have become well convinced by now, is something our area's vital timber-allied industries could use today.

As publisher of the Northwest's foremost daily newspaper and as chairman of the Board of Directors of the Portland Chamber of Commerce, I feel I am in a position to say that your presense here, sitting as a committee investigating the effects of the Canadian lumber imports on the softwood lumber industry, is of vital concern to us all.

It is clear to me in watching the events that have plagued the industry and in listening to the problems of the sawmill operators trying to stay alive today, that basically they are asking nothing more than an opportunity for equal competition in their own markets.

We do not have to be students of the economics of the lumber industry to begin to see what they mean when we can watch, as we have in the past few weeks, the sale of millions of feet of our Northwest logs to Canadian sawmills.

It was one thing for us to protest the sale of American logs to the Japanese, who supplied us with a credit in our foreign exchange problem and who never turned our logs around as a finished product and marketed them in our marketplace.

It is entirely something else again to see and to protest the sale of our logs to Canadian mills that are shipping the lumber products they cut from those logs (and from their own Government timber) into the American markets as fast as foreign shipping can carry them.

It is a bad state of affairs when an American mill operator only a few miles from the Canadian border must try to compete with Canadian mills that have the freight advantages in maritime shipping and the stumpage advantages of a Government timber policy more interested in maintaining markets than in getting maximum stumpage prices.

Lumbermen have told me again and again, that given an equal break in stumpage and forest operation costs such as roadbuilding; and given the same opportunity to buy their freight in the marketplace of the world, they could compete with the Canadians or anyone else in our markets at home or in the markets we have lost in such places as Puerto Rico and Hawaii—this despite our somewhat higher labor costs.

Without cluttering the record with an attempt to analyze your problem, I would like to urge you strongly to allow this industry, certainly the most vital in Oregon and certainly as the fourth largest industrial employer in all of the United States, one of the most vital we Americans possess, allow it to return to the free enterprise pattern that made it a great industry.

The Government and the people of the country have a large stake in the success and operation of any industry that operates, as the lumber industry does, largely on government timber. And all the more reason, I say, for the Government as the agent of the people, to work in close cooperative spirit in maintaining a health and well-being in

the industry that markets their timber and puts those market dollars into the American Treasury.

There have been too many stories of a Forest Service attitude working against this industry, there have been too many stories of complaint about the Jones Act restrictions on our water shipping mills, there have been too many stories of sawmill bankruptcies, too many stories of overdue accounts in allied businesses and industries, too many for any of us to wait any longer in taking action on these problems.

I solemnly urge you today to move with speed on the path that will lead to a recovery for our lumbering industry, be it by executive action or new legislation.

This industry and the people its supports, and I admit without hesitation that it provides a great deal of the basic support of our newspapers, have come to government, as they are allowed to do in this country, and they are asking for help; not in the form of Federal aid, as I understand it, but for government help in freeing their hands to allow them to compete in the marketplaces. It seems a fair request, just as it seems fair to ask the Government, as a near monopoly owner of timber resources, to put its own shoulder to the job of marketing those resources.

Thank you.

Senator HARTKE. Thank you, Mr. Morrish.

Mr. MORRISH. I would also like to bring you greetings from another Hoosier.

Senator HARTKE. Thank you, and please convey my best wishes to my fellow Hoosier, Mr. Frey.

Mr. MORRISH. I'm the fellow Hoosier, from Greensboro.

Senator HARTKE. That happens to be the hometown of the mother of the former Vice President.

Mr. MORRISH. Yes.

Senator HARTKE. Thank you very much. Our next witness is Mr. Bishoprick.

STATEMENT OF STANLEY BISHOPRICK, DANT & RUSSELL, PORTLAND, OREG.

Mr. BISHOPRICK. Senator Hartke, Senator Morse, ladies and gentlemen, before I start in, I would like to take a little exception to some of the statements that Mr. Hartung made. I don't know where he got his idea of 3 percent that our total cargo shipments amounted to. When you take the total west coast shipments, United States and Canada combined, by cargo, they were 19 percent of the American production. If you take the U.S. west coast cargo shipments, they were 7 percent of the west coast production. The total west coast shipments, United States and Canada combined, by cargo, were 18 percent of the total production of the west coast of the United States and Canada, and I don't know where he got his 3 percent.

In regard to the modernization question, which he brought up, of Canadian mills, it is true that a great many have not modernized, but a large segment of the industry has. Some of the most modern mills in the world are in British Columbia, and I submit the following which will stand up equal to the test anywhere: Ebern Sawmills, and Bay Lumber Co. in Vancouver; Crown Zellerbach, McMillan,

Bloedel's Port Aberny Mill, Canadian White Pine Mill, Alaska Pine Mill, L. & K. Pacific Pine, and there are several new large installations now under construction, some in conjunction with pulpmills.

I would now like to read my prepared statement.

PLIGHT OF THE NORTHWEST LUMBER CARGO SHIPPERS

After listening all day to the testimony by petitioners, and questions and replies of the committee, at Olympia on April 20, it became apparent that the committee has a good grasp of conditions and so merely a short résumé will suffice for reference purposes to the problems.

The Canadian share of our total cargo market has grown from 7 percent in 1950 to 57 percent in 1961, and for the last 6 months to 69 percent, leaving us a mere 31 percent. This is a loss of market by ourselves at a time when consumption was at or near an alltime high, thus graphically pointing out that someone else was supplying the American market. This someone, as can be seen from the above figures, is the Canadians with their cheap foreign charters, which at the present gives them a margin in freight of approximately $10 per thousand feet board measure.

We know that this freight is the biggest barrier between us and our market, as Senator Maurine Neuberger so aptly put it when she introduced Senate bill 3105:

> Although the Canadians have the advantage of cheaper stumpage and cheaper labor, the average cost of lumber alongside of a ship in British Columbia is as high or higher than it is in the United States. Canadians must pay higher towing charges from the forest to the mills and higher logging costs arising from the rougher coast terrain. The sole true competitive advantage the Canadians enjoy is their ability to use foreign bottoms.

And she further states:

> The Jones Act simply has not worked. Domestic shipping has steadily and relentlessly declined from postwar highs. Intercoastal shipping is a ghost industry. As late as 1955, 101 ships and 4,300 men were employed in the intercoastal trade. Today there are barely 39 ships and 1,500 men. The prognosis is clear: In a very few years there will be no intercoastal shipping trade, regardless of whether we have a Jones Act or not.

Let us look to see what has happened to our lumber ships. They have dwindled from 65 ships and 12 lines to a mere 13 ships and 3 lines and 455 men. If the settling of the present strike issue of the maritime industry results in higher costs with a consequent increase in rates, the cargo-shipping lumberman "will have had it" and will be unable to ship by water. He will face either liquidation or putting in dry kilns at a terrific expense. In one operation we know of where they are running 2 shifts at about 110,000 feet board measure per shift, employing 52 men, the complete cost of dry kiln installation will be approximately $600,000. As this is a hemlock mill it will take more than double the kiln capacity of a fir mill. This means doubling their original investment at a time when they are not making money, nor can afford such a capital investment.

A statement was made by Senator Magnuson at the hearing April 20 that a shipping subsidy to the mills would cost the taxpayer $4 to $5 million per year, and this may be so, but this figure surely seems too low. The intercoastal and Canadian shipments for last year total

approximately 1,500 million feet board measure, which at a freight differential of $10 on the net measurement would be $11,250,000, and who knows what this figure will be in the future, especially if the Canadians get the owners of foreign bottoms to modernize so that lumber can be more cheaply handled as a bulk commodity. It is indicated that the Canadians are doing this very thing, which has the possibility of saving an additional $5 loading and $6 discharging, or $11. Add this to the $10 differential they now enjoy and they have a $21 margin on the American cargo shipper. This, then, would have brought such a subsidy up to $23,625,000 for 1961.

It was indicated at the hearing on April 20 that the principal objector was the Defense Department. If this is the case and there is legitimate need for American ships as a defense need (the writer is certainly not qualified to say that there is or is not such a need) the cost of maintaining an intercoastal fleet should be borne by the Defense Department and carried in their budget as such, and borne by the people defended and not carried by the cargo-shipping lumbermen of the Northwest. If this is the situation, then we will bow to the subsidy. And if we are to get a subsidy to equalize the cheap freight enjoyed by our competition, then let us set a definite time limit on such a subsidy of, say, 2 or 3 years, thus enabling us to live while the Government comes up with a permanent solution to the problem. Please remember that the cost to American mills for the indirect subsidy to American ships is $55,000 to $60,000 per voyage for each Liberty- or Victory-sized vessel, and from $70,000 to $75,000 per voyage for a C–3. This cost the Jones Act is shouldering on our mills.

But first let us look and see just what the Defense Department is talking about. From an excellent study made by the Transportation Center at Northwestern University entitled "The Economic Value of the U.S. Merchant Marine," which came out in August 1961, the total U.S. fleet as of May 31, 1959, consisted of 3,014 vessels of which the Government owned 2,002. If we use 3,014 vessels as the total and 13 of these are on the intercoastal lumber run, then we are talking about displacing four-tenths of 1 percent of the ships. This certainly is not a figure that the Defense Department could get very excited about, especially when they are going to lose them anyway.

Now, let's take a realistic look at this defense question. We want a U.S. merchant marine fleet as much as anyone. But as a possible solution, where we are giving foreign aid, it could be stipulated in the terms of such aid that the recipients' ships be placed at our disposal in case of emergency, the same as the British did with the Norwegians and the Danes in World War II. This would not endanger them any more than our foreign bases would under such conditions, and we would have a tremendous fleet at our disposal. Even the placing of key American officers on such ships could be arranged. In the meantime, we could gainfully employ their ships and make friends, getting something tangible back for our foreign aid and probably would be able to reduce the direct aid as well.

It was brought up at the Olympia hearing in a direct question by Senator Magnuson: "Were there other ways to achieve the goal?" and my reply is:

Yes, by converting say, a T–2 into a specialized carrier at the cost of $4,500,000, which could load and discharge very cheaply, and which Senator Magnuson said could be 87½ percent subsidized by a one-shot subsidy.

It was further pointed out that there were only two or three timber concerns, such as Weyerhaeuser or Simpson, who had the necessary timber backing to go into such a deal. The reason for this is that in order to make a converted T–2 specialized lumber bulk carrier pay it would have to load at not over two districts and discharge at not over two, which as a common carrier is not feasible. I also stated that one of the pitfalls of such a venture was the American Seaman's Union, and pointed out Matson's curtailing of their container-ship program because of the union's demand for three crews for every two ships because the ships spent so little time in port that the sailors got so little shore leave. This would kill any such venture in spite of the reduced loading and discharging costs. It is agreed that the longshoremen will cooperate, but it is very doubtful as to the sailors.

It has been reported that Capt. Lew Russell, of Tidewater Barge Lines, has proposed to operate C–3's specially converted as bulk lumber carriers, with a handful of skilled technicians instead of sailors, and that Senator Magnuson is endeavoring to see what can be done to change Coast Guard manning regulations which are a holdover from the days of sail. If you are able to make positive action along this line, then there is a possibility that the specialized lumber carrier might work, but not before. When the writer was in Japan in April it was brought to his attention that the Japanese are taking steps in this direction, and that they are attempting to reduce crews on freighters to 22 men. Therefore, if American ships are to exist they must be unfettered by outdated rules where safety is not impaired.

Senator Magnuson's suggestion that to take care of the cargo lumber situation a co-op be formed for marketing and transportation of lumber, and take the 87½-percent subsidy. With Congress doing everything to discourage co-ops, and rightfully so, we of the Northwest would always be living from one Congress to another. Furthermore, there is the possibility that the Antitrust Department would take a very dim view of any such combines. The lumber industry, remember, is operating now under a "consent decree."

The best solution to the cargo lumber problem is to amend the Jones law to allow us to take foreign bottoms in order to get back the markets we are losing—the Atlantic coast, Puerto Rico, and Hawaii—and bring our intercoastal fleet back to realism. Please remember that not a stick of American lumber went to Puerto Rico last year, a low-grade market so vitally need that has been taken over completely by the Canadians. We have a situation developing in Hawaii which is parallel to Puerto Rico. For your information, our lumber rate to Hawaii from Pacific coast ports is over $12 higher than from our west coast ports to the Atlantic coast. No wonder the Canadians can start walking in. Senator Maurine Neuberger certainly hit it on the head when she said, "Our Housing Act has almost subsidized a portion of the lumber companies in British Columbia," and, "The immediate repeal of the Jones Act restrictions on intercoastal shipping will have the following salutary effect:

"1. Restoration to American lumber producers of their rightful share of the American lumber market.

"2. Preservation of thousands of lumbering jobs throughout the Pacific Northwest.

"3. Creation of additional longshoring and ship servicing and repairing jobs in both coasts' ports.

"4. Reduction of balance of payments deficit caused by excessive purchase of Canadian lumber.

"5. Reduction in the costs to east coast consumers of west coast lumber and other productions."

6. (My own point.) That the little four-tenths of 1 percent of our merchant fleet that is disappearing anyway is too small a percentage to concern the Defense Department, and too small to sacrifice the jobs of our lumber industry for.

The prospect of barges, as Senator Magnuson mentioned, has been investigated, but for such a long voyage this is not the answer, from several standpoints:

1. The most optimistic bargelines indicate that a practical maximum speed of 8 knots is about tops.

2. For long intercoastal voyages the cost of the tug hire and insurance, interest, and depreciation eat up any possible savings over steamers.

3. If practical, how could rates be reduced under present regulations?

4. For long intercoastal voyages, the lumber becomes stained and weathered, thus spoiling its top sales value.

5. Money is tied up too long in such a voyage.

It has been told here today, and at previous hearings, just how sick the patient is, and in some cases already dead. Many cures have been advocated and these all should be brought out in order to understand the picture, but in the final analysis you, the committee, are the doctors and it is up to you, after taking all things into consideration, to prescribe whether the patient should have pills or surgery. We are so desperate that we will applaud anything that helps.

The Jones law amendment is not a 100-percent cure for our cargo lumber industry, but it is the biggest single factor which will get us back 1 billion feet of our own market, and any time you hand the Northwest back 1 billion feet of market, everyone—cargo and rail as well—is bound to prosper, including the whole economy of the Northwest.

Senator MORSE. Stanley, on page 3 of your prepared statement, about the middle of the last paragraph where you speak about maintaining an intercoastal fleet, a point was made this morning that impressed me very much and it bears on your testimony.

Mr. Chairman, it occurs to me that counsel for the committee should be requested to direct an appropriate memorandum to the Defense Department—to the Secretary of Defense—calling attention to the fact that this point has been raised in these hearings. We ought to know formally and officially what the Defense Department's position is on it. These lumbermen are entitled to that, rather than just engaging here in guesswork as to what their true position is.

Mr. BISHOPRICK. In that same paragraph where I mention the cost to the American mills for this indirect subsidy to American ships, I would say that practically all our ships in the runs, Senator, are Liberty type, which are old vessels, and they shouldn't give any concern to the Defense Department because they certainly would not do in a modern war.

Senator MORSE. Stanley, your statement is very effective.

Mr. BISHOPRICK. Senator Morse, I won't go into that letter unless you want me to. Do you want me to read it?

Senator MORSE. We have it in the record, so we can discuss it.

Senator HARTKE. Thank you, Mr. Bishoprick. Our next witness will be Charles Morey.

I might tell you that there are 76, according to the last count, that we have yet to hear from.

All right, Mr. Morey.

STATEMENT OF CHARLES L. MOREY, ST. PAUL & TACOMA DIVISION, ST. REGIS PAPER CO., TACOMA, WASH.

Mr. MOREY. Senator Hartke, ladies and gentlemen, my name is Charles Morey, and I am the resident manager of the St. Paul & Tacoma Division of St. Regis Paper Co., Tacoma, Wash. We are manufacturers of lumber and plywood.

Before reading my remarks, I would like to comment on the remarks of an earlier witness, in that I've got news for Mr. Saltzman. All is not peaches and cream in a large integrated operation. The present economic condition of the lumber industry is a matter of grave concern to the St. Regis Paper Co. Now, I would like to proceed with my statement.

The depressed economic condition of the lumber industry is a matter of grave concern to the St. Regis Paper Co. We, together with others in the timber industry, are faced with a cost-price squeeze of alarming proportions. Today, we are selling our lumber for less than we did 5 years ago. During the same period, our costs of labor have substantially increased, and the cost of the things that we buy—stumpage, logs, operating supplies, et cetera, have all increased proportionately. We have been able to keep our heads above water so far by modernization and improved efficiency. We can see an end to savings that can be made in this fashion.

Looking to the future, there appears to be little hope for either an increase in demand or an increase in price on lumber for the next 4 to 5 years. A sufficient increase in the housing market to cause this does not seem to be in the cards before 1966. This means that the current crisis is not temporary, but will probably continue for the next few years, at least.

The point that is painfully clear is that we are in trouble.

We are not asking for charity. We gladly accept the challenge of competition from within and outside of our industry as part of the American free enterprise system. We recognize and believe that under that system, a corporation or an entire industry can be successful only on its own merit. We subscribe to the principle of equal trade opportunity for both domestic and foreign lumber.

However, we do not think that it is right to allow American citizens to suffer because of Canadian lumber imports that are produced and shipped under Government-controlled advantages not available to American producers. We refer specifically to monetary exchange rates, stumpage prices, freight rates and practices, and governmental promotion.

We repeat that we believe in the principle of equal trade opportunity for both domestic and foreign lumber. However, due to present inequities in favor of Canadian lumber, we support the W.C.L.A. Statement of Policy on Imports and Exports, which is quoted as follows:

> Specifically the West Coast Lumbermen's Association requests—
>
> (1) That the industry give full support to the U.S. Government in any effort that is undertaken to increase the sale of American lumber in both export and domestic markets;
>
> (2) That the Government establish a Federal transportation policy which will equalize costs on waterborne shipments of lumber between American and foreign vessels and which will eliminate the competitive advantage of foreign railroads and will encourage the efficiency of carriers;
>
> (3) That the Government take appropriate action to prevent the manipulation of foreign exchange rates which have had the effect of providing a subsidy on lumber imports into the United States;
>
> (4) That the Government immediately undertake negotiations to equalize tariffs on lumber imports and exports so that comparable opportunity exists for sales in competing nations.

These are complicated matters, and it will take time to negotiate an equitable solution with our good friends north of the border.

As a stopgap measure, we recommend the imposition of a quarterly quota on softwood imports in the amount of 10 percent of domestic softwood consumption; the quota to remain in effect only until such a time as an equitable solution to the problem can be found.

Mr. Chairman, gentlemen, I appreciate the opportunity of appearing before you, and thank you very much.

Senator HARTKE. Thank you, sir. We will next hear from Mr. Potter.

STATEMENT OF EDWARD POTTER, MILTON J. WERSHOW CO., PORTLAND, OREG.

Mr. POTTER. Mr. Chairman, ladies and gentlemen, my name is Edward Potter. I am president of the Milton J. Wershow Co., the largest industrial liquidation firm in the western United States. I have a brief statement to read for the record.

I was asked to come here today and review for you as briefly as possible some of the trends in our liquidation business is it relates to the lumbering industry and the woodworking industry in general.

Perhaps a better indication of the extent of our work in this field in Oregon, Washington, Idaho, Montana, and northern California can be illustrated by the sale brochures I have brought and would like to submit for the committee's examination at your own time. In outlining how much of a volume of business we have done in this industry, I would like you to remember that while we are the biggest, and I like to think the best, company in this field, we are not the only company. There are many others. Also in trying to measure the liquidation of the sawmill industry you must remember that there are those mills, many of them, who think they can do better by selling their own property piece by piece to buyers when and where they can find them. There are too, the big, integrated companies that, through a belief that they know the liquidation business better than we do, try to liquidate their own mills, selling some of the equipment and putting much of it into inventory as backup machinery at other mill operations still running.

Let me explain frankly, before I get a question on the matter, that our business is liquidation and you naturally would think we would enjoy mills going out of business. That is true to a degree. But when so many mills go out of business that our buyers, or our markets weaken, then the liquidation becomes more of a problem.

There are enough plants remodeling in other industries, and there is enough normal operation business for us to handle without getting into the situation that is developing in the lumber industry today. Frankly, there have been almost too many sawmills go down, and were it not for some of the major foreign buyers, and I am talking in part about Canadian mills who turn up to buy a good amount of equipment we sell, the used sawmill machinery market would be downright soft.

Since World War II, our company has sold well in excess of a half a billion dollars of machinery and real estate in liquidation and auction programs. We are big enough, Senators, that we don't have to wish anyone bad business so that we may prosper. Our business is as good or better when the industry is healthy, so that what we have to offer will be in demand, and the bidding competitive and spirited.

But let me tell you a little about our business in the lumbering industry.

Last year in the Northwest alone we sold more than 30 mills. This year, in the months through May, we have liquidated roughly 15 mills.

And may I point out that this is not junk, wornout, discarded machinery available, 3 and 4 years old. Good competitive mill workings that should return a profit in any normal operations. The people selling this machinery—those getting out of this industry range from some of the largest like Georgia Pacific and International Paper Co. to individually owned mills like Forest Green Lumber Co. and other single individually owned operations. Frankly, after hearing the stories behind these companies decisions to quit and examining their statements, as I must in taking on this kind of an assignment, I wonder there haven't been many more. Some have operated as long as 2 and more years without 10 cents profit, carrying hundreds of thousands in machinery inventory and millions in operation risks, all hoping for a break that has not yet come.

I can't help feel the reasons they have quit, the reasons for this economic suicide, are still with the industry and at a conservative estimate. I would say our business volume will increase by 25 percent as the year develops. I hope I have covered the field. I know that our performance and our reputation as liquidators in the industry will allow me to answer frankly any questions you may wish to put on this aspect of the industry's economic well-being.

Thank you.

Senator MORSE. May I have a ruling, Mr. Chairman, that the brochures referred to by Mr. Potter may be exhibits to go along with the hearing record, not to be made a part of the record, but just kept for consideration of the committee?

Senator HARTKE. They will be considered exhibits, and will be incorporated by reference.

Senator MORSE. Your business is more or less like participating in the activities of a coroner's jury.

Senator HARTKE. Thank you, sir. Our next witness will be Mr. Ellingson.

STATEMENT OF SIG ELLINGSON, MEMBER OF OREGON FOREST PRACTICE COMMITTEE OF THE WESTERN PINE ASSOCIATION, JOHN DAY, OREG.

Mr. ELLINGSON. Gentlemen, I am Sig Ellingson, from John Day, Oreg., and I am a member of the Oregon Forest Practice Committee of the Western Pine Association. I have a statement to make in behalf of that association.

The Western Pine Association is made up of hundreds of mill operations, large and small, located throughout the 12 Western States, employing about 70,000 workmen. My own company, the Ellingson Lumber Co., is a family owned organization established in Wisconsin in the 1880's, incorporated in Wisconsin in 1891, and moved to Oregon in 1923. We are a small company as compared to some in the industry. We have four mills located in southern and eastern Oregon. Scattered through the pine region as our individual mills are, we have all the problems of the small mill operators whereas our total production and number of employees would tend to put us in the big mill group. Our production used to be 365,000 feet a day, 94 million feet annually, with 525 employees. Today, due to the problems we are here to discuss, our production is down to 200,000 feet a day, about 54 million annually and our employees now number 325. I present this information relative to my company merely to point out the fact that we are not new in this business.

The industry has so many problems with the Forest Service it is hard to know where to begin. In a general way they can well be summarized under the four-point recommendations presented to the Secretary of Agriculture in Washington on February 21. I was among 50 lumbermen at that hearing before the Secretary. I thought at that time we had impressed him with the urgency of our problem but apparently we failed. Getting the runaround is a common experience for customers of national forest timber. We get it at all levels, from the ranger on up to the Secretary. This is not the first time our industry's requests for more reasonable policies have been taken to the Secretary of Agriculture. Our industry did that in 1957 with practically the same program as we had last February 21. In between we carried our grievance to the top men in the Forest Service on several occasions with the same lack of results. The Forest Service disregards all protests. From repeated experience it is now evident to every millowner and logger that you cannot get reasonable treatment from top agency officials unless you get the strong assistance of your Congressmen and Senators. Gentlemen, we ask for your consideration of our urgent problems. We need your help in getting action from the Forest Service and the Secretary of Agriculture before it is too late.

It looks as though the Forest Service has drifted away from the people and is operating the national forests to suit itself. Apparently this powerful agency thinks it can disregard Congress too. It has long since lost sight of communities dependent on Government timber. That's one of the real reasons for invasion of U.S. markets by Canadian lumber. Up there the Province, which corresponds to our States, controls the timber, and the Dominion Government at faraway Ottawa has little to say about timber pricing or policies. In our case

an agency thousands of miles away from the people's problems controls the large Government forests. We are now seeing which system works best—remote control or home rule. The trainloads of Canadian lumber invading our markets tell the story.

Now I would like to highlight some of our Oregon problems that are particularly damaging to our industry and the dependent communities. I will follow the four-point program so as to relate our situation in Oregon to the overall situation in the West. The first subject is "Sale of the Allowable Cut." We understand that region 6 of the Forest Service, covering Washington and Oregon, has done the best job of selling timber of any region in the West. For this we give them credit. However, we need at least 3 years' supply under contract to get away from our hand-to-mouth existence. This is particularly necessary in view of the tremendous road construction requests. The selling record for 1961 as compared to 1961 allowable annual cut of the pine region's national forests of eastern Oregon and eastern Washington is tabulated:

Forest	Allowable annual cut	Sold in 1961	Allowable cut not sold	Timber under contract at start of year
	Board feet	*Board feet*	*Board feet*	*Million board feet*
Deschutes	136,000,000	136,500,000	[1](500,000)	251.0
Fremont	126,000,000	92,000,000	34,000,000	141.5
Malheur	138,000,000	44,600,000	93,400,000	300.6
Mount Hood (East)	48,000,000	50,000,000	[1](2,000,000)	58.5
Ochoco	96,100,000	104,600,000	[1](8,500,000)	229.3
Okanogan	70,000,000	70,500,000	[1](500,000)	69.2
Snoqualmie (East)	56,000,000	86,200,000	[1](30,200,000)	99.8
Umatilla	110,000,000	85,300,000	24,700,000	271.5
Wallowa	121,000,000	51,800,000	69,200,000	172.8
Wenatchee	107,000,000	96,100,000	10,900,000	183.8
Winema	90,000,000	89,900,000	900,000	323.3
Total	1,098,100,000	907,500,000	233,100,000	2,101.3

[1] Overcut.

This tabulation shows an undercut on seven forests amounting to over 233 million board feet. At 14½ man-hours per thousand feet of production, this is a loss of over 3 million man-hours of work. That's 1,500 year-round jobs for timber workers.

A further problem is the accuracy of the annual allowable cuts as computed by the Forest Service. We understand that at present only two "east-side" forests have a modern management plan and allowable cut. The status of management plans and new allowable cuts by forests on the east side is as follows:

Forest:	*Schedule for new management plan*
Deschutes	July 1963.
Fremont	Late 1963.
Malheur	January 1962.[1]
Mount Hood	July 1962.
Ochoco	Late 1963.
Okanogan	Spring 1962.[1]
Snoqualmie	Late 1962.
Umatilla	Summer 1962.
Wallowa-Whitman	Do.
Wenatchee	Late 1962.
Winema	During 1964.

[1] Available.

There is a lot of loose talk about overcapacity of the mills in Oregon and Washington as it relates to the timber supply. What we need to consider, if we have the economy of our State and communities at heart, is the real opportunities that exist in our forests to process trees to usable products. The new modern management plans should be a real help and are long overdue. Secondly, the Forest Service needs to check on its salvage opportunities, as all of us know of millions of feet of pine timber going to waste on national forests in virgin stands that are urgently in need of attention. While these forests need to be managed for future harvest, that should not stand in the way of salvaging the insect-susceptible trees. Foresters now know how to identify such trees and it's high time the Forest Service organizes its program to save such trees for use. Besides, every good tree we lose to the bugs and decay is so many jobs down the drain. It would be an interesting tabulation to look at the billions of board feet of timber lost in national forests over the past 10 years, for example, that were not offered for sale to operators and so lost for all time. Such salvage would be most helpful in supplying mills, and good for the forest, and I understand it would not be chargeable to the allowable cut. If Congress knew fully of these forest problems, it would find a way to get the job done; therefore a national forest performance report is necessary.

On timber appraisals, the Forest Service all too often takes advantage of its dominant position as a timber seller in setting the rates for timber. For example, their use of the quartile system beginning early in 1961 was an added hardship when we could least afford it. Using ponderosa pine as a sample, at an assumed wholesale price of $100 per thousand, the new system or procedure upped current selling values (computed to most recent calendar quarter) $4.36 during January to March 1961, $4.54 during April to June 1961, $2.47 for the third quarter, and $2.17 for the fourth quarter of 1961. Even with some improvement in prices the first quarter of 1962 showed a difference between the Forest Service pegged price and current market of $2.19. Such unfair pricing has been continued by the Forest Service for over a year now, despite strong protests from their customers.

Contrary to statements by top agency officials, it is true that the economic difficulties of the western lumber industry have developed to a major degree because of its dependency on national forest timber and the pricing policies for that timber. The bidding record does support this statement. The much advertised lowering of Forest Service appraised stumpage rates has not properly reflected the real decline in the true value of such stumpage.

Also, the records show that nearly half of the timber sold by the Forest Service in Oregon and Washington in the last 3 months of 1961 was sold at rates within 1 percent of those advertised. Since the Forest Service policy is to appraise its timber to operations of average efficiency, one should expect overbidding, even if the timber purchaser were not under compulsion to buy.

One of our major appraisal problems is that the Forest Service has been attempting to guess future product prices. Product prices have been held unrealistically high to satisfy this desire. The consequences of this practice can only lead to more deterioration of mills and their dependent communities.

Our third proposal is a request for a fair appeals procedure. We don't understand why the Forest Service is not under the same laws regarding appeals as other Government agencies. What chance can a customer have when the timber seller is both judge and jury over all differences?

Also, the Government's involved contract requirements do not spell out in advance of bidding and sale precisely what timber will be available and what road construction and other expenditures will be required by terms of the contract. In fact, many judgments on what will be required are often not made by the forest officer in charge until the sale has been in operation for a considerable period. Once a contract is signed, there is no chance for adjustment for timber cut prior to time for reappraisal. Hardships arising from contract judgments are often made more grave by the custom of frequent personnel transfers, which brings in men not acquainted with job or area and so become managers that follow the book and give out prejudged decisions only.

One of the lumber companies operating in eastern Oregon recently compared Forest Service contract requirements for the 8-year period ending in 1962. They found that in 1955 over 79 percent of the total price paid by the company for timber went for timber, 10 percent for roads, and 11 percent for miscellaneous. Their records show that over the years less and less is going for timber and more and more for frills. In 1962, only 46 percent went for timber, while 30 percent went for roads, and 24 percent went to miscellaneous. You can see by this how the counties are receiving less and less for schools and roads from their 25-percent portion of total receipts, because the counties share only in what goes for timber. If this trend continues, the time is obviously coming when the counties won't be getting anything from Government timber sales.

Since 1957, the 12-State western pine lumber industry has been urging the U.S. Forest Service and Secretary of Agriculture for a change of Government timber sale policy that will enable the lumber industry to survive. Four fundamental points outline the industry's petition. We believe Congress can take the first step in solving the lumber imports problem by straightening out Forest Service policy and procedure.

The four points to survival continue valid today. Competitive problems of the industry have, in fact, accentuated them and have pointed up as never before the monopolistic position of Government timber ownership in most western communities. There is no question that the Government is by far the largest timber holder in the region. Its dominance over industry, by virtue of control of raw material, is a fact which is not given adequate recognition by the Department of Agriculture.

The western pine lumber industry feels that the attitude of the Forest Service has been and is consistently hostile as if the industry were a rival instead of a customer and a friend. The industry feels that the Government under policies being exercised overlooks its acknowledged responsibility toward the people and the communities heavily dependent on public lands and timber crops of the various localities. It contends that harassing and punitive policies and decisions against the forest industry react inexorably against communi-

ties in which the industries are located. It is surely not in the public interest to drive up minimum stumpage rates when less than the allowable cut is being offered. The public loses not only the timber not cut or salvaged, but payrolls and business support are lost by communities dependent on the forest. More consideration must be given communities in the forest areas if the Government does not wish these communities to wither as a result of the Government's own policies.

With respect to the tabulation shown on page 2 of my statement, which I didn't go through, I want to say this, that the total allowable cut in 1961, which was from 11 forests, was 1,098,100,000 board feet; in 1961, the sale program offered 907,500,000. This was 83 percent of the allowable cut, and there were 233,100,000 of allowable cut not sold, and there was 2,101,300,000 feet of timber under contract at the start of the year. That is 1.9 times the allowable cut, and we would like to see the timber under contract reach three times.

Senator MORSE. Mr. Ellington, that was an excellent statement. I don't want you to answer this now, but I would like to have you consider filing with your colleagues a memorandum on this salvage problem. I think it just can't be justified under our existing laws. There seems to be a presumption in the matter that you people in the lumber industry can't be trusted to go in and get out the diseased and windblown timber, which represents a terrific cost to the American taxpayers if we don't get it out. I am not a practitioner or an expert in the field, but I would like to have you consider the possibility of working out a procedure where the industry would appoint, shall we say, an advisory council or committee for each national forest, whereby you could work out a cooperative program in regard to the salvage timber. Under this plan you would be given authority to go in and get it out, because, as you say, it isn't part of the allowable cut, anyway. If you don't get it out in adequate time, it's all lost.

I should think that the Forest Service and the industry could work out such an arrangement whereby you would have authority to go in and designate the timber, work out an arrangement for dividing it up among the mills, and getting it out, so that the taxpayers wouldn't lose it. This would relieve the Forest Service of the administrative detail with respect to salvage timber.

That's a broad outline of my suggestion. I know we have been talking about this matter, and I think we can work out some procedure for getting it out. I've had this complaint presented to me for quite some time. It just seems that we never get a procedure for getting it out.

If this idea isn't good, would you please work out in the industry a procedure that you think would work, that would relieve the Forest Service of all the administrative detail, and insist on it. Then we could proceed to get this salvage timber out. As long as it isn't part of the allowable cut, it seems to me you can be trusted to take out only salvage timber.

I know that an argument was given in opposition to some shortcut here: "Well, after all, we've got to be sure that it's salvage timber they take out." I'm not worried about that. If you can't place faith in the industry, why everything is lost anyway in regard to it.

I have one other suggestion, and if the chairman agrees with me, and it was suggested by counsel, I will just make it a part of the record because it relates to your testimony; it is this: When the Forest Service appropriation bill comes up in the near future in the Senate, we will have to proceed to make a record as the first step, a floor record, and then ask the Forest Service to present a meaningful performance record for the preceding calendar year when it brings in its budget for the next year, so that we are not confronted after the fact with the set of statistics that you gave us here today. The Appropriations Committee ought to have before it at the time the Forest Service asks for an appropriation a record of its past performance, and that's one of the best ways to propose a check on them, because, after all, this is a system of checks and balances in every branch of the Government.

Please consider that. I am simply thinking out loud here as we propose this on the advice of counsel. Please get this to me, and this goes for others in the room, too, who hear this suggestion. Give us your memorandum bearing upon the suggestion and we'll see if it might be of some help.

Mr. ELLINGSON. Thank you, Senator. We certainly agree with everything you have said there. We do have some very workable plans for the salvaging program, which our own company, just as one, has had in effect for about 2 years, and it has worked very successfully on the Wallowa Forest. We tried to introduce it in the Malheur Forest, and, in discussion of it with personnel, we have not gotten to first base.

The fact remains, though, that I would consider it a pleasure. We will write to you, outlining the program that we have followed and see what can be done with it.

Senator HARTKE. Thank you, sir. Our next witness is Bernice Luxford. We are delighted to have you here with us today.

STATEMENT OF BERNICE LUXFORD, BEAVER LUMBER CO., CLATSKANIE, OREG.

Miss LUXFORD. Senator Hartke, Senator Morse, and members of the committee, my name is Bernice Luxford, and I am the general manager of the Beaver Lumber Co. at Clatskanie, Oreg. I have a brief statement I would like to read into the record:

Our mill employs 40 people, and has an annual payroll of about $150,000, and is the only mill in this community. It has been estimated by the local merchants that we are the main support of at least 100 families in addition to wages paid indirectly through purchase of approximately $35,000 for logs, per month.

Should we be forced to curtail our operations there is no question that Clatskanie would become a "ghost town," and if the conditions which now exist are allowed to continue this could very well happen.

We have been protesting since last year the unfair advantages enjoyed by the Canadians in the lumber business by regulations of our own making, and feel it is about time that the present administration do something to give our mills at least an equal opportunity to compete in our own market without regulations which stifle our mills at

every turn, and have been instrumental in turning over the Atlantic coast market to the Canadians.

It would be repetitious to quote in detail all the advantages they enjoy, which are denied the American mills, but for "good orders" sake I will merely name them.

1. Cheaper stumpage prices.
2. Cheaper wages.
3. Fifteen-day freehold time on railway cars.
4. Deliberate devaluation of the Canadian dollar.
5. Last, but not least by any means, is the $9 to $13 per thousand cheaper freight rate because they can ship on foreign bottoms. This right is denied American mills by the Jones Act, which states that we must use American ships to deliver from U.S. ports to U.S. ports.

All these factors are responsible for the fact that the Canadian mills have now taken over the major share of the east coast market, and will continue to take over a greater portion unless our mills are given equal opportunity to compete.

The figures for the month of April shipments are shocking; we shipped to the Atlantic coast 38½ million feet of lumber, but the Canadians shipped in the same month 97½ million feet. How long do you think this can continue and our mills continue to operate?

Furthermore, they are now hauling our logs from Puget Sound to Vancouver, cutting these logs into lumber, shipping it back here, and are still able to undersell us because of the factors I stated earlier.

We are not asking for a handout; but we do expect our administration to do something right away, and respectfully ask you to place an immediate quota on the import of Canadian lumber equal to 10 percent of the average of their last 10-year imports.

Some form of subsidy should be considered on the shipping costs because if the Defense Department insists a merchant fleet is a necessity then the entire cost should not be placed on the mill operators as it is today.

We sincerely feel, that given equal opportunity, we can compete against any competition, but not against all the hurdles we face now.

I want to add that, where I request that a quota be placed on Canadian lumber imports, I was not aware of the need for a petition when I put that in my testimony. One reason why I was not, a week ago yesterday, I wired Representative Norblad asking him for his position regarding this lumber situation as pertaining to the Congressional Record, and it was volume No. 108, No. 83, hearing held on May 24 in Washington in the House, and I did not hear from Representative Norblad on that.

However, I did read a press release where last Thursday he had written to the President asking for quick action on this and also to place the 10-percent quota in effect. So, I did not feel it was necessary to have the petition and that he could ask for it directly. So, I'm glad that that was clarified today.

So far in the testimony today, we have heard of the economic burden here and the economic responsibilities. My feeling in a community such as ours, and there are many like it in Oregon, is that, if the smoke doesn't go up from the mill in the morning, it's a depressing situation. We have a moral responsibility to our people. I thank you. Are there any questions?

Senator HARTKE. I have no questions. I just want to say I have a little note the witness just gave me, and I'm going to read it just for the record. It says:

Senator Hartke: Just for your information, some mills in the United States do produce and ship quality lumber. See the inside.

This shows a picture of her and her lumber company.

Next, we will hear from Paul Ehinger.

STATEMENT OF PAUL F. EHINGER, WESTFIR, OREG., DIVISION, EDWARD HINES LUMBER CO., WESTFIR, OREG.

Mr. EHINGER. Senator Hartke and Senator Morse, I am Paul Ehinger, and I am general manager of the Westfir, Oreg., Division of the Edward Hines Lumber Co. My statement here today is in behalf of all the Oregon operations of that company.

I am a professional forester, having graduated from the Forestry School of the University of Michigan. I have spent the last 15 years dealing almost exclusively with Forest Service timber. For the past 9 years, I have been primarily responsible for obtaining the timber supply for our mill at Westfir, which involves purchasing some 60 million feet of timber annually, all from national forests.

The Hines Co. is one of the oldest and largest continuous purchasers of national forest timber in the Pacific Northwest. It began its operations in Oregon, to the gratification and relief of the Forest Service and the citizens of Burns and Harney Counties, by being the only qualified awardee of a Forest Service contract in 1928 to cut a large quantity of overmature and poor-thrift trees in the Malheur National Forest. It constructed a sawmill at Hines, near Burns, in Harney County, Oreg., that began operations in 1930.

That "gratification and relief" sprang from having a responsible, experienced company execute a plan conceived by the local citizens and Forest Service officials as early as 1922, to bring transportation and manufacturing into that area by opening the Malheur.

The Forest Service specified that our mill be near Burns, some 50 miles from the woods area. Since Burns was then a frontier town in a desert area, to commence operations my company had to import labor, provide housing, furnish power, build roads and streets, provide fire protection, and so forth.

To take advantage of the Forest Service inducements and commitments, of "a plan of management designed to maintain a continuous production," my company made an investment in railroad, logging equipment, sawmill, and so forth, of $7 million, its mill opening about the time of the great depression.

Our company's treasury was drained dry in the ensuing years to insure the final success of that project. The accumulated losses of the depression were not finally recouped until 1947. I mention these facts only to show the efforts that operators dependent upon national forest timber have made, and continue to make, in supporting the local communities dependent upon them and to save their capital investment.

My company now operates at four locations in Oregon: At a large pine mill in Hines, Oreg., whose origin I have described, we produce lumber and millwork almost exclusively from national forest timber. We have a pine sawmill at Bates, Oreg., that also depends upon public

timber. We have a sawmill and hardboard plant at Dee, Oreg., that uses primarily national forest Douglas fir and hemlock timber. At Westfir we produce lumber and plywood entirely from national forest timber.

Entire communities are wholly or partially dependent upon the continued operation of our mills.

Since my company began converting Forest Service timber, we have been concerned with the timber-management policies of the Forest Service. We are proud of our long relationship with that Government agency and with the communities dependent upon our operations.

For 65 years, Congress has directed that the national forest be managed to furnish a continuous supply of timber, to stabilize communities and employment opportunities, to foster a vigorous forest industry, and that the forests be improved and protected. The basic act of 1897 still governs Forest Service sales of national forest timber.

In the Secretary of Agriculture's regulations (36 CFR 221), implementing that law, it is provided that—

> Management plans for national forest timber resources shall be prepared * * *. Such plans shall be designed to aid in providing a continuous supply of national forest timber for the use and necessities of the citizens of the United States * * * for the stabilization of communities and of opportunities for employment.

In a 1937 law, placing O. & C. lands under a sustained yield management program, Congress directed that such lands be managed in conformity with sustained yield for the purpose among others of providing—

> A permanent source of raw materials for the support of dependent communities and local industries of the region.

The Bureau of Land Management in interpreting that law has said—

> Our policies must promote economic stability so that communities can establish and finance necessary facilities and services and so that their citizens can invest in homes and businesses with a reasonable degree of security.

One of the basic congressional purposes underlying the 1944 Sustained Yield Act was "to stabilize communities, forest industries, employment, and taxable forest wealth." The Forest Service in supporting that legislation made it clear through a distinguished forester, Mr. C. M. Granger, that in its timber management policies—

> The net returns to the people as a whole are larger from those benefits which accrue to the labor which is used in harvesting and manufacturing the timber * * * and the stability of communities which are engaged largely or wholly in operating these timber bodies.

Increasingly, in recent years the Forest Service has departed from these statutory directives concerning our national forests. Its policies and attitudes have raised grave doubts as to the wisdom of our heavy investments in Oregon, based entirely upon the conversion of Forest Service timber. Because of this deteriorating relationship between the buyers and the Forest Service, my company, in early 1961, compiled an extensive memorandum of its 30 years' relationship with the Forest Service, covering most aspects of our relations with that agency.

This carefully prepared, 142-page document, and the substantiating data underlying its conclusions, was made available to the Forest Service in July 1961. The facts and contents of this memorandum have

never been publicly questioned. The Forest Service has merely made formal acknowledgment of receipt.

We participated along with dozens of lumbermen across the country in the February 21 meeting with Secretary of Agriculture Freeman, at which industry representatives outlined four basic points that need immediate correction. The delegation of Senators and Congressmen present felt the points were most reasonable and could be implemented promptly without any additional legislative action. Again the industry has received no action other than the recent statement of the new chief forester that—

> Part of the cause of recurrence of the same issues is refusal of authorized representatives to accept decisions which the Forest Service considers to be the resolution of an issue.

As one witness aptly stated at the Lewiston hearing:

> If we don't find some answers soon, we won't be talking about a sick industry, we will be talking about a dead industry.

Senator Wayne Morse, after attending the February 21 industry presentation in Washington, pointed out that the management of the national forests must be related to the ringing of cash registers on the main streets of dependent communities.

Insofar as the great number of mill operators in region 6 is concerned, the Federal Government, and particularly the Forest Service, is substantially the sole supplier of raw materials. As to these operators, it occupies an ever-increasing monopoly position.

In the case of each of my company's operations, the Forest Service has virtually 100 percent of the available sawtimber. The Hines Co. must buy such timber or shut down.

This Forest Service monopoly of available sawtimber for our operations, is precisely the same economically as any other monopoly. This significant fact has created certain effects of particular significance in the present crisis that we face:

The Forest Service, as seller, and the Hines Co., as a purchaser, are in entirely unequal bargaining positions. They are not principals dealing at arm's length. Each of our 1,875 Oregon employees, and the business people and residents of adjacent communities, are equally dependent on our operations. They are at the mercy of the policies of the Forest Service in "calling the tune." We thus face the grim alternatives of buying raw material from the Forest Service on its terms, or of closing.

This one-sided relationship between the Forest Service, as seller, and Hines Co., as buyer, can be illustrated in various ways:

1. Scaling: While the Forest Service has permitted third party independent scaling of the timber it sells in some areas of region 6, it has insisted upon doing its own scaling in many other areas, particularly in the pine areas.

My company, like other converters, is entitled to a fair, equitable, and just scale and asks for nothing more. The figures show it is not getting it.

We know of no other commodity in the sale of which the seller insists on his own determination of the quantity of the commodity sold while the buyer is not permitted to determine that fact or to have it determined by an independent third party.

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This insistence upon Forest Service scaling leads to the estimated overrun in Forest Service appraisals being taken away by its own scalers at the scale platform. Illustrations of this practice were set forth in our comprehensive memorandum to the Forest Service.

Operators are clearly entitled to an independent scale, to avoid overscaling by the "seller weighing the meat."

2. One-sided contracts: Only one having monopoly control over available timber supply could insist upon such a one-sided form of timber contract as the Forest Service now uses. So many provisions leave decisions unilaterally to the Forest Service, or refer to the rules and standards that it can change or revise at its discretion, that the Forest Service Handbook now states, "This is an unusual type of contractual relationship. It places on the Forest Service a strong moral and practical obligation to exercise its unilateral powers in an equitable manner" (sec. 2423.81).

In fact, the rights of the Forest Service and the duties of the converter are stated in such broad general terms, particularly in respect to logging practices, that the Forest Service can insist on nearly any requirement and contend that it is covered by the fine print. This lack of mutuality compels the converter to subject himself to the complete control of the Forest Service, as the price of getting necessary timber, if he is to continue his operation and the employment of those dependent on it.

The present Forest Service contract has become less and less a sale and more and more a service contract for the operator to perform. This contract demands that he do these things: Build and maintain elaborate roads, according to Forest Service specifications, that are in excess of the needs of a prudent operator or landowner; provide the major portion of the fire protection; build fences and cattleguards; dispose of slash, et cetera. All of these service features are excessively costly, and many are unrealistic.

There is a chronic need for the prompt, major revision of the basic Forest Service timber sale contract.

While the records of these hearings are and will be overflowing with information showing that the Forest Service is not adhering to the prudent operator concept, and that the converter runs the risk of faulty Forest Service road cost estimates, let me state simply that in the last 15 years our own westside road building costs have increased from $2.38 to $14.22 per thousand (1957); that for 5 years they have averaged $12.01 per thousand; and that they have reached as high as $30 per thousand in particular sales.

These tremendously inflated road costs are the direct result of Forest Service policies. But for these policies, we could build roads today in the national forest for approximately the same cost per mile as we could 10 years ago.

3. Allowable cut: Through the years, the Forest Service has spent considerable sums of money in accumulating a wealth of basic inventory data on the timber resource on the various national forests. From time to time as the basic data was compiled, new allowable cuts were established.

For many years, there was no urgency to increase allowable cuts, because the demand for timber was considerably less while the more accessible tracts of private timber were being harvested. Times have

changed; the demand for Forest Service timber has increased at a feverish pace; the need for maximum allowable cuts is imperative.

Two years ago, in order to implement this program, an independent industry association and the Lane County court hired an independent consultant, Paul Graves, of Syracuse University, to analyze the basic forest data on certain segments of the Willamette National Forest and Bureau of Land Management lands in Lane County. The Lane County court's interest stems from a desire on its part to assure the county's continuity of its share of the Forest Service timber receipts. This study indicated that on the basis of Forest Service data, and within the framework of Forest Service policy, substantial increases could be made in the allowable cut in the area. Over a year ago this detailed report was submitted to the Forest Service, and just 2 months ago a large majority of the operators in the area petitioned the Secretary of Agriculture urging that this report be adopted or refuted and that the allowable cut data on both the Willamette and Siuslaw Forests be quickly evaluated at the earliest possible date. The failure to date of the Forest Service to respond to this industry request is further evidence that during these critical times in the industry the business-as-usual attitude prevails in the Forest Service.

The fact should be clear to the Forest Service, as it is to those operating in the area, that the maximum available timber is not being advertised and sold in the quantities that it could be consistent with sustained yield.

Private forests are developing much better methods of regeneration and, on a sustained-yield basis, are able to use much shorter cutting cycles than do the Forest Service.

4. Appeals procedure: As expressed by the industry's third proposal at the February 21 meeting, there is a crying need for an impartial and prompt appeal procedure for the purchasers' appeals from Forest Service administrative decisions.

The Forest Service should be a party to such proceedings, and not sit in judgment upon disputes with its buyers. While undoubtedly the Forest Service purports to represent the public interest, its monopoly power over the raw material needed by its purchasers cannot be denied, and cannot help color bureaucratic judgment reviewing bureaucratic action. The Forest Service should have no basic objection to a prompt and impartial review of its action, at the regional level, by local representatives of the Secretary of Agriculture, selected for their independence of either the Forest Service or the purchaser, and for their competence and familiarity with timber administration and logging and lumber and plywood operations. Such a local independent appeals board would permit small operators to appeal promptly without great expense or inconvenience. This step can be taken by the Secretary of Agriculture under existing regulations—no new statutory authority is needed.

This kind of a prompt and impartial revised appeal procedure would serve to bring the Forest Service decision process much closer to the States in which the timber grows. Since the very economic life of many communities and of some States depends largely upon the successful administration of the public timber it is certainly in the public interest that the monopoly power of the Forest Service over that timber, and over the survival of operators converting it, should be con-

trolled by an appeal procedure under the Secretary's jurisdiction, in like manner in which private and public utility monopolies are regulated by a superior agency.

Public confidence in the future administration of national forest timber would be restored by the establishment of a prompt, efficient, and fair review procedure, available alike to operators and the Forest Service itself.

Full utilization of this public timber requires large investments in modern converting facilities, which are not economically feasible without full confidence in the availability of timber raw materials on fair and equitable terms.

The present bleak outlook for the lumber and plywood industry in Oregon and Washington can be considerably brightened by the prompt establishment of such prompt and impartial appeals procedures, which can be accomplished under present law by revised regulations promulgated by the Secretary of Agriculture.

5. Appraisals: The Forest Service insists on unrestrained judgment in its appraisals. It refuses to recognize the mechanical relationship between lumber prices and stumpage prices, which simply means the rejection of the residual theory that timber is worth the selling price of products made from it, less the cost of production, and a margin for profit and risk to the purchaser. This judgment factor, to the Forest Service, insures its right to "blue sky" where lumber markets are going on an assumed lumber price cyclical pattern. This, in plain words, is the insistence on the right to speculate.

In the last few years we have seen the havoc wrought by that kind of appraisals. Forest Service "judgment" of the markets that would prevail in 1960, 1961, and 1962 has caused terrible losses to operators, because that judgment was wrong. The markets, in fact, with few exceptions, have declined.

Those buying timber a year or two in advance of cutting naturally expect profits if markets advance and possible losses on a declining market. The Forest Service has also benefited on high markets, and will benefit again. But that expectation can only be assured by attuning timber appraisals to current lumber market prices.

When the upset price is geared to unfounded Forest Service "judgment" that markets will rise, or at least not decline, purchasers have no chance of profits on a rising market that has already been discounted, and are left with great opportunities for losses. This "crystal ball" theory of appraisal is still followed when we read the recent statement attributed to Forest Service officials, in the Oregon Journal of May 24, that: "You can't appraise anything without thinking about what it's going to be worth during the time they're going to be using it." This reasoning appears even more absurd when one considers that identical appraisal techniques are applied to sales of 1 year duration and also to those up to 3 years' duration.

Necessarily I can touch on only a few of the facets of the critical problems we face today in converting national forest timber. For this reason, I submit as a part of my statement a memorandum my company recently prepared dealing with problems facing the lumber industry in the Pacific Northwest. I ask that it be included with my statement in the record.

In a 1906 Forest Service Handbook it was stated that—

> The administration of forest reserves is not for the benefit of the Government, but of the people * * * Forest officers, therefore, are servants of the people. They must * * * be at least as prompt and courteous in the conduct of reserve business as they would in private business.

I submit that this policy is just as sound in 1962 as it was in 1906, and that its application today would solve many problems faced today.

This brings me to the matter of attitudes.

The Forest Service, as well as the operator, should have one particular concern: that each sale and all public timber make the greatest possible contribution to the economy of the dependent community, the State, and the country as a whole. Oregon and Washington are entitled to not only the logging and the conversion employment inherent in every utilizable national forest log, but also the resulting employment of all concerned in any way with the products of the log, including employees of railroads and truckers, material, suppliers, service trades, distribution industries, the construction industry, etc. The continued economic well-being and stability of all in the Pacific Northwest are inextricably tied to the Forest Service and operators rededicating themselves to this basic concern and objective.

Unfortunately, if such a concern cannot be brought about, then I may face the unfortunate necessity of "blowing the whistle" on our fine Westfir plant and possibly other Hines Co. mills will similarly face the necessity of ceasing operations.

I appreciate the opportunity of bringing these views of my company to the committee's attention.

(The supplemental statement of Mr. Ehinger follows:)

MEMORANDUM RE PROBLEMS FACING LUMBER INDUSTRY IN PACIFIC NORTHWEST

This memorandum contains pertinent information relating to problems currently facing the lumber industry in the Pacific Northwest. These include the impact of imported Canadian lumber, as well as the competitive inroads on traditional markets for Pacific Northwest lumber by competitive building materials.

1. IMPORTED CANADIAN LUMBER

Although the forest resources and productive facilities of this country are adequate to supply all of its softwood lumber requirements with a surplus for export, substantial quantities of softwood lumber are imported. Canada, whose forest resources and industries are generally similar to those in our Pacific Northwest, furnishes over 90 percent of our softwood imports.

The growth of such imports has been spectacular. A decade ago, the Canadians enjoyed 6½ percent of the U.S. softwood market. U.S. imports of Canadian softwood lumber were an estimated 4 billion feet in 1961, which were competitive most directly with western species, particularly Douglas fir and spruce. The rapid rate of increase of these imports in the last 10 years represents an annual loss in business of 1.7 billion feet, which the domestic industry can ill afford to lose when U.S. consumption has actually fallen during that period. In 1961, Canadian waterborne lumber shipments to the Atlantic coast exceeded such shipments from the Pacific Northwest. Many of these facts have recently been reported by BDSA.[1]

The lumber industry in Oregon and Washington faces a serious, continuing problem in competing with Canadian lumber for domestic markets. The impact

[1] See Business and Defense Services Administration, U.S. Department of Commerce, Jan. 29, 1962, memorandum re "Impact of Imported Canadian Lumber on the U.S. Lumber Industry."

of Canadian lumber is not a transient problem. In fact, Edward Hines Lumber Co., being basically lumber merchants, foresaw it a number of years ago, and brought it to the attention of Forest Service officials.

There is ample accessible timber in British Columbia to increase its softwood lumber production, and its exports to this country, by a substantial margin. British Columbia timber volume and current production are roughly one-fourth that of Oregon and Washington.

While the British Columbia coastal region lumber industry developed first, the British Columbia interior lumber production has rapidly increased, and now equals that of the coastal region. In the interior, there are a large number of producers that react quickly to prevailing market conditions. Improved logging techniques and better inventory surveys there are resulting in the harvesting of timber previously considered inaccessible.

The real threat to U.S. markets is believed to come from the interior regions of British Columbia, which have a greater raw material potential and limited access to other markets. These factors in combination tend to divert a heavier flow of such lumber into the U.S. markets.

The Canadian Government clearly recognizes the important role of the forest products industries in its economy. It is realized that Canada must export to live, and governmental policies are founded on that basic truth. That is evidenced by the lowering of the value of the Canadian dollar last year.

Yet virtually all government stumpage in British Columbia comes from provincial crown lands that are locally administered. For this reason, appraisal policies are realistic, and producers' raw material costs are usually kept in line with prevailing economic conditions.

The more important factors contributing to Canada's strong competitive position are:

(*a*) *Lower stumpage costs*

With few exceptions, the cost of timber in British Columbia is a great deal less than the cost of public timber paid by our Pacific Northwest industry. BDSA recently reported that "The average stumpage price paid in British Columbia in 1960 was $5.38 per thousand board feet. The average price paid for national forest timber in the western producing regions of the United States was $20.02, and in the Pacific Northwest (Washington and Oregon) $22.89 * * *. National forest timber sales account for a substantial part of the total supply of logs in the west" and that 1960 average stumpage prices were as follows:

Species	British Columbia (1)	Pacific Northwest [1] (2)	Percent column (2) of (1)
Douglas fir	$8.42	$32.04	380
Hemlock	4.64	10.52	227
Ponderosa Pine	7.21	23.86	331
All species	5.38	22.89	425

[1] Sales from national forests. The Pacific Northwest Region consists of the States of Washington and Oregon.

These "stumpage" prices do not include the additional costs of national forest timber paid for roads, brush disposal, Knutson-Vandenberg, and erosion control.

(*b*) *Favorable cargo rates*

British Columbia cargo shippers utilize chartered vessels, including foreign tramp steamers, for shipping lumber to eastern U.S. markets. American coastal mills that are cargo shippers are required by the Jones Act to use American bottoms for intercoastal shipments. BDSA reports that charter rates available to Canadian shippers are considerably less than the established conference rates on American ships, by amounts in 1961 ranging from $6.50 to $11.50 per thousand.

This matter greatly concerns mills located on the Pacific coast that compete with British Columbia coastal mills in the U.S. east coast cargo markets. In the past 10 years, these Canadian mills have increased their share of such east coast bound waterborne lumber shipments from 7 percent in 1951 to 57 percent in 1961 (BDSA).

(c) *Rail freight rates*

Rail transportation costs from British Columbia to the Atlantic coast are practically identical to the rates from the Pacific Northwest. However, Canadian shippers enjoy the privilege of holding cars on the rails for 15 days while in transit without demurrage charges, which allows them extra time to find a buyer and keep their lumber more readily accessible to the market (BSDA).

(d) *Wage rates*

Labor costs in Canada are reported to be less than in the United States:

	1950	1960
Douglas fir region [1]	$1.77	$2.49
British Columbia coast region [2]	1.35	2.15
Western pine region [3]	1.78	2.38
British Columbia interior [4]	1.26	2.00

[1] West Coast Lumbermen's Association.
[2] Forest Industrial Relations, Ltd.
[3] Western Pine Association.
[4] Estimated by G. C. Edgett, W.C.L.A.

(e) *Favorable tariff rates*

The duty and excise taxes on most Canadian lumber entering the United States are extremely low in relation to current prices of lumber. In 1960 they were the ad valorem equivalent of 1.6 percent on imported Douglas-fir lumber, and of one-third of 1 percent on western white and Engelmann spruce. Comparable tariff rates on U.S. lumber exports of the same species to Canada are 7½ percent and 10 percent ad valorem, respectively.

(f) *Currency devaluation*

A decline in value of the Canadian dollar compared to the U.S. dollar in 1961 (i.e., $0.95) has increased the Canadian shipper's realization on exports to this country by an additional $5 on each $100 worth of lumber shipped (BDSA).

A variety of remedies have been suggested:

Some urge that legislative relief be granted from the Jones Act requirement of intercoastal shipments of lumber in American bottoms, at an established rate, creating a $6 to $11 difference in water freight costs to east coast cargo markets. The facts presented to support the establishment of a Federal transportation policy which will equalize costs on waterborne lumber shipments between American and foreign vessels are compelling.

Since each of the Hines Co. mills in Oregon is located inland, both east and west of the Cascades, Hines' products move to eastern markets by rail. Hines Co., therefore, has had no direct experience with the Jones Act problem.

This fact in common with other inland producers indicates that, vital as a prompt solution to the Jones Act problem is, that solution relates to a problem faced by the coastal mills and solves only one of the competitive inequities that Pacific Northwest lumber faces in competing with Canadian imports.

It is also urged that the Government establish a Federal transportation policy which will eliminate the competitive advantage of foreign railroads and encourage the efficiency of carriers to eastern markets. Again, the facts supporting that suggestion are compelling in removing another of the numerous handicaps under which Pacific Northwest lumber producers have to operate.

It is also suggested that the Government take appropriate action to prevent manipulation of foreign exchange rates which have the effect of subsidizing lumber imports into the United States; that it undertake negotiations to equalize tariffs on lumber imports and exports to provide opportunity for sales in competing countries; and that governmental efforts be undertaken to increase the sale of American lumber in both export and domestic markets. The removal of these competitive inequalities is laudable and supported by abundant facts.

These suggestions, however, do not come to grips with the foremost competitive inequity that is retarding lumber production in the Pacific Northwest, i.e., the excessive stumpage costs of public timber, both in relation to Canadian stumpage costs and to prices of lumber.

The seasonal aspect of this Canadian competition should be noted.

We noticed last year that the height of the domestic fir lumber and plywood markets was in March. This is because the Canadian mills suffered severe weather conditions and were unable to produce in full volume until the latter part of April. From that point on, our domestic markets declined until they reached a low point last fall.

The same thing is happening again this year. Heavy snows in British Columbia, both east and west of the mountains, have made log production in some areas impossible. Likewise, a very severe spring breakup is considered inevitable on the part of Canadian operators. Consequently, they have temporarily removed pressure from our markets, as they will not be in heavy production until late spring.

It is anticipated by all, however, that our lumber and plywood volume will again decline when Canadian production and imports are resumed at high level in late April.

Of course, experienced domestic buyers only purchase necessary requirements until Canadian lumber is available, knowing from experience that the price level will be lower when Canadian imports begin arriving.

2. COMPETITIVE BUILDING MATERIALS

It is common knowledge that the huge demand for lumber and plywood following World War II brought about a great increase in prices of all forest products. The tremendous pent-up demand for homes, factories, and other buildings created an unprecedented demand for lumber and plywood. As a result lumber and plywood prices rose far beyond prices of competing building materials, which, like lumber and plywood, are now in free supply.

The tremendous postwar increase in steel and aluminum production capacity produced surpluses, and new markets for those products had to be found. It was natural for them to seek to displace lumber and plywood since the prices of these Pacific Northwest products had risen far more than the other items used in general construction. The pulp and paper industry, with increased production, also had to find new markets. It was easy to displace lumber for boxing, crating, and shook. Metal and insulation board siding, concrete slab floors, gypsum products, various sheet metals for sheathing and many other substitutes for wood products are well known to everyone.

While 1962 may be a good year for the construction industry, it can still be an unfortunate one for forest products in view of markets lost to competing building materials.

Lumber and plywood can ultimately regain their competitive position and traditional markets from these competitive materials. But this effort must be accompanied by lower prices and by making forest products more attractive. This is an impossible task until the costs of the timber raw materials are once again properly geared to the realization prices of converted products.

The production of southern yellow pine, in the form of kiln-dried, precision lumber, is rapidly increasing as southern pine forests have been replenished. The Stanford Research Institute, in its 1953 report on "America's Demand for Wood," made the startling prediction that by 1975, by reason of this resurgence of southern pine, the lumber-production center of the United States would be in the South and no longer in the Pacific Northwest. The current rate of increased production of yellow pine suggests that that condition may well come about many years before 1975.

3. EXCESSIVE TIMBER RAW MATERIAL COSTS IN PACIFIC NORTHWEST

As we study the present economic adversity of our Northwest lumber industry, the Hines Co. has become more and more convinced that the present exorbitant cost of public timber to operators is the No. 1 problem to be solved if steady employment is to be achieved. Unless the cost of such timber is established in reasonable relation to current selling prices of converted products, operators will have no chance to stay in business, and the dependent communities will gravely suffer.

We are convinced that the competitive inequities with Canadian lumber, other building materials, and competing lumber species cannot be equalized until Federal agencies managing public timber (the Forest Service in the case of Hines Co.) again sell stumpage for prices, including all elements of cost, that are related to the market price of the finished product.

All facets of lumber-oriented economies of Oregon and Washington will continue to suffer from competition not only with Canadian lumber but these other

competitive materials and species until it is recognized that timber is worth only what finshed products made from it sell for, less the cost of producing them, and a provision for profitable operation. There is no other answer in the long run, and the sooner steps are taken to solve the excessive cost of timber raw material the sooner relief from inequities can be realized.

BDSA now reports that Canadian stumpage is less than 25 percent of the average price paid for national forest timber in the Northwest. Our own experience confirms that terrific differential.

Since the end of World War II, when we first bought fir timber from the Forest Service, the stumpage burden (stumpage, roads, and brush disposal) we have paid for national forest Douglas-fir timber has increased 523 percent, its rate of increase being over eight times faster than that of prices of fir lumber made therefrom. In 1946, our fir stumpage burden was $6.53 per thousand feet, or 11.7 percent of the price we received for our fir lumber. That left 88.3 cents of that sales dollar for the costs of logging, transporting, manufacturing, and selling, and a reasonable profit. By 1961, however, that stumpage burden had increased to $37.21 per thousand, or 43.7 percent of the lumber sales dollar, leaving only 54.3 cents to cover all of the functions a converter must perform and a profit, if any.

One of the largest increases in our fir stumpage burden has been for road construction, which has increased from $2.37 per thousand in 1946 to $13.11 per thousand in 1960. In the past 5 years, our roadbuilding cost in the fir area has averaged over $12 per thousand, reaching a high of $20 per thousand in particular sales.

In the last 20 years, the stumpage burden we have paid for Forest Service pine timber has skyrocketed 1,034 percent—a rate of increase over four times greater than that of the pine lumber prices we have received for products made from that timber. Our stumpage burden on pine of $2.94 per thousand in 1941, being 8.6 percent of the pine lumber sales dollar, by 1961 had reached $20.86 per thousand, or 25.4 percent of the sales dollar. This now leaves less than 75 cents of the pine sales dollar to cover each of the many functions we must perform, plus the hope of a profit from our operation.

These greatly increased payments we make to the Forest Service for the right to cut national forest timber present a picture of tremendous inflation in a Government-controlled resource. This enormous increase in timber raw material costs has been in addition to higher logging and other costs resulting from Forest Service tree selection and required forestry practices, and heavy increases in the cost of labor and materials. The wages and other benefits the lumber industry now pays are among the highest of major industries. We have also borne our full share of the postwar increases in the cost of other materials and supplies which we buy, paying these higher other costs out of a dwindling remaining share of the sales dollar.

But even these excessive increases in stumpage burden do not tell the entire story. We are paying more and more for much poorer quality logs that yield less valuable converted products.

Over the past 20 years, the average size national forest pine log cut by Hines has sharply declined from 300 board feet per log in 1941–43, to about 170 board feet in 1958–60. This smaller size log adds substantially to the costs of falling and bucking, transportation, and manufacturing. These smaller logs now produce only half as much of the valuable select grade lumber as in 1941, but produce 50 percent more of the poorest grades, Nos. 4 and 5 common, which are selling at much lower prices today than were obtained 10 years ago.

Similarly, national forest fir logs, that are five times as expensive, now produce only 31 percent as much of the valuable clear grade lumber, but 216 percent more of the poorer Nos. 3 and 4 grades as in 1946, the latter selling today for substantially less than 10 years ago.

The Forest Service requirement, under 16 U.S.C. 576b (i.e., the so-called Knutson-Vandenberg law), of deposits of money by operators in addition to the payments for the timber to cover the costs of planting young trees, sowing tree seeds, and cutting or removing undesirable trees, has resulted in increased Knutson-Vandenberg costs by as much as 5,900 percent since 1948. The Hines Co. made Knutson-Vandenberg payments of 10 cents per thousand as late as 1948. In recent years it has been required to pay as much as $5.90 per thousand for timber-stand improvement—in addition, of course, to paying for stumpage, roads, and brush disposal.

In fact, the supposed fringe costs to operators of these Knutson-Vandenberg payments, and payments for slash disposal and erosion control, have increased to such an extent that in some sales they exceed the stumpage price of the major species. In our Anderson Creek sale (No. 35939), for example, the pine stumpage appraisal is now $4, as compared to $3.90 for Knutson-Vandenberg, $2.05 for slash disposal, and $0.45 for erosion control, these fringe costs totaling $6.40. While in that sale the estimated road costs of $4.95 alone exceeded the stumpage appraisal, the actual road costs of $10.03 per thousand were 2½ times the stumpage appraisal. The stumpage burden in that sale, including the fringe and road costs, is now $20.43 per thousand board feet. It will be realized, of course, that the Oregon counties share only in the stumpage value of the timber (16 U.S.C. 500), i.e., $4 per thousand.

Why are our timber raw material costs so high relative to the price of Canadian stumpage and also the realization prices of our finished products? What is the explanation of this extraordinary inflation in a Government-controlled raw material?

Briefly, it is because of the monopoly of public timber now held by the Federal Government, the policies and practices it has been following in recent years in administering that monopoly, and its seeming disinterest in the plight of employees and communities.

The Forest Service monopoly of sawtimber is precisely the same in economic effect as any other monopoly. It has complete and exclusive control over the raw materials required by a converter such as Hines Co. There are no alternative sources of supply. Such timber must be purchased on Forest Service terms, or not at all.

The economic effects of this monopoly take many forms:

The Forest Service, as seller, and Hines Co., as converter, are in grossly unequal bargaining positions. Each of our Oregon operations is entirely dependent upon public timber to continue production. Each of our employees and the business people and residents of adjacent communities are dependent for their livelihood, directly or indirectly, upon our continued day-to-day operations. We are unlike some operators that convert intermittently, or that do not support dependent communities, or that buy public timber without expecting to cut it until lumber or plywood prices increase, or that have supplies of private timber. We, therefore, must regularly buy public timber for prompt development and cutting.

The Forest Service, on the other hand, controlling the available supply of sawtimber, determines all major questions one-sidedly. It alone determines what, when, and how national forest timber will be sold, what roads will be built, the forestry practices to be followed, and even all of the terms and conditions of sale. It controls on a random basis the location and timing of timber sales. In most cases, the scaling (measurement of the volume of timber sold) is solely determined by the Forest Service. It "calls the tune."

Although called a sale, the present Forest Service contract has become more and more a service contract to be performed by the converter. He is required to build and maintain elaborate and complex roads according to detailed specifications. He must provide fire protection. He has to build fences and cattleguards. He must dispose of road slash in increasingly costly ways. He can log only by methods directed by the Forest Service. He must take extensive steps to prevent erosion. Each of these service requirements represents additional costs to the converter.

Innumerable sales contract provisions leave major decisions unilaterally to the Forest Service, including even reservation in some cases of the right to change the rules. In fact, the Forest Service Handbook concedes as much when it states:

"This is an unusual type of contractual relationship. It places on the Forest Service a strong moral and practical obligation to exercise its unilateral powers in an equitable manner" (sec. 2423.81).

Although larger mills require larger size sales to permit planning and reductions in logging and road costs, to justify large capital investments for improvements and utilization equipment, and to support continued employment, the Forest Service has greatly reduced the size of its sales in recent years. Recently the forest supervisor in the Malheur National Forest stated that the Forest Service would limit its sales during the next 5 years to a maximum of 25 million feet. Such a maximum size sale would supply our Hines, Ore., mill for only 90 days.

Under these circumstances, an operator, facing the grim alternatives of buying required timber from the Forest Service on its terms or closing, is under great economic compulsion to buy that timber up to the point where buying and operating begins to waste its assets and it becomes less costly to shut down.

The converter is certainly not a willing buyer dealing at arm's length with the Forest Service, within the meaning of the fair market value concept, and the stumpage burden it is paying is not the fair market value of the timber. Rather, we are paying that value, plus a scarcity premium exacted by the Forest Service. This is simply getting as much for the timber as possible, without regard for the adverse effects on employees and dependent communities. This makes for unprofitable operations and is preventing the retention of retained earnings, or the "seed money" for future jobs, expansion, and growth. It destroys the thing that makes the Oregon economy "tick."

The Forest Service has mistakenly assumed that the postwar seller's market for lumber and plywood will continue indefinitely, and has priced its timber accordingly. It has forgotten that lumber and plywood prices have always been extremely sensitive to supply and demand. It does not realize that the seller's market show is over and that the curtain has come down.

Operators like Hines have never objected to, and in fact have thrived on, vigorous competition. This is self-evident from their engaging in the lumber business. But, it must be competition among equals. The Forest Service has completely refused to accept the responsibility for the fact that it had a monopoly of the sawtimber supply in Oregon and Washington, and that in encouraging excessive competition for the limited supply of timber it is urging speculation on timber futures that can lead only to ruinously high raw-material costs for responsible, continuous operators.

The same philosophy of squeezing the last cent out in public timber stumpage, if applied to the sale of public power from our great hydroelectric dams, would turn that power over to the highest bidder without regard for the expected public benefits from the furnishing of electric power at reasonable rates.

4. DO HIGH TIMBER BIDS TIE THE HANDS OF THE FOREST SERVICE?

The Forest Service defends its appraisal system by asserting that it is not at fault because the industry often bids in excess of its appraisals. Forest Service spokesmen say "How can you blame us when the industry continually bids over our appraised prices?" This same position was recently expressed in an Oregonian editorial on February 6, 1962, entitled "Cost of Timber."

Why is national forest timber not worth what people bid for it? If they consistently bid more for it than Forest Service appraisals, don't those bids reflect real timber value?

In recent years, there has been less and less bidding over appraisals on Ponderosa pine east of the Cascades, until in 1960 in all Forest Service sales in Oregon and Washington the highest bids averaged less than 2 percent over Forest Service appraisals. However, west of the Cascades, in the Douglas fir areas, bids in many Forest Service sales have consistently exceeded appraisals but by margins that have diminished in recent years.

The answer clearly is that these excessive bids certainly do not reflect the "fair market" or real value of the national forest timber for a number of reasons:

First, the high fir bids reflect directly a scarcity premium for public timber the supply of which, in Government monopoly control, is limited not only by the sustained-yield and allowable-cut principles but also by Forest Service failure for various reasons to make the full allowable cut available each year. The reduced supply offered for sale is not sufficient in certain areas to take care of not only the needs of continuous "bread and butter" sawmills but also the desires of those trying to anchor down a timber supply for future purposes including even for export to Japan.

The fact should be clear to the Forest Service, as it is to those operating in the area, that the maximum available timber is not being advertised and sold in the quantities that it could be consistent with sustained yield. There is a tremendous difference in the longer cutting cycle the Forest Service uses and that used by BLM, that has a profoundly retarding effect on the allowable cut. Private forests have developed much better methods of regeneration and, on a sustained-yield basis, are able to use much shorter cutting cycles than do the Forest Service.

Rather than resigning itself, in a disinterested manner, to await a weeding out of competitors after a limited supply of timber with resultant unemploy-

ment, the Forest Service should set about determining the maximum conversion timber it can supply, how on a sustained basis it can increase the available supply of timber, how it can bring the national forests to maximum production, and what it can do to bolster employment in Oregon and Washington. It can do no less, in view of its basic obligations to the economy of Oregon and Washington.

Its primary concern should be whether it is doing everything in its power to put up for sale all of the available timber resources it can, to alleviate the west side shortages. Instead of asserting that prices paid for its timber would not be artificially enhanced by log exports to Japan, and that there is nothing it can do about high bid prices, it should rededicate itself to furnishing the maximum raw materials it can to provide the greatest employment not only directly in the lumber industry but also indirectly of employees of railroads, suppliers, and others dependent on that industry. Lumbermen should be complimented for all that they are doing to sustain employment, and to support the communities, suppliers, and others dependent on their continued operation even though to do so they must at times bid in excess of appraisals.

If the Willamette National Forest were in Germany, it would be managed like the Black Forest. While great pride would be taken in its recreation, grazing, and other uses, it would primarily be made to furnish, on a perpetual basis, every stick and cord of wood material it could to provide employment and support the German economy.

The tragedy is that as the price of national forest timber gets too high relative to realization prices, those great forests themselves suffer. When an operator buys timber that condemns him to a loss, he has every incentive to resort to poor logging practices to the end that the inferior logs are left in the woods. This condition not only damages the forest but jeopardizes those who want to work in our lumber mills.

Secondly, the high bids have been artificially stimulated by the limited timber supply and also by Forest Service policies that have encouraged and permitted speculation, on the view that if you can't cut it without losses today, wait and do so profitably when lumber and plywood prices go up, without regard for community and employment stability. Its policies of permitting small bid deposits that do not increase as the bids increase, of requiring payment for the timber only when it is cut, often years later, of liberally granting contract extensions, the Government loans to bidders, a lack of concern over speculative opportunities, and the like, have been inducements to speculation.

These are not policies oriented, as they should be, toward creating and continuing employment and stability of dependent communities. The Forest Service should regret any mill closing. Instead of being elated over high bids, it should be concerned over how the operators will make out.

Third, Forest Service bids and sales are not executed sales of anything. Such bids are for rights to cut national forest timber in the future under certain conditions. No title passes until the timber is cut and removed, and paid for, which may be years later. Under them nothing is purchased—often the trees to be cut are not yet designated. Everything is executory, to be done in the future.

Fourth, such bids are not in sales between "willing" buyers and seller, each dealing at arm's length, neither being under compulsion to buy. Yet it is only under these circumstances that fair market or real values can be determined. These compulsion bids are not like bids in a grain exchange or livestock market, for spot delivery on a cash basis, where prices from several sources of supply made with freedom of choice do tend to establish fair market value of grain and cattle. On the contrary, a normal seller-buyer relationship simply does not and cannot exist in Forest Service timber sales.

This and other sawmill operators, as buyers, are wholly dependent on Forest Service timber for their raw materials. There are no other available timber sources. Such buyers must purchase from Forest Service on its terms, and it is the sole judge of its terms, or not at all. Responsible, continuous operators, as timber purchasers, are the mainstay of sizable communities totally dependent on their operations and on the timber the Government sells. Such purchasers are, therefore, under great compulsion to buy, since failure to buy on Forest Service terms would force many communities to perish. Such purchasers are under compulsion to continue buying even when buying condemns them to operating losses, up to the point where it becomes less costly to shut down. Bids by such purchasers, made desperately to get needed raw materials from the sole source in the hands of one with monopoly power, do not establish the "fair market" value of the timber. Arm's length bargaining is entirely absent.

It is utterly unrealistic, therefore, to assume, as the Forest Service does, that it is a normal seller like the local lumber yard or grocery store, and that its customers must like its timber at the prices they bid else they would not bid for it. This attitude wholly ignores the dominant position of the Government as the principal seller of timber in large areas of the country—and as the only seller for many operators like Hines Co.—and the lack of a normal market where there is no alternative source of supply.

Fifth, since the early 1950's, the Forest Service has encouraged excessive comeptition for competition's sake for the limited supply of national forest timber it makes available, thereby ignoring the multiple public benefit philosophy of timber management inherent in the organic statutes. This policy has been implemented by reducing timber sale sizes, shortening their stated duration, avoiding reappraisals, random timing of sales, and the like.

No matter who may be responsible, the Forest Service should be more concerned than the operator in trying to find a solution for the chaotic conditions now prevailing, and adopt policies that would provide for maximum employment in the industry.

Lastly, as Forest Service appraisals have been based more and more on these desperation, speculative bids as transaction evidence and less and less upon an analysis of the timber and its quality, such appraisals have forced the minimum bid constantly higher in relation to product prices.

Under circumstances involving a single controlled timber source, scarcity premiums, speculation over future lumber and plywood prices, little or no margin or downpayment on what is becoming essentially an option for timber, encouraged and even financed competition for competition's sake, and the like, no one can soundly conclude that these high fir bids reflect true timber values.

Since we came to Oregon over 30 years ago, we have been continually aware of our obligation as an operator on public timber to so use that timber that was available to use to produce the greatest good for our employees and the dependent communities. We have always believed that our own self-interest would be properly rewarded if we made that timber provide continuous employment and support for the people in communities dependent on our conversion. Since, as an operator, we are but the connecting link between the national forests and the dependent communities, the fulfillment of our obligation can only be effective to the extent that the Forest Service meets its obligation by putting up the greatest possible allowable cut. This it can and must do for the sake of Oregon. It can no longer justify its indifferent attitude to sustaining employment by hiding behind a maze of self-made policies.

5. THE FOREST SERVICE CAN CHANGE ITS ADMINISTRATIVE POLICIES UNDER PRESENT STATUTORY AUTHORITY

Present Forest Service policies have erected a "house of cards":

The Forest Service maintains that it is obligated in some way, by law or otherwise, to reflect these high bids in its subsequent appraisals. It uses this transaction evidence, in one way or another, to reduce the amount of profit to the operator in its appraisals. Bid prices established in areas where there is intense competition for timber, even by those speculating that lumber prices will be higher in the future, are reflected in its subsequent appraisals in sales in other areas. In these ways, the higher the bid (for whatever reason) in particular sales in one area, the more they are reflected in subsequent appraisals in all areas.

The Forest Service recognizes that many of its timber sales cannot be converted profitably at the present time, including even those at appraised price. It rationalizes this extraordinary condition on the ground that the converter may maximize his profits by converting such timber in the future. By such circular reasoning, it defends it present appraisals even though they condemn the operator to losses. The fallacy of this reasoning will be seen in the obvious fact that timber, having only a residual value, simply cannot be worth more than current lumber prices, less the cost of conversion. Appraisals exceeding such a residual figure cannot reflect fair market value with which the Forest Service equates appraised value.

In further justification of its excessive appraisals, the Forest Service insists that it must use the higher lumber prices that prevailed for an extended period in the past, and that it cannot use the current depressed lumber prices, else the Forest Service might be greatly embarrassed if lumber prices turned upward. In reality, such reasoning demonstrates that Forest Service appraisals can be

substantiated only by fear of increased lumber prices or by its speculation that they will go higher. Yet, appraisal, by definition, must be based upon current or recent past conditions, not future speculative ones.

We know of no statutes requiring the Forest Service to appraise and sell its timber on the policies it now does so. On the contrary, the organic statute of 1897 governing Forest Service timber sales requires only that it be sold "for not less than the appraised value" (16 U.S.C. 476). In specifying that it was a basic purpose of national forests "to furnish a continuous supply of timber for the use and necessities of the citizens of the United States," that statute (16 U.S.C. 475) would seem to preclude speculation in public timber, either by the Forest Service in its appraisals or by buyers bidding for it.

For many years, the Forest Service appraised and sold its timber under that statute to permit profitable conversion over the long pull and continuous production in mills on whom community stability depended. Its appraisals were made by the analytical method of finding the intrinsic value of stumpage, without heavy reliance on transaction evidence or appraisal by comparison to comparable sales. The principles it followed were long set forth in its 1922 Instructions for Appraising Stumpage on National Forests.

In the early 1950's, however, Forest Service timber management policies changed, from those of appraising and selling national forest timber to achieve the multiple public benefits from the timber that Congress intended, to those of exacting the last nickel as stumpage and in fringe costs.

That this changed philosophy of the Forest Service was its own policy decision is eloquently demonstrated by the fact that its new philosophy, among other things, has since thwarted completely for nearly a decade now the congressional philosophy inherent in the 1944 Sustained Yield Unit Act (16 U.S.C. 583). Public Law 250 of 1944 had as its object and basic philosophy "to promote sustained-yield forest management in order thereby (*a*) to stabilize communities, forest industries, employment, and taxable forest wealth; (*b*) to assure a continuous and ample supply of forest products * * *." In fact, at that time, the Forest Service, in supporting that legislation, made it clear that "the net returns to the people as a whole are larger from those benefits which accrue to the labor which is used in harvesting and manufacturing the timber and in the taxes which come from the improvements necessary to that, and the stability of communities which are engaged largely or wholly in operating these timber bodies. In other words, it is more a matter of the overall returns, tangible and intangible, from the operation of that timber which concerns the public, as owner, than the actual dollars and cents which it gets in the form of stumpage" (hearings, House Committee on Agriculture, 78th Cong., 1st sess., "Sustained Yield Unit Bill," pp. 60–61).

Now its changed attitude can be epitomized by a recent Forest Service letter to Hines Co. which said:

"We recognize that current pond values produce appraised rates that make immediate conversion of logs into lumber and plywood products of *marginal profitability* * * *. However, it must be kept in mind that our sales have an average duration of about 3 years * * * the operator retains the basic latitude to choose the time during which a given sale may be operated *to maximize profits* * * *. These reasons * * * argue for the establishment of pond values based on sound judgment and the best indexes available *at a level which may be expected to reflect the fair market value of stumpage during the life of a sale.*" [Italic added.]

In answer to a comment that its policies ignore the objectives of community stability and continued employment that letter insisted:

"We do more than just endorse a policy of favoring community stability. It is a basic objective of resource management," but added:

"However, it must be considered in its total context and in relationship with various other factors. In other words, *the desirability of maintaining community stability cannot be allowed to have an overriding influence on policy decisions at the direct expense of obtaining fair market value*, and I emphasize the word 'fair' for sale of Government property. *To do so would constitute a direct subsidy and result in partiality of treatment.*" [Italic added.]

Now the congressional concepts of community stability are considered by the Forest Service to represent "a direct subsidy and result in partiality of treatment." Now Forest Service appraisals represent guesses of timber values, not currently, but for 3 years in the future. Now, indeed, fair market value of national forest timber is to be determined as though that timber were war surplus.

Any agency, that by its own policy change can so change its timber management philosophy, can change it back again within the same statutory framework. No new legislation is needed to authorize or direct such a change in administrative philosophy.

That the Forest Service is responsible for its own policies within the statutory channelizing limits, and that the General Accounting Office is not a policy-maker in national forest timber management, has now been made abundantly clear in our recent conferences with GAO.

The appraised value concept that Congress enacted in 1897 is the same today as it was then, despite the early 1950 changed Forest Service philosophy regarding it.

We know of no statute that prevents, or of any legislation that is needed to permit, the Forest Service to revert to its pre-1953 timber management policies. In our opinion, existing statutes permit the Forest Service to correct substantially the basic competitive inequality existing between Pacific Northwest converters of public timber, on the one hand, and Canadian lumber producers and producers of other materials, on the other.

There is no statutory impediment to the Forest Service itself taking step to reduce the present exorbitant cost of public timber to its operators. It can, for example, take the following steps under present statutes:

1. Revert to its earlier intrinsic analytical method of appraisals, recognizing that its timber has only a residual value in light of current product prices less realistic manufacturing costs and margins for profit and risk;
2. Avoid taking advantage of its dominant position in the setting of appraisals for timber;
3. Permit third-party scaling in all areas;
4. Develop and use realistic grade analyses and milling costs;
5. Insure sale of the full allowable cut;
6. Effectively control speculation in public timber;
7. Revise its timber contracts to provide for a relationship of mutuality between seller and buyer;
8. Take steps to insure timely operator performance of its timber contracts subject to force majeure reasons for contract extensions;
9. Put up large, medium, and small size sales suitable for the varying facilities of its operator-customers, with a view to encouraging greater timber utilization;
10. Put up long term as well as shorter term sales;
11. Follow through on announced sales plans;
12. Analyze critically all bids in excess of appraisals to determine the reasons therefor, including whether Forest Service policies induced such high bids;
13. Embrace the statutory community stability concept in its timber management policies and practices;
14. Honor commitments previously made by the Forest Service to dependent communities in prior sales;
15. Reevaluate, and curb to the extent possible, forestry practices required of operators that result in substantial cost to them, where not realistically allowed for in the appraisal;
16. Reevaluate, and limit to the extent possible, the additional "fringe" costs of KV, slash disposal, and erosion control;
17. Simplify road designs and engineering and reduce road costs in strict accord with the "prudent operator" principle;
18. Make full allowance for operators' costs of road construction;
19. Provide a prompt and impartial appeals procedure with a further appeal to an impartial board or court;
20. Take steps to position converters to regain lumber and plywood markets and to improve marketability of west coast forest products; and
21. Take steps to position converters to acquire facilities to more fully utilize timber.

These are but facets of its present philosophy that, in the aggregate, are presenting Pacific Northwest converters with an insurmountable raw material cost in their competition with Canadian lumber and other materials.

How much more rational is such a change than to have Oregon and Washington declared to be a redevelopment area under Public Law 87–27 of this Congress. It simply does not make sense for the Federal Government to inject grants and loans to alleviate unemployment in the Pacific Northwest lumber industry, when that unemployment was caused in large part and can be corrected by a change in Forest Service policies.

Instead of being alarmed continually by the possibility that some operators might make some money, Forest Service officers at all levels should acquaint themselves with the difficulties their customers face, and encourage operators in every way to make ends meet.

Profits are essential in timber conversion as in other industrial operations for three principal purposes:

1. To provide retained earnings in good years to permit a continuing operation in poor years;
2. To replace worn facilities and to build new ones to produce new products; and
3. To reward investors for furnishing the capital.

Such profits are vital for community stabilization and continued employment. Without them "a cut out and get out policy is encouraged. These basic needs for profits should be recognized in Forest Service policies.

The Federal Trade Commission and the Securities and Exchange Commission, in reporting on profits of manufacturing corporations by industry groups, report that while the producers of "lumber and wood products realized profits after taxes of 4.2 percent as a percent of sales in 1959; in 1960 they realized only 1.7 percent, a 60-percent reduction. This is to be compared to the profits of all manufacturing corporations of 4.8 percent in 1959 and 4.4 percent in 1960. It places "lumber and wood products" in last position in 1960 in the "durable goods" classification, and lower than all but two in the "nondurable goods" classification. We are certain that in 1961 (as yet unreported) these profits will have been even less.

When it is considered that these figures include the larger companies and not all of the smaller companies that may have performed even less well, it will be realized that for over 2 years now the profit picture in our industry has been most distressing. From our experience these figures are "rosy" compared to the 1961 performance of mills dependent on Forest Service timber, for nearly every mill operated in the red.

If there had been recognition in Forest Service policies of the need for profits, there would not now be the threatened payrolls and the unemployment in the Pacific Northwest. Many fine conversion plants there would not be closed today. Instead, now, a large army of Forest Service employees are increasing operators' costs by constant harassment and by tortured interpretations of their own rules; are denying operators the costs of roadbuilding; are inaccurately estimating grade values, volumes, and costs; and are deliberately encouraging overbidding. In countless cases they appear to be concerned about everything but the maximum utilization and recovery of the timber in the particular sale.

The Forest Service, as well as the operator, must have one particular concern; that each sale and all public timber make the greatest contribution to the economy of the dependent community, the State, and the country as a whole. Oregon and Washington are entitled to not only the logging and the conversion employment inherent in every utilizable national forest log, but also to the resulting employment of all concerned in any way with the products of the log, including employees of railroads and truckers, material suppliers, service trades, distribution industries, the construction industry, etc. The continued economic well-being and stability of all in the Pacific Northwest are inextricably tied to the Forest Service and operators rededicating themsleves to this basic concern and objective.

MEMORANDUM—APPEALS PROCEDURE

On February 21, 1962, a large aggregation of lumbermen met with Secretary of Agriculture Freeman in the presence of Congressmen and Senators representing the timbered States.

Certain definite recommendations were made by the industry at that meeting. Four proposals were offered Secretary Freeman as broad suggestions to remedy present Forest Service procedures and policies that are threatenting the economic life of forest converters dependent upon Forest Service timber. Proposal 3 is particularly important for the mills in Oregon and Washington. It was a request for a new appeals procedure.

The present enabling act authorizes the Secretary of Agriculture to provide by regulation for the protection of national forests (16 U.S.C. 551). Existing appeals procedures (36 F.R. 211.2) have always been regulations issued under the Secretary's broad authority. By present regulations, the operator has an appeal of administrative decision to the Forest Service through the regional

office, and through the chief's office to the Secretary of Agriculture, although the procedure is neither prompt nor impartial.

The essential need and equity of a revised appeals procedure, proposed herein, made more effective at the local level, and in which the Forest Service is simply a party and not the judge, has been long recognized. This has become particularly important during the past decade as reliance of the industry upon public timber has greatly increased and when it is now generally recognized that the Forest Service, as custodian of our national forests, exercises monopoly power over raw materials needed by most timber purchasers.

Such operators face the choice of meeting the terms and conditions dictated by the Forest Service, or of closing down their operations and dismissing their employees.

In the February 21 meeting, all Senators and Congressmen expressed their approval of the industry's recommendations, including proposal 3, as being reasonable in all respects.

It is, therefore, appropriate that this important proposal 3 be further defined in its application to region 6 of the Forest Service which administers timber in 18 national forests.

According to estimates of the Forest Service as much as 60 percent of the timber it sells, and over 17 million acres of national forest timberlands, are under the jurisdiction of region 6.

The economy of the State of Oregon is almost entirely dependent upon the forest products industry, which must depend more and more upon this huge quantity of national forest timber for its raw material.

It is vitally important that a new appeals procedure be established to dispose of nearly all Forest Service contract and administrative questions on a regional basis, so that decisions of the Forest Service be subjected to prompt and impartial review in the States in which the timber grows and has its economic impact.

It is proposed that the Secretary of Agriculture revise present appeals procedures to provide for each Forest Service region a board of review, responsible to the Secretary's Office, composed of experienced personnel without conflict of interest with any of the parties involved, that would be empowered to resolve promptly disputes between the Forest Service, on the one hand, and purchasers of Federal timber, on the other, in as informal an appeal as possible.

The Forest Service should be a party to such procedures, and not sit in judgment upon disputes with its buyers. While undoubtedly the Forest Service purports to represent the public interest, its monopoly power over the raw material needed by its purchasers cannot be denied and cannot help color bureaucratic judgment reviewing bureaucratic action. The Forest Service should have no basic objection to an impartial review of its action, at the regional level, by local representatives of the Secretary of Agriculture, selected for their independence of either the Forest Service or the purchaser, and for their competence and familiarity with timber administration and logging and lumber and plywood operations.

Of course, such revised regulations should provide the opportunity for either the Forest Service or the operator to appeal the decision of the Secretary's local board of review to the Secretary of Agriculture in Washington. It is recommended that the Secretary should provide in Washington a competent impartial review board composed of persons having similar qualifications to the local boards of review as provided for particular regions responsible only to him.

This kind of a prompt and impartial, revised appeal procedure will serve to bring the Forest Service decision process much closer to the States in which the timber grows. Since the very economic life of many communities and of some States depends largely upon the successful administration of the public timber, it is certainly in the public interest that the monopoly power of the Forest Service over that timber, and over the survival of operators converting it, should be controlled by an appeal procedure under the Secretary's jurisdiction, in like manner in which private and public utility monopolies are regulated by a superior agency.

Public confidence in the future administration of national forest timber would be restored by the establishment of a prompt, efficient and fair review procedure, available alike to operators and the Forest Service itself.

Full utilization of this public timber requires large investments in modern converting facilities, which are not economically feasible without full confidence in the availability of timber raw materials on fair and equitable terms.

The present bleak outlook for the lumber and plywood industry in Oregon and Washington can be considerably brightened by the prompt establishment of such a prompt and impartial appeals procedure, which can be accomplished under present law by revised regulations promulgated by the Secretary of Agriculture.

Mr. EHINGER. I might say further on this matter of scaling and this is in connection with what Bob Dwyer said when he referred to our company. I just want to give you this information, which is based on fact, and the figures behind it are available if the committee would so desire.

In January 1961 the Hines Lumber Co. had its Hines, Oreg., mill manufacture logs from eight different Forest Service timber sales into lumber and millwork. In the appraisal of those sales, the Forest Service had allowed overruns ranging from 3.1 to 12.3 percent, which averaged 9.1 percent overrun. However, the Forest Service scaling at the headrig indicated an actual overrun of only 5.6 percent, a 38 percent reduction in the overrun that the Forest Service had in its appraisals.

Now, here is the significant thing. During the same month, a check test of the same mill by outside scalers, Southern Oregon Scaling Bureau, indicated substantial overscaling by the seller weighing the meat. The Forest Service scalers charged Hines with 7.1 percent more net footage than that that was found by the third party check scaler. This is the very same thing that Mr. Dwyer referred to in his statement this morning of taking money out of your pocket. There is no relief. The unfairness of this one-sided practice is further accentuated by the Forest Service in many areas employing inexperienced, untrained scalers.

I might point out, too, in connection with these high roadbuilding costs, at this particular time, there is a sale being advertised in the Willamette Forest, which has a cost of $29.90 per thousand. That exceeds the total of the costs of the sale. Also, on this particular sale, the appraised base price is a negative value to the operator. In other words, the operator is immediately subjected to a loss on the sale on today's market. This particular sale is being advertised at the present time.

With respect to my remarks on the report prepared by Paul Graves, just to augment this—and you heard about it in previous hearings—the significant fact of this thing is the fact that over a year ago this detailed report was submitted to the Forest Service, and just 2 months ago a number of operators in the area petitioned the Secretary of Agriculture urging that this report be adopted or refuted, and that the allowable cut data on both the Willamette and Siuslaw Forests be quickly evaluated at the earliest possible date.

So far as the appeals procedure, in order to save a little time, I will supplement my statement with a brief memorandum for the record.

Senator MORSE. May I say on this appeals procedure, you know, I have worked long and hard on this matter. It is another example of our need for a checking procedure on the part of any individual or agency that has the power of decision. I would like to make this suggestion: As you know, we have a bill pending that provides for such appeals as you have to the district court in the region where your mill is located. This would be in lieu of your coming back to Washington, D.C., on a matter you may have to litigate.

We need some help, may I say, on an appeal procedure, limited to the field of administrative law, whereby the Forest Service is a party to the hearings and, as you say, not the court at the hearing. It can be worked out and should be worked out, and I want all the help I can get from you on that, because the type of testimony you are giving here today is proof of the confidence I have expressed in you before. If I didn't have that confidence, I wouldn't have recommended you for that Waldo Lake Council. I hope that appointment comes through, but this appeal procedure, as I say, I think is pretty fundamental in clearing up some problems within the industry in relation to the Forest Service.

I am a strong believer that anyone in the Government who has the power of decision should be subjected to a check, and there ought to be an appeal on that decision. I don't believe in finality being vested in one office; that's what I think we need to be protected against.

Mr. EHINGER. I might say that we have a memorandum attached to my statement which goes into greater detail on a suggested appeal procedure in the administrative structure of the Department of Agriculture, which would make the Forest Service a party to the appeal, and it should be done within the framework of the existing statutes that we have now.

Senator MORSE. Let me add this, which your testimony brings to my mind: I have a suggestion to make to the industry and the committee through your testimony. When these Appropriations Committee hearings are held each year, there is the place where you ought to put some of your testimony. There is the place where you ought to come in, for example, and present your evidence of the need for access roads, your need for more personnel within the Forest Service, and your need for additional appropriations to meet the services that you say the Forest Service now is not giving you.

The Forest Service has two bosses, the executive branch and the Congress, and the Forest Service has to come forward with a budget that meets the ceiling that any President, through his Bureau of the Budget, imposes on them each year. We ask them, "What could you spend efficiently and effectively if we were to make the money available to you?" They have the duty, too, of telling us what they could spend. We ask for it time after time, but we need support there. When we make these requests for appropriations over and above the budget request, industry, I think, ought to have some witnesses there to show the need for access roads, show the scaling problems, the salvage problem, and all the rest. You should try to work closer together in that aspect come another year.

Mr. EHINGER. I'm sure the industry would get behind that type of a program because we are just as interested as the Forest Service is.

Senator MORSE. You'd be surprised if you looked at the record. The industry has not used the appropriation hearings as a basis for asking for more money. It's fine to point it out at a hearing such as this, but the committee that makes this decision is not the Commerce Committee of the Senate, but the Appropriations Committee of the Senate. I also think there has to be better liaison between you and the delegation. All we do is sit there as your legislative counsel. I hope, come another year, you work out a program in advance of the appropriation hearings so that you can come in and give

the evidence that the Appropriations Committee needs for going above what the Forest Service asks.

You know, this service is no different than other administrative agencies. They will tell you, "Well, we don't have any more money." Of course, they don't tell you, "We didn't recommend more money." The reason they didn't recommend more money was because the Bureau of the Budget limits them to a ceiling, and they couldn't recommend more, but, please, give us some evidence come another year to bring up to the Appropriations Committee.

Mr. EHINGER. We will do that.

In closing, I would just like to refer back to the early years of the Forest Service, and this comes from the 1906 Forest Service handbook, and I only repeat it now to give emphasis to it in my prepared statement. It states:

> The administration of forest reserves is not for the benefit of the Government, but of the people * * *. Forest officers, therefore, are servants of the people. They must * * * be at least as prompt and courteous in the conduct of reserve business as they would in private business.

Thank you for giving me the opportunity to testify.

Senator HARTKE. Thank you sir. We will hear next from Mr. Donald Bellamy.

STATEMENT OF DONALD V. BELLAMY, RAINIER MANUFACTURING CO., RAINIER, OREG.

Mr. BELLAMY. Mr. Chairman, members of the committee: I am not going to read this brief but I would like merely to touch on a few subjects, which have only been dealt with very lightly today, but they are problems facing our lumber company.

My name is Don Bellamy. I am vice president of Rainier Manufacturing Co., Rainier, Oreg. Like many other communities, perhaps, our plant is the only one of its kind in this community, and I can assure you that it is a very efficient operation, one of the best.

In addition to our mill at Rainier, we own, if not the largest retail yard outlet in Los Angeles, it certainly is one of the largest, and it is very, very discouraging to me, as an officer of this corporation, to continually see our purchase of Canadian lumber anywhere from $5 to $10 below the cost that we can produce it in a very, very efficient manner. From a cold-blooded business point of view, it makes it very, very attractive, that we would be ahead of the game, certainly, dollar-wise to close up our operation at Rainier and buy nothing but Canadian lumber—but what a hellish situation. These are facts.

The other points I would like to stress, if I may, one is the allowable cut. My basic joy in this corporation is logging and log acquisition, of which we use probably 120 million feet a year, and that is quite a lot, and it is basically all Forest Service timber. I reiterate everything that has been said here before about the Forest Service policy. The allowable cut is not what it ought to be.

In talking about getting competitive with the Canadians, we are about $30 apart, gentlemen, to be competitive; $17.50 is the average price of logs, cheaper in British Columbia as against our timber, plus the $10 freight, and all the other things, but we're 17 bucks apart on timber costs alone.

In addition to that, as we have heard before, one thing we have to face up with is as to how many of the roads are maintained after we have taken the timber. Two or three years later, the water has taken over, and down the drain goes all of our $10 or $20 or $50 cost for culverts. We just put in recently one of the biggest culverts, I think, we've ever used. If we had good logging practices, we could drop trees over the gully, and get along fine, but, no, we can't do that. We've got to have a 14½-foot wide, and 3 inches of gravel, and all the other hamburger, and next year it won't even be there.

Another thing I would like to stress, within your new foreign trade bill before the House, I think there should be a provision for tariff protection equal to the valuation level of any foreign currency, whether it's Canadian or anybody else.

In my testimony, gentlemen, you will see on the back page the details of this last Canadian log purchase from the Puget Sound area. Now, this is a disaster from our accounting point of view. Last year, as Senator Morse well knows, we tangled with the Japanese where log exports overnight completely disrupted our log price on the open market. Now, are we going to face a repetition of this with Canada? This is dynamite.

In closing, gentlemen, I thank you for your indulgence, and just let me say that we are all united on this problem, everyone in this room, and I think it's the first time in my 30-odd years in the lumber business that we ever got 10 lumbermen together in the same room that would all say the same thing. This time, we are united. We ask you for your assistance.

I ask that my prepared statement be included in the record. Thank you.

Senator HARTKE. Thank you, sir. Your statement will be inserted at this point.

(The prepared statement follows:)

Mr. Chairman, members of the committee, my name is Don. V. Bellamy. I am vice president of the Rainier Manufacturing Co. of Rainier, Oreg.

Our plant employs 170 people, and has an annual payroll of over $1 million, and is the only industry of its kind in this community.

We, like many others, are finding it harder to make ends meet and keep our plant operating, due to the Canadians taking over our Atlantic coast lumber market.

To the people of the Pacific Northwest the testimony offered here today will sound like the broken record, because, for almost a year now we have been striving to get recognition of the problems which threaten the very existence of the major industry of this region. We believe this committee, when you have examined the evidence you will hear today, will do your best to get something done, before it is too late, in order to maintain employment for our people.

The reasons the Canadians can undersell us in our own market are well known to all of us, and these reasons are facts beyond any dispute; such as:

1. Cheaper stumpage.
2. Cheaper wages.
3. Deliberate devaluation of the Canadian dollar.
4. Fifteen-day freehold time on rail cars.
5. Cheaper waterborne freight.

All we ask for is an equal opportunity to compete in our own market, and the removal of restrictions of our own making, so we ask you gentlemen to consider the following proposals which would give us the immediate relief we all need.

Instruct the Forest Service to make more timber available so as to remove the vicious competition at timber sales. If the operators know that more timber will be available, the prices paid for timber will soon fall in line with the prices paid by Canadian operators for their timber.

Write into the Foreign Trade legislation, now under consideration by the House, a provision for equitable tariff protection equal to the deliberate devaluation of any foreign currency.

Place an immediate quota on Canadian lumber equal to 10 percent of their shipments into the United States based on their last 10-year average.

Consider a subsidy of some form to the mills to equalize the freight advantage enjoyed by the Canadians by reason of their being able to ship on foreign bottoms—an advantage denied American mills by the Jones Act.

Immediate imposition of the 15-day freehold time on U.S. rail lines, or charge the Canadians as soon as their cars cross the border.

Have the Forest Service implement the Secretary of Agriculture's Regulation S–10 which prohibits the export of logs which are sadly needed here. Right now the Canadians are shipping logs from our Puget Sound area, to Canada, sawing them into lumber, and shipping it back into our market. Last year it was the Japanese log buyers that disrupted the log prices, now the Canadians. The facts of this transaction are attached to this testimony.

The present administration has repeatedly stated that full employment is one of their main concerns, and rightly so, and you can believe me it is of vital concern to all the citizens of the Pacific Northwest also, who are aware of the fact that if steps are not taken soon to give us a breathing spell from this unfair competition, there will be a lot of "ghost towns" up and down the Western States.

In closing, gentlemen, let me state that we are all united on these issues, and look forward to your assistance in getting us immediate relief.

Thank you very much for your time.

[From the Oregonian, May 31, 1962]

MAKING THE DOLLAR: TUGS HEAD NORTH WITH U.S. TIMBER

(By Gerry Pratt, business editor, the Oregonian)

This week in the Puget Sound, Canadian tugboats are putting their towlines onto millions of feet of U.S. timber for the long haul to hungry sawmills at Victoria and Vancouver, British Columbia.

It will be only a matter of weeks before those same U.S. timbers will be coming back in the bottoms of international freighters as green lumber to squeeze U.S. mills out of the U.S. market.

You can begin to understand some of the cries of anguish from the U.S. mill operators when you take the time to examine what is happening in the Puget Sound.

Sale of the big rafts this week was made to Barnett Timber Products, a Canadian log broker who bought them for Canadian mills. The first lots were sold at Quilcene, Wash., for shipment to Plumper Bay Lumber Co., Victoria, British Columbia. In the deal were three rafts of No. 3 hemlock containing 479,070 feet, Scribner scale.

The second sale was from Port Angeles, Wash., and was for delivery to an "unknown" Canadian mill represented by the log broker. This contained nine rafts of No. 3 hemlock or 1,010,430 feet of logs, Scribner.

VANCOUVER MILL BUYS LOT

A third sale of six rafts of hemlock contained 852,000 feet of timber and was shipped from Olympia to Anderson Bros. Lumber Co., Vancouver, British Columbia.

Total shipment this week was 2,341,500 feet Scribner, and there is evidence that this is merely the beginning of a big log shipping business to the Canadians.

One of the major integrated operations in Washington, and one of the few companies with huge timber holdings, is reliably reported to have recently made a sale of several million feet of freshly cut, Douglas-fir logs to the Canadians for shipment in the next few weeks.

The economics of the sales made and confirmed so far are a standing indictment of U.S. Government regulations which U.S. mills assert are keeping them from their own markets.

The Canadian mills are able to outbid U.S. mills for the logs with ease. The freshly cut Douglas-fir logs are reported to have been sold to the Canadians at $7 a thousand above U.S. log market prices.

JAPANESE FIRMS BOW OUT

The hemlock logs sold the Canadians were originally put into the sound for marketing to the Japanese, whose dollar shortage has suddenly eased them from the U.S. log market. This spring, the hemlock, which sinks after too much time in the water, became teredo infested, or attacked by the marine borer that works into a hemlock log at the rate of a quarter of an inch a week.

With the teredo damage, U.S. mill owners figured there wasn't enough wood left in them to justify the log cost and expense of manufacturing. So enter the Canadians with a bid of $44 a thousand.

To this, they agreed to add the cost of rerafting, boom chains, boom sticks, towing, and commission to the broker. The rerafting alone added $1.75 a thousand to the cost. By the time all factors had been figured in, including the 30 percent overrun on the U.S. Scribner scale and the exchange differences, the Canadians will have laid out $42.41 for the timber. Add to this the $18 a thousand it cost them to manufacture lumber, and the lumber costs the Canadian mills $55.27 American a thousand.

But the price of this hemlock lumber in the U.S. east coast market is a mere $52.52 plus shipping costs seemingly offering the Canadians a loss of $2.75 a thousand board feet.

Now comes the Jones Act, the U.S. maritime law that says U.S. mills must ship in U.S. vessels at a current rate of $36 a thousand freight. So you add $36 a thousand freight cost to the east coast market price of $52.52 and you have the lumber selling there at $88.52.

The Canadians tack the same freight cost on their lumber, but are free to hire international shipping at $10 and $11 a thousand below the U.S. rate. They pocket the difference. So even selling at a loss of $2.75, as they will with this hemlock, they still make the $10 freight profit, less the $2.75, thus have a net profit of roughly $7.25 for every thousand board feet they cut and ship from these U.S. logs.

Logmen say there are big operators in this region that are selling their good Douglas-fir logs to the Canadians now and picking up the cheaper hemlock species themselves for pulp logs. There is reported to be some 15 million feet of onetime U.S. plywood logs sold to a Japanese log broker, now undelivered in the Columbia River, plus some substantial amounts of U.S. broker-owned logs in the Puget Sound ready for more of this dealing.

There is a chance some of the details on this trading will come out at the Senate lumber hearings in Portland, Monday. The President has directed, among other things, that the Government probe the logs-to-Japan situation. And if they follow the trail long enough it may lead them to Canada.

LUMBER AID STUDY SLATED

WASHINGTON.—President Kennedy has directed an Intergovernmental Study Commission to come up with proposals for relieving distress in the northwest lumber industry, Representative Edith Green, Democrat, of Oregon, said she was informed Tuesday.

The Commission will be composed of representatives of the principal Government departments and agencies which have any authority to influence or change conditions which confront the timber industry, Mrs. Green said.

Chief matters the Commission will explore are the rising imports of lumber from British Columbia, the prevailing timber marketing practices of the U.S. Forest Service, and the Japanese purchase of northwest logs.

The Commerce Department is expected to take the lead in the Commission's endeavors. Officials of the State, Interior, and Agriculture Departments, and the Interstate Commerce Commission have been directed to participate, the Portland Congresswoman reported.

The Kennedy administration has thus far refrained from any positive moves on various proposals made in Congress and among industry leaders in the Northwest. The President was briefed on the matter last week at the suggestion of Senator Warren G. Magnuson, Democrat, of Washington, whose Senate Commerce Committee is holding field hearings in the Northwest on the problem.

MILL HITS SEA RATES

ASTORIA.—Warrenton Lumber Co. declaring that forced use of U.S. ships in carrying lumber to the east coast is costing it $2,000 a day in higher rates, asked several local agencies to appear in its behalf before a Senate Commerce Committee hearing in Portland, June 4.

Cecil Elliott, one of the company's owners, said the mill produces 400,000 board feet of lumber daily, most of which goes by sea to California and the east coast, and that the freight rate differential is $10 a thousand or more in favor of competing Canadian lumber.

Following a meeting Wednesday it was announced that the Warrenton and Astoria Chambers of Commerce and port of Astoria would appear at the June 4 hearing in Portland to ask that something be done for hard-pressed lumber producers.

Elliott told the group that the Warrenton sawmill operates at a loss now.

CANADIANS SHIP MORE LUMBER

PORTLAND.—The Pacific Lumber Inspection Bureau reports that Canadians shipped 97½ million board feet of lumber to the U.S. Atlantic coast during April.

Oregon and Washington lumbermen shipped only about 38½ million feet in the same period, the bureau says.

The Canadians have taken an increasingly larger share of the east coast market in recent months since they use foreign ships which have lower freight rates.

Senator HARTKE. Ralph Dewey, please. Glad to have you with us, sir.

STATEMENT OF RALPH B. DEWEY, PACIFIC AMERICAN STEAMSHIP ASSOCIATION, SAN FRANCISCO, CALIF.

Mr. DEWEY. Senator Hartke, Senator Morse, Counsel Grinstein, my name is Ralph B. Dewey. I am president of the Pacific American Steamship Association, with headquarters in San Francisco, an association of American-flag ship operators on the Pacific coast, with operations in all three States of the continental United States, including Alaska and Hawaii. Our ships trade to the seven seas and to all ports of the world, and our interests and advocacy here is in regard to the transportation phases of this problem facing the Pacific Northwest, which, I might say, we in shipping share with the timber industry.

You have heard testimony of the stumpage differential, 3 to 1 in some cases, 2 to 1, and you've heard testimony as to the differential in wage and hourly rates, tariff differentials, exchange differentials, each of which militate against the competitive capacity of the northwest timber industry to compete in a variety of markets.

My purpose, however, is not to repeat testimony of witnesses from this industry, but to focus upon the transportation differential, to perhaps redefine the differential and treat with it as a problem of national policy.

In the testimony on April 16 before the committee, the West Coast Lumbermen's Association, in their very excellent testimony, presented some expressions on ocean transportation which I think bear further analysis, and which has a bearing on several other points I wish to make. I have submitted in my testimony a repetition of the table submitted by the WCLA, entitled "Approximate costs of waterborne shipments of lumber." An analysis of these figures brings into focus

the true facts since the introduction of foreign-flag ships into the intercoastal trade and the effect they might have on our costs. As will be noted on the WCLA exhibit, shipments from British Columbia to the United Kingdom are $6 cheaper on common carrier vessels, and approximately $5.60 cheaper for full charter vessels per thousand board feet measure than rates charged for identical vessels loading at Pacific Northwest ports of the United States. These quotations apply almost entirely to foreign-flag vessels which are privileged to call in both British Columbia and Pacific Northwest ports, without any restrictions in foreign trade.

Using the differentials prevalent in the foreign trades, the true differential in a practical operating situation between American vessels and foreign vessels in the intercoastal trade would be not $10, as the WCLA exhibit shows, but rather $3 or $4. The Canadian rates, of course, fluctuate, and the testimony of the WCLA showing that $36 average rate for shipments from U.S. ports to the eastern seaboard, as against $26 from Canada, for foreign-flag vessels, is subject to wide fluctuations in those figures and quotations in a very depressed trend of market, which is volatile and more so than the stock market, if you follow it, and that's pretty bad.

The WCLA exhibits in the April 16 hearings showed some interesting comparisons in the decline of participation in several world markets, as compared with the decline of participation of this area and the Atlantic coast marketing area.

I would also like to say this for consideration. The alternative to American flag intercoastal service on a common carrier basis, which now exists, and in thinning ranks, I might say, the alternative is not foreign flag common carrier competition. Interstate Commerce Commission certificates of public convenience and necessity must be granted to an operator who engages in the common carrier trade. If you were to remove the statutory requirements that those carriers be American built and citizen owned, you would still have transportation by railroads and existing water carriers, with as much competition as with any foreign-flag operator in the intercoastal trade. You are therefore left with the single alternative based on practical, political, and statutory consideration of foreign-flag charters, who may be here today and never come near again for years.

We appreciate the opportunity of appearing in these hearings, Mr. Chairman, and I certainly welcome any questions that might follow from my testimony.

Senator MORSE. Mr. Dewey, I want you to put yourself in my seat for a moment and consider, as a Senator, this evidence we have before us; namely, that the Canadian mills are enjoying a freight charge advantage because they use foreign bottoms.

As I understand your testimony, if we should follow the suggestion to do away with that part of the Jones Act that presently really denies foreign bottoms from participating in intercoastal shipping, although it involves a small number of ships, a small number of employees, nevertheless, it would set a precedent that would endanger this whole matter of statutory protection of our American ships and bottoms. This has been on the books for more than a hundred years, as you testified. I recognize that point.

What do you say to the suggestion that has been made to us that, if it can be shown on the facts that the Canadian mills enjoy this advantage, the Federal Government pick up the check only for the differential on the ground that it is a legitimate defense expenditure? Theoretically at least the main purpose of your U.S. bottom legislation was to help build up an American merchant marine. What's wrong in having all the taxpayers pick up that cost, rather than just say that the American lumber mills are going to have to pay that cost?

Mr. DEWEY. Well, frankly, that's probably the only suitable method for retaining the sanctity of the coastwise clause, and at the same time meeting the freight disparity between British Columbia mills and the Pacific Northwest mills. I can reiterate that the disparity is not $10. First of all, the $10 difference is subject to wide fluctuation, like the stock market, but, as a matter of fact, that has been firming gradually in the last 4 months, but with any kind of a world conflagration, that would shoot up.

Even assuming consistency in the present differential, it isn't really $10 since we have seen that identical vessels trade in both Northwest ports and British Columbia ports, where there is a $6 differential apparently, and a measure of difference in loading cost. So, again, we're talking about at least $4 a thousand board foot.

So, your question, Senator, would be: Would it not be acceptable to the operators to have something for that, whether to the commodity or to the vessel, but the vessel tonnage should reflect it and retain the sanctity of the coastwise clause. I would say "Yes"; it would as a basic principle. I have yet to find an operator of a vessel who wants that kind of subsidy.

Senator MORSE. Of course, there is a conflict of interest involved. There isn't any perfect policy. I can understand why the vessel owners might not want it, and we've got some evidence that the mill owners don't want it either. But, as Congressmen, we have a policy question to answer. If our economy is being hurt, and if in fact, as a result of this policy, jobs, in effect, are being exported to Canada, then, as Members of Congress, it seems to me we've got to find the fairest compromise solution possible. We will have to work out some conscionable compromise on it.

As one of the cosponsors of the Magnuson act, it seems to me that we have to make a finding of fact that this is a legitimate defense expenditure and then all the people ought to pay for it, whereas just now it's the lumbermen. I would change my mind if someone could show me the facts that would warrant a different conclusion. Your testimony is essential to this record and I want you to know I appreciate it very much, but you've left me hanging a little bit in the air on this point: If it should be determined in this case that Canada enjoys an advantage of $2, $4, $6, or $10 over us, or any other dollar advantage, should the Government pay the difference if it is necessary, as you testify, that we should have this law on the statute books to protect the American merchant marine?

Mr. DEWEY. I must say again, Senator, the operators themselves seem to have the same approach. I suppose they developed this attitude from their foreign trade with subsidies during that period and then suffered under the restrictions that go with it. Having looked at that,

they are reluctant to advocate it, and I, therefore, say as a matter of principle your approach retain the coastwise stature.

Senator MORSE. I appreciate your position. I just want you to understand mine.

Senator HARTKE. Let me ask you: How many ships are operating for your company?

Mr. DEWEY. I represent an association.

Senator HARTKE. How many are represented by your association?

Mr. DEWEY. In the intercoastal trade, we have eight vessels in one company, and we have, of course, vessels in the coastwise trade. One operates to Alaska, two operators to Hawaii, two to Guam. The total number of vessels depends on how you figure, but as to those operating in the intercoastal trade in my association, there's only eight vessels. We had Pope & Talbot Co. with us, which operated up to 16 at various periods of time. We had Luckenbach Co. vessels which numbered 16, and we had the American-Hawaiian vessels, and all of those were once members of our group. They are now demised.

I would like to focus for just a moment on the testimony that the mayor of Coos Bay pointed out, as to the sharp drop in intercoastal lumber shipments, which was felt as a result of the Canadian competition. The decline in intercoastal sailings, however, as a matter of fact, is the result of no competition from Canadian ocean transportation, but of the ruthless procedures of the sins of the Interstate Commerce Commission in the matter of transcontinental freight rates on commodities which are the heart and soul of the intercoastal lumber operation. Iron and steel are westbound, and lumber is eastbound, and they are the heart and soul.

It was the demise of the intercoastal fleet which really prompted this inquiry, the demise of the Pope & Talbot Co., are one of the many facets of this inquiry. The demise of that company was, let's say, the straw that broke the camel's back, the long chain of circumstances where the Interstate Commerce Commission permitted transcontinental railroad carriers to quote selective rate cuts to, we think, cripple the intercoastal operation. That's just what happened in our business. While the intercoastal rates held up, their rates were held to a constant level for over a 10-year period and at that time the intercoastal costs of operation went up, and finally there came a time where hardly anybody could survive. So, when one looks at the statistics of intercoastal shipping, it is the result of lesser sailings, which, in turn, is the result of breaking our back on the prime commodities that have provided the bulk of the intercoastal shipments over the years.

Senator HARTKE. Of the eight vessels that are in your association's intercoastal trade, what type vessels are they?

Mr. DEWEY. Liberty ships, refurbished recently and rebuilt. In our group, the only company that remains is Weyerhaeuser Steamship, a wholly owned subsidiary of the Weyerhaeuser Timber Co. They have eight vessels. They put out about $6 million in the last 13 months in converting six of them in American yards. One of the officials of the company said they would love to have been able to do this at Japanese costs, but they didn't want to do it in Japanese yards,

but they would like to have the benefit of the Japanese costs, but since they couldn't, they didn't see why other operators in the intercoastal trade should be operating in the foreign commerce.

Senator HARTKE. On page 10, you make the statement at the top there—

For the 10-year period the average annual participation by British Columbia mills to the United Kingdom was 88 percent and in the year 1961 jumped to 96 percent.

Isn't it true that one of the reasons for this is the fact that they have Commonwealth advantage?

Mr. DEWEY. The Commonwealth advantage has obtained for many, many years. I don't know what particular fact caused the sharp increase in 1961. My reason for mentioning it was only because the ports in both the Pacific Northwest and British Columbia still can't compete, but apparently there are reasons other than those that apply to the vessels.

Senator HARTKE. Thank you, sir.

Mr. DEWEY. I will leave my complete statement here for the record.

Senator HARTKE. Thank you, sir.

(The prepared statement of Mr. Dewey follows:)

THE EFFECT OF LUMBER IMPORTS ON THE SOFTWOOD LUMBER INDUSTRY

Mr. Chairman, Pacific American Steamship Association, which was established in 1919 in order to promote and advocate the interests of American-flag ship operators on the Pacific coast, appreciates the opportunity to participate in the hearing being conducted by the Senate Commerce Committee into the competitive problems of the lumber industry of the Pacific Northwest.

In the course of the hearings held in Washington, D.C., on April 16, Olympia, Wash., on April 20, and in Lewiston, Idaho, on May 28, considerable emphasis has been placed upon the effect of transportation costs upon the declining ability of the Pacific Northwest to compete in the Atlantic coast market as well as the world markets for its lumber.

In addition to testimony in these hearings considerable emphasis in the press has been placed upon the effect of our cabotage laws upon the lumber market.

In reflection of this, a number of bills have been introduced in the Congress to permit the use of foreign-flag vessels in the intercoastal trade in order to equalize Pacific Northwest industry's ocean transportation with that of their British Columbia competitors. Our organization is opposed to legislation of this nature.

In a letter filed with this committee on January 31, 1962, we stated as follows: "The wide ramifications of this type of legislation are such that it represents a threat to the existence of U.S.-flag operators in the Great Lakes, in the trade between the United States and Guam, Alaska, Hawaii, and Puerto Rico, in the coastwise trade on both the Atlantic and Pacific coasts as well as the intercoastal trade itself."

We further stated: "It is our view that the lumber industry itself as well as other commodity groups * * * would lose more than they would gain from the demise of American-flag vessels, which demise would be inevitable if foreign-flag vessels were permitted to enter these trades."

We are still of this view and would strongly suggest that exhibits submitted by the West Coast Lumberman's Association in the hearing on April 16 contains data which demonstrates the fallibility of the argument that to invite foreign-flag vessels into the intercoastal trade is any real or lasting solution to the problem.

In analyzing the problems of the industry, the West Coast Lumberman's Association points out that stumpage prices in the Pacific Northwest are in the aggregate three times as high as they are in the coastal region of British Columbia. The following WCLA statistics bear this out.

TABLE 4.—*Average stumpage prices for saw timber in 1960*

[In dollars per thousand board feet]

Species	Pacific Northwest timber sales [1]	British Columbia coast timber sales [2]
Douglas fir	$32.04	$15.10
Hemlock	10.52	5.58
Cedar	14.59	5.20
Spruce	13.35	5.67
All species	22.13	7.30

[1] Source: Industrial Forestry Association.
[2] Source: British Columbia Department of Lands and Forests.

In addition to the stumpage price differential, WCLA points out that hourly wage rates in the Pacific Northwest are approximately 14 percent higher than in the coastal region of the British Columbia timber industry.

Further, WCLA and other witnesses have pointed to the differentials in the dollar exchange rate as being a significant factor in the competitive disparity of the American lumber mills. This exchange differential is approximately 8 percent in favor of the Canadians at present.

Another factor which was cited as a contributing factor is the relatively light duties placed upon lumber products coming into the United States from Canada in comparison with American lumber products entering the Canadian market.

All of the above factors, when taken in the aggregate, place the American lumber mills at a considerable disadvantage with British Columbia mills and until a solution to these disparities is provided, there will be no long-range, lasting equalization of American production and marketing costs in competition with Canadian.

While we all would agree that the problems of stumpage costs, exchange differentials, tariff differentials and hourly wage differentials are the primary causes, nevertheless, my purpose in appearing in these proceedings is to treat with the matter of waterborne transportation and its effect on marketing costs. With this in mind, I once again call upon the excellent testimony of the West Coast Lumbermen's Association as a framework for discussion:

TABLE 7.—*Approximate costs of waterborne shipments of lumber*

[In dollars per thousand feet net board measure]

Destination	Rough or surfaced	Pacific Northwest	British Columbia
Atlantic coast	Surfaced	$36.00	$26.00
Hawaii	do	[1] 39.60	[1] 24.00
Puerto Rico	do	56.94	27.50
Australia	Rough	46.00	40.00
Japan	do	32.00	26.00
United Kingdom:			
Conference rate	do	40.40	34.40
Charter rate	do	37.80	32.20
Common market	do	47.00	47.00

Based on thousand feet board measure.

An analysis of these figures brings into focus a true effect which the introduction of foreign-flag shipping might have upon freight costs. It will be noted that shipments from British Columbia to the United Kingdom are $6 cheaper on common carrier vessels and $5.60 cheaper for full charter vessels per thousand feet board measure than rates charged from Pacific Northwest ports. These quotations apply almost entirely to foreign-flag vessels who are privileged to call in both British Columbia and the Pacific Northwest ports without any restrictions. In the case of shipments destined for Japan, the differential is $8 and in the case of Australia it is again $6. These rate comparisons are important in the process of considering the effect that the introduction of foreign-flag vessels into the intercoastal service might have. Using the differentials

prevalent in the foreign trades, therefore, the true differential in a practical operating situation between American vessels and foreign vessels would not be $10, but more like $2 or $3.

In almost all of the foreign trade routes the rates quoted for loading in U.S. ports are for the identical vessels which would be loading at British Columbia ports at the lower rates. Thus the apparent differential arises from loading costs, not from the flag of the vessel used.

We do not suggest that a $2 differential in cost per thousand board feet for ocean transportation is an insignificant figure. We would, however, suggest that in comparison with the other competitive problems, this particular competitive feature must not be overemphasized.

In addition to the above analysis of the true cost disparity, it is important to consider the policy questions involved in granting exceptions to the statutory requirement for U.S.-built and U.S.-owned vessels in the domestic trades. An exception for the intercoastal trade would, of course, fall upon only a handful of operators and relatively few vessels in comparison with past years. Nevertheless, these operators have purchased and refurbished their vessels at American costs and would be competing with operators whose crew costs are one-fourth of American vessels.

Thus far there has been no suitable plan for subsidizing these vessels nor have any of the operators in the intercoastal trade advocated a direct subsidy. In the larger sense, the introduction of foreign-flag equipment into the intercoastal trade would not only create the problem of equalizing compensation for the American-flag carriers in that trade, but it would set the stage for similar problems in all domestic trades. It is an axiom of political history that exceptions in statutes covering broad economic groups must ultimately be available to all segments of the group in order to avoid discrimination. The huge investments in the Hawaii trade, the Alaska trade, the Puerto Rico trade and the trade to Guam are all predicated upon a basic national policy of preservation of these trades to America-flag vessels and American citizen operators.

In an effort to point out the root causes of existing competitive disparities, it is our view that the testimony thus far has overemphasized the declining participation in the Atlantic coast marketing area. There has also occurred a declining participation in other markets for Pacific Northwest lumber as follows:

TABLE 8.—*Waterborne shipments of softwood lumber of various markets*

[In millions of board feet]

Market	Total, 1961	Pacific Northwest	Percent	British Columbia	Percent
Atlantic coast	1,389	595	42.8	794	57.2
Pacific coast	396	352	89.0	44	11.0
Hawaii	38	25	65.8	13	34.2
Puerto Rico	73	----------	0	73	100.0
South America	30	29	96.0	1	4.0
Australia	148	56	37.8	92	62.2
Japan	274	118	43.1	156	56.9

Market	Previous 10-year average	Pacific Northwest	Percent	British Columbia	Percent
Atlantic coast	1,369	957	69.9	412	30.1
Pacific coast	427	422	98.8	5	1.2
Hawaii	48	40	83.4	8	16.6
Puerto Rico	44	9	21.0	35	79.0
South America	44	36	80.8	8	19.2
Australia	172	77	44.6	95	55.4
Japan	36	32	87.9	4	12.1

Source: PLIB Reports, 1951-61.

TABLE 9.—*Exports of softwood to United Kingdom and Common Market*

[In millions of board feet]

Country	Total, 1961	Pacific Northwest	Percent	British Columbia	Percent
United Kingdom	438.4	15.5	3.5	422.9	96.5
Belgium-Luxembourg	32.7	1.4	4.1	31.3	95.9
France	18.9	7.8	41.4	11.1	58.6
Germany	15.1	9.1	60.1	6.0	39.9
Holland	24.5	10.6	43.4	13.9	56.6
Italy	25.0	19.1	76.4	5.9	23.6
Total, ECM	116.2	48.0	41.3	68.2	58.7

Country	Previous 10-year average	Pacific Northwest	Percent	British Columbia	Percent
United Kingdom	589.6	71.4	12.1	518.2	87.9
Belgium-Luxembourg	9.8	2.6	26.7	7.2	73.3
France	9.4	6.0	64.1	3.4	35.9
Germany	5.9	5.7	95.5	.2	4.5
Holland	8.3	4.3	51.4	4.0	48.6
Italy	6.9	3.7	54.0	3.2	46.0
Total, ECM	40.3	22.3	55.3	18.0	44.7

Source: PLIB Reports 1951–61.

For example, the British Columbia mills for 1950 to 1960 had an annual average of only 12 percent of the shipments to Japan from the Pacific coast; in 1961, British Columbia mills shipped 57 percent. For the 10-year period the average annual participation by British Columbia mills to the United Kingdom was 88 percent and in the year 1961 jumped to 96 percent. The surge of British Columbia participation in foreign markets cannot be said to have as its cause the question of foreign-flag shipping since foreign-flag vessels can be used by both British Columbia and the Pacific Northwest mills in foreign trade.

In comparing this changing pattern in the foreign trade with the changing pattern in shipments to the U.S. Atlantic coast we see that the increasing participation in Atlantic coast markets by British Columbia mills in 1961 (57 percent) as compared with the previous 10-year average of 30 percent indicates a parallel trend in that market with trends in foreign markets. Certainly, if the availability of foreign-flag shipping were a criteria for the marketability of Pacific Northwest lumber, the above figures do not so demonstrate.

Consideration must be given to the fact that Interstate Commerce Commission certificates of convenience and necessity would not be available for foreign-flag lines due to railroad intervention and intervention by existing water carriers. This would indicate that the only foreign-flag tonnage that could, as a practical matter, be used in the intercoastal trade would be full charter vessels. This might be a feasible arrangement for large shippers but certainly not for the small shipper whose aggregate tonnage does not warrant full charter. The demise of the intercoastal common carrier and the substitution therefor of foreign charter holds no competitive promise—indeed, it is a threat to the competitive abilities of the waterside lumber mills large and small. Of further consideration is the effect which foreign charter would have upon transcontinental rail freight rates and most particularly upon the inland mills which must compete with waterside mills.

The impact upon inland mills of the Pacific Northwest arising from the introduction of foreign-flag shipping is a phase of this matter which warrants further investigation.

In our view, the appropriate way in which to equalize the competitive disparity now faced by the lumber industry in the Pacific Northwest is the imposition of quotas or tariffs or other forms of relief focused upon the commodity

itself. It will not serve the purpose of the timber industry and it will certainly not serve the best interests of the multitude of shippers which rely upon existing U.S.-flag water services in the domestic trades to use foreign-flag ships.

We commend the announcement on May 29 by Secretary of Commerce Hodges of the formation of an interagency task force—at the request of the White House—to look into this whole matter. Some 13 agencies of the Government will study "the extent of Canadian lumber shipments and their effect on the U.S. lumber industry; the price of logs harvested by industry from Federal lands; shipping costs and transit privileges; comparative lumber costs; preferential and discriminatory tax features; and other pertinent factors * * *."

With the groundwork laid by this committee, the work of the interagency task force should be completed with minimum delay.

For over 100 years the lumber and shipping industry have been joint partners in the economic development of the Pacific coast. Their fortunes have been interwoven and their successes and failures jointly shared.

Thus it is that my organization has established liaison with the responsible lumber organizations in this time of economic peril to the end of fully understanding each others needs and aspirations and trying to do something to help. We offer the lumber industry and to this committee our continued interest in all phases of this serious problem and will join in support of any proposal which will truly bring a lasting solution.

We appreciate the opportunity afforded us to appear at this hearing.

Senator HARTKE. Mr. Bischoff, please.

STATEMENT OF ELLIS BISCHOFF, MOUNTAIN FIR LUMBER CO., INDEPENDENCE, OREG.

Mr. BISCHOFF. My name is Ellis Bischoff, and I am the forester for and a partner in Mountain Fir Lumber Co. at Independence, Oreg.

What I am looking for is a change in scaling policy on the Siuslaw National Forest, which will affect all the mills on that forest. This is not a protest from our company only, but, as a matter of information, we were joined by a substantial number of operators on the Siuslaw, whose problems are not the same as ours, but substantially the same.

I will read my statement which is a policy of our company as an example.

My name is Ellis Bischoff and I am forester for and a partner in Mountain Fir Lumber Co. at Independence, Oreg.

Mountain Fir Lumber Co. operates two mills in the Siuslaw Forest, the mill at Independence and a mill at Westlake, and cuts heavily on Forest Service timber. Each mill cuts approximately 100,000 board-feet per shift.

We have had a resident Columbia River Scaling Bureau scaler at our plant at Independence for 9 years and he has truck scaled both our private timber and Forest Service timber that has been delivered to our mill. In that time, we have had no complaints by the Forest Service as to the quality of scaling or to the log accountability.

In May of this year we received notice that the Forest Service will require all Forest Service logs cut from the Siuslaw and passing through Philomath, Oreg., to be scaled at a central scaling station being constructed by the scaling bureau on land leased by the Forest Service. We were informed that we have until the end of June 1962 to execute an agreement with the bureau to have our logs scaled there. That is prtaining to Forest Service logs that are hauled through Philomath on the way to our mill. All other operators whose Forest Service logs pass through or close to this platform, are required to be

scaled there also. However, mills who bid and buy Forest Service timber in the same area that the Philomath mills do, but who haul to the coast are not required to be scaled at a central platform. Officials of the Siuslaw Forest have stated that it is their intention to require the other mills to use central platforms but they cannot say when the other mills are required to make the changeover. This is because the other platforms have not been acquired. They also admit that all mills cannot be covered by this method of scaling.

When asked why they are requiring us to make the change, they said it would reduce scaling costs, improve the scale, and make checking the scale easier. Our company does not agree with this for the following reasons:

(1) It will increase our costs by a minimum of 25 to 50 cents per thousand board-feet of logs as we still will need our resident scaler to scale logs coming from other sources;

(2) It will not improve the quality of scale because there has been no complaint as to the quality of scaling or log accountability;

(3) Check scaling can be accomplished by scaling before the logs reach our mill or after they reach our mill;

(4) Our costs will be increased by holdups due to scaling heavy volumes of logs during peak deliveries. Several mills will be going through the central platform and any excessive lost time will be reflected in higher trucking costs.

There are other reasons that the central platform at Philomath will put us at a disadavantage in bidding on timber. As long as other mills bidding on the same timber that we do have water scaling or resident truck scale, they will still enjoy a minimum of delay in log hauling. As I said before, this is the same as increasing our haul cost.

At a time when the lumber industry is having serious trouble on many phases of its operation the Forest Service should be granting relief instead of making our position less favorable.

The officials of the Siuslaw Forest would not grant a delay to reconsider our problems, as well as those of the other operators who have objected to the new scaling program (we were supported by three other mills in the Philomath area and four mills from the Waldport area that are very opposed to these changes) nor would the Forest Service consider keeping the scaling system as is, but with more adequate check scales. All of these mills require a resident scaler and the change, if it comes now or later, will add considerable cost to their operations.

As far as Mountain Fir Lumber is concerned, we make a plea for help in getting an investigation of this problem so that we will not be placed in a position of having our costs raised when it is not necessary. The Forest Service has been arbitrary in their decision and have refused to give our problem just consideration.

Not only have they done this, but they are changing the scaling procedure on our existing Forest Service contracts which were bid on the basis of paying only for one scaler and with a minimum delay of truck time while being scaled.

While my statement to you concerns a scaling problem to all operators in the Siuslaw Forest, it is more serious than that. The main problem is that the Forest Service is making major policy decisions

affecting the industry without consulting the industry or taking into considerations the harmful results that may develop.

Some of these results could possibly be eliminated by frank discussions with industry members who desire a fair solution to problems affecting the Forest Service and themselves.

We protest arbitrary decisions which are made and which do not give the operators sufficient time to defend their position.

Gentlemen, please give us your help in resolving this scaling problem to a fair and equitable solution.

(Following are copies of Forest Service letters to purchasers giving notice of this change:)

DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
SIUSLAW NATIONAL FOREST,
Corvallis, Oreg., May 3, 1962.

NOTICE TO TIMBER SALE PURCHASERS

GENTLEMEN: As you know, the Forest Service has continuously been interested in improving scaling on the Siuslaw National Forest as it applies to production costs, log accountability, scaler impartiality, and the opportunity to check scale.

In October 1959, the Fort Hill Central Scaling Station at Grand Ronde was put into operation by the Columbia River Log Grading and Scaling Bureau. This station has received general acceptance and benefits both buyers and sellers of logs and has scaled up to 150 or more loads per day.

We have recently executed an agreement with the bureau whereby we will provide the land and they will construct and operate a central open scaling station at Philomath similar to the facility at Fort Hill. This will, we believe, result in all of the advantages mentioned above. For example, log accountability will be on the basis of the number of loads leaving the landing and scaled at Philomath rather than the number of pieces or logs; the number of scalers required will probably be one-third to one-half the force now required to scale at the existing divergent scaling points.

When construction of the station is completed, we will want to convert present log brand assignments and designate Philomath Central Scaling Station as the scaling point for all logs coming to or through Philomath.

In order to actuate this station and make the conversion operate as smoothly as possible, we will arrange a meeting of all those people involved. We will notify you of the date for this meeting later on when the bureau's construction plans have become more firmly "jelled up."

Sincerely yours,

SPENCER T. MOORE, *Forest Supervisor.*
By F. E. PRICE, Jr.

DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
SIUSLAW NATIONAL FOREST,
Corvallis, Oreg., May 11, 1962.

MOUNTAIN FIR LUMBER CO.,
Independence, Oreg.

GENTLEMEN: A meeting will be held at the forest supervisor's office in Corvallis at 10 a.m., daylight savings time, on May 22, 1962, to discuss actuation of the Philomath Central Scaling Station.

Both the Forest Service and the Columbia River Log Grading and Scaling Bureau will be represented. We will answer questions on the operation of the station and try to work out satisfactorily the conversion from present scaling points to the Philomath scaling point for each operation.

Sincerely yours,

SPENCER T. MOORE, *Forest Supervisor.*
By F. E. PRICE, Jr.

DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
PACIFIC NORTHWEST REGION,
Portland, Oreg., May 31, 1962.

MR. ELLIS BISCHOFF,
Mountain Fir Lumber Co.,
Independence, Oreg.

DEAR MR. BISCHOFF: As promised during your and other lumber company representatives' visit to this office on Monday, May 28, further consideration has been given to your opposition to the Siuslaw Forest's proposal for a central scaling station at Philomath, Oreg., for all purchasers in that area who elect to use bureau scale.

As explained during our discussion, we believe central scaling has many advantages over the widely variable scaling locations now employed. We intend to follow through on this proposal as quickly as we can but recognize merit in many of the objections voiced by you and others to the original plan of accepting bureau scale for all sales at the central scaling point only, beginning about July 1. We, therefore, do not intend to enforce the original proposal, but will attempt to initiate use of the central station on a voluntary basis for existing sales for which prior agreement has been reached for scaling elsewhere. This should take care of the objections of those who felt we have a moral, if not legal, obligation to allow all existing arrangements to run their course.

We recognize that it is desirable that all bidders for national forest timber be accorded as nearly like treatment as possible. In fact, that is one of our principal reasons for wanting central scaling. The Siuslaw Forest will initiate a planning program designed to accomplish central scaling for a maximum of the forest very soon. In those instances where central scaling is not practicable or feasible some other plan, such as sale by cruise or scale by Forest Service personnel at locations near the sale area, will need to be inaugurated.

We are hopeful that industry cooperation will be available to us in this matter, since it is our desire to adopt scaling arrangements that will not only be fair to all but will result in the least inconvenience and the least cost.

Very truly yours,

J. HERBERT STONE,
Regional Forester.
By WALTER H. LUND.

A copy of letter of May 31 to Mr. Ellis Bischoff was mailed to the following:
Mr. Ernest P. Taylor, Post Office Box 5, First Pacific Lumber Corp., Newport, Oreg.
Mr. W. S. Ouderkirk, W. O. W. Lumber Co., Inc., Eddyville, Oreg.
Mr. Everett Lundy, Lundy Bros., Inc., Waldport, Oreg.
Mr. Dean Roberts, Box 991, Toledo, Oreg. (Guy Roberts Lumber Co.).
Mr. Wesley Husted, Box 21, Philomath, Oreg. (Red Fir Lumber Co.).
Mr. Marvis C. Ellis, Box 21, Philomath, Oreg. (Red Fir Lumber Co.).
Mr. J. M. Denison, Box 188, Toledo, Oreg. (Cascadia Lumber Co.).
Mr. John Bottgen, Post Office Box 575, Philomath, Oreg. (Larson Lumber Co.).
Mr. P. N. Downing, Post Office Box 578, Philomath, Oreg. (North Side Lumber Co.).

Senator MORSE. This is a case that I heard much of during the noon hour. I have already made most of it a part of the record. We simply have to wait now and see what will happen back there.

Senator HARTKE. Thank you, Mr. Bischoff.

I might inform all of you here that we will continue until 5:45. So, adjust your time accordingly, gentlemen.

We will now hear from Marvin Ellis.

STATEMENT OF MARVIN ELLIS, RED FIR LUMBER CO., PHILOMATH, OREG.

Mr. ELLIS. Honored Senators and representatives of the Senate Commerce Committee, my name is Marvin Ellis, and I am a repre-

sentative of the Red Fir Lumber Co., Philomath, Oreg., and I have a very brief statement here.

We employ 16 men, annually cutting 10 to 12 million feet of lumber per year. Following are statements of facts we feel are of interest to this committee and us. It pertains to water scaling of national forest timber on the Siuslaw National Forest.

Many mills are water scaling national forest timber in the Siuslaw National Forest.

Prior to the start of our Forest Service (Gopher Ridge) sale, about April 1, 1962, we requested Columbia River water scale in our pond for this sale. Our facilities were termed OK for water scale by the Forest Service. We made the necessary arrangements for water scale with the Columbia River Scaling Bureau. Shortly thereafter we were notified that they (the Forest Service) would not accept water scale. The Forest Service in Corvallis told us that this policy was made in the Portland regional office, so we went to Portland and discussed water scaling with Forest Service representatives there. They told us they would inspect our facilities and make a decision. They inspected our facilities and in a few days they advised us that they still would not accept water scale in our pond for no other reason than that it was against their policy in the Philomath area.

We believe this policy to be very discriminatory to the mills in the Philomath area which have to bid for Forest Service timber against those areas where the same timber can go and be water scaled.

We have documentary proof that a sale of timber destined for the Philomath area can't be water scaled, but can be water scaled if transferred to a mill in another area.

This is a serious problem affecting the economic condition of the lumber industry in our area. Our patience are running out and we must have better cooperation from the Forest Service.

The reasons for wanting water scale over other methods of scaling is because the trucks can unload faster and return for another load, and on the water every log can be inspected better for breakage and other defects over other methods of scaling.

There seems to be no recourse to this policy. They are made and we must accept them. We need your help.

We thank you for this opportunity to state our views.

With respect to the water scaling that the Forest Service has on the Siuslaw National Forest, this is just one policy that the Forest Service has induced on this company which we feel is unfair. I might say, too, that we moved into a new mill of a larger size, rebuilt it, which has facilities for water scaling, with a large pond, which we have not been accustomed to in the last 15 years.

Senator HARTKE. Thank you, sir.

Senator MORSE. This is another case that should be worked out through the appeal procedure.

Senator HARTKE. Next, we will hear from Mr. Hagenstein.

STATEMENT OF W. D. HAGENSTEIN, INDUSTRIAL FORESTRY ASSOCIATION, PORTLAND, OREG.

Mr. HAGENSTEIN. You gentlemen have copies of my statement.

Mr. Chairman and members of the staff, there has been so much said here on this whole subject of timber today that I would just

like to introduce myself to you, insert my statement for the record and highlight one or two of the points, if I may.

Senator HARTKE. Fine.

(The prepared statement follows:)

Mr. Chairman and members of the committee, I am W. D. Hagenstein, executive vice president, Industrial Forestry Association, Portland, Oreg. I am a professional forester and a registered professional engineer in Oregon and Washington. I have been employed by Industrial Forestry Association and its predecessors for 21 years with some time out for foreign service with the Government during World War II. Industrial Forestry Association, organized more than 28 years ago, has one purpose—a permanent timber supply for the Douglas-fir industry, the mainstay of our region's economy. Members of Industrial Forestry Association grow, protect, and harvest timber and manufacture every kind of forest product. They own and manage more than 7 million acres of taxpaying forests in western Oregon and western Washington. They operate 349 wood-using plants and employ more than 71,000 people with an annual payroll of $375 million.

Inasmuch as we appeared before this committee at Olympia, Wash., on April 20, 1962, we are not going to duplicate, except in one or two instances, the testimony which we gave then which is already a part of your record. I would merely like to call to your attention that I have copies of our April 20 statement here for any of you who may want to see the data therein which emphasize the importance of Federal timber to the Northwest economy and what has been happening to our forest economy during the past decade.

I was one of the 14 persons from the Douglas-fir industry who attended the conference with the Secretary of Agriculture in Washington, D.C., on February 21, 1962, when a nationally united industry presented four constructive proposals to the Secretary which, if adopted, would improve management of the national forests and safeguard that portion of our economy which depends upon them for raw material.

As I said on April 20 and want to repeat, our industry was heartened by the initiative taken by nine western Senators, in their March 3 letter to the Secretary of Agriculture which gave their views on the industry's four-point proposal of February 21 and recommended action. After 2½ years of going through the cost-price wringer it is encouraging to know that our members on the board of directors are alert to our problems and want something done about them.

However, as I also stated at Olympia, we were disappointed to learn from the Secretary of Agriculture's reply to our Senators that except for his assurance that the Forest Service would adhere more closely to its announced timber sale schedules, the other suggestions were being given more study. The Secretary's reply was dated April 17, which was already almost 2 months after the February 21 meeting. Now it is June 4 and the Secretary has not yet responded to the industry's four-point proposal.

In the meantime, the market has not improved and prospects therefor appear remote. The Department of Agriculture seems too preoccupied with other matters to do more than "study" the problems of the Nation's fourth largest industrial employer whose raw material it heavily controls. How long does Government diagnose the problems of a sick industry? Not so long, I hope, that by the time it is ready to prescribe, its friends have held its services and said farewell.

Our whole industry, nationwide, agrees something must be done. It agreed to this last winter when it presented the four-point proposal to the Secretary of Agriculture. We did it because the Federal Government controls more than a third of the Nation's timber supply and thus has its hands tightly around our economic jugular. Consequently, we are greatly disappointed in the administration's announcement last week that it was appointing an intergovernmental commission to study our industry's problems.

Gentlemen, the problems have been studied as far as timber supply is concerned ever since our market broke 2½ years ago. And long before, because the hazards of the cumulative effect of an artificial timber scarcity, caused by sale of Government timber at much less than its allowable cut for many years, were abundantly clear. We could see and predicted that when the market fell we were going to be caught in a serious cost-price squeeze which would mean trouble for our communities. Every recent diagnosis shows we are sick and that our convalescent period is a long way off. Government timber policies

have had a lot to do with our sickness. After months of bringing this to the Government's attention we now are promised further study.

On the heels of the administration's announcement of more study we were greatly encouraged by Secretary of Commerce Hodges' statement on Memorial Day that the problems which the agencies were directed to investigate by the White House have already been studied, and most of them already pinpointed.

Gentlemen, what our industry, its employees, and their communities want is action. We want the Secretary of Agriculture to shoulder his moral and legal responsibilities to our communities. We want the Government to discharge its obligation in managing its timber in the best interests of the economic health and survival of our people. In short, we are seeking a change in attitude which is certainly not an unreasonable thing to seek when Government policies have significantly sickened our economy.

We have no quarrel with the Secretary of Agriculture delegating to the Forest Service his legal authority for management of the national forests. But we believe we are perfectly within our rights to ask that in such delegation the Secretary keep to himself the responsibility to the economy of the hundreds of communities that depend upon the national forests. We also believe we must keep the responsibility of seeing to it that the national forests are operated under policies which protect the consumer with an adequate supply of forest products at prices competitive with other products and forest products from abroad. It almost seems as though our Government has forgotten that the Congress sets forth as one of the two main national forest purposes "a continuous supply of timber for the use and necessities of citizens of the United States."

One thing which struck me forcibly at the February 21 conference with Secretary Freeman was when he said that "Dr. Welch (the Assistant Secretary in charge of the national forests) doesn't have enough time to devote to the FoFrest Service as he would like." If this is the case, gentlemen, then we need an additional Assistant Secretary of Agriculture who can devote full time to the supervision of this important agency so that the Department of Agriculture discharges effectively its responsibility to the American people who own these forests.

To his letter to the nine Senators Secretary Freeman attached a memo from the Chief of the Forest Service which contains a most revealing statement. It is, "Part of the cause for recurrence of the same issues is refusal of industry representatives to accept decisions which the Forest Service considers to be the resolution of an issue." I am really amazed that my good friend, Ed Cliff, who became Chief of the Forest Service in March this year, would sign such a statement because I don't really believe he meant that as it sounds. Certainly no agency of the Government, any corporation, or any individual should adopt the attitude in dealing with others of the small boy who says, "If you won't play my way, I'll pick up my marbles and go home."

Senator Church called the industry's February 21 suggestions on national forest policy "reasonable." Senator Morse said the policies of the Department of Agriculture affect "the ringing of cash registers on Main Street" in the forested parts of the country. Senator Magnuson called for immediate conferences between the Department of Agriculture and the Congress to develop actions responsive to industry needs. Many of the other congressional participants at the February conference echoed complaints of their constituents on the crying need for a change in attitude somewhere along the line in management of the national forests.

No one is mad at anybody. There are no personalities involved. It's just that the national forest logjam has slowed down our economy. All we are trying to do is find the key log and break it loose.

Congress has appropriated several billion dollars for the protection, development, and management of the national forests. It has done this looking forward to the day when they would play their rightful part in our economy. That time came at the end of World War II and each day, each year the national forests become an increasingly important source of raw material for the steady operation of hundreds of enterprises employing thousands of people in hundreds of communities.

What must be done and done soon, if it is not too late, is to change attitudes and policies, where needed, and translate them into action to accomplish the community stability these forests were destined to play.

Mr. HAGENSTEIN. I would like to say, Mr. Chairman, that at the hearing of this committee on April 20, I made a very complete state-

ment, including a lot of statistical information showing the importance of timber to our economy, and the effect of the market conditions on our forestry during the last decade.

I was one of the 14 persons from the Douglas-fir industry who attended the conference with the Secretary of Agriculture in Washington on February 21 of this year when a nationally united industry presented four constructive proposals to the Secretary, and we were very much heartened by the initiative taken by our nine western Senators in their letter of March 3 to the Secretary expressing their views on our four-point proposal.

I am particularly impressed with your posing questions to these witnesses, bringing out and developing the record and showing what we are seeking in this region, and that we have need for some administrative help.

One thing with which I am disappointed personally is the fact that the administration announced just last week that more study is needed. Gentlemen, as far as the timber supply problems are concerned, I think the study that has been made during the past 2½ years by our industry and the studies that have been made by members of our delegation to Congress, from those, we know what the basic problems are. Therefore, I was a little bit disappointed with the administration in that respect, but I was greatly encouraged by Secretary of Commerce Hodges, who promised that he would investigate directly with the White House, which has already made a study, and most of them have already been worked on.

I might say that, when it was mentioned that the industry was sick, the crowd laughed. Oh, we should laugh when we're sick, I suppose, but we have to keep our morale up a little bit. Senator Magnuson remarked at the April 20 hearing up in Washington on what the problem was—he said he was quoting one of his colleagues—was to get the Forest Service back into the Department of Agriculture. Later, I read whom he was quoting was Senator Morse, who had made the remark on the floor of the Senate some days before.

Senator MORSE. It is not a good way to win a popularity contest.

Mr. HAGENSTEIN. No, it isn't. When you've got something to say that needs saying, Senator, you and I and every other citizen have the responsibility of saying it.

Now if the Assistant Secretary of Agriculture, who is in charge of the national forests, hasn't got enough time to devote to the Forest Service, as Secretary Freeman mentioned in the conference on February 21, then it seems to me that we need some additional personnel so that the Assistant Secretary can give full time to this important work.

I have in my statement here this one portion. It's been read several times before today, and I want to read it again even though it has been read three or four other times today. It is just one sentence, and I apologize for rereading it, but I think it's important, and this is how it reads:

> To his letter to the nine Senators, Secretary Freeman attached a memo from the Chief of the Forest Service which contains a most revealing statement. It is, "Part of the cause for recurrence of the same issues is refusal of industry representatives to accept decisions which the Forest Service considers to be the resolution of an issue."

In conclusion, I would like to say that no one is mad at anybody. There are no personalities involved. Those of us who work in the

industry belong to the same professional societies as our colleagues in the forestry work. We were trained in the same forestry school. We all work in forestry, and we recognize the importance to our economy, but somewhere along the line someone has made some great procedural mistake, and something therefore has gotten out of hand.

One final statement, I think it would be very interesting to you gentlemen on this committee today. There was one witness, who testified awhile ago today, stated that our industry probably for the first time in history is a sick industry on your hands, on our hands, on the hands of the people who are dependent upon us for their livelihood, which is most of the people in the Northwest, a very sizable force, and in other parts of the country as well, but here we recognize this problem, and we are powerless to do anything about it ourselves. We are in a cost-price squeeze, and it looks to us that we are going to be in it for a long time, and maybe we'll come out of it in 2 or 3 years. Yet, in the meantime, we are on pretty treacherous ground with respect to keeping our people fully employed, and it means that we have to get them back and keep them back at work. Thank you very much.

Senator MORSE. I just want to say this about your testimony: I, too, read this statement that more time is going to be needed for study, and I share your point of view that no long study is needed. I have the material that those officials need to study. The only material they need, in my judgment, when we get through with the hearings on the 14th and 15th, to which the governmental departments will be invited and have been invited to testify and make the case for the agency, is to take the record of these hearings and the material previously filed regarding this policy and make their decisions.

My respectful suggestion to the administration is, let the Forest Service, the Department of Agriculture, the Bureau of Land Management, the Interior, the Treasury Department, the State Department, the Interstate Commerce Commission, and every agency of Government that has any interest in this, appoint an interdepartmental committee immediately to sit down and study this record. It should only take a matter of 2 or 3 days. They ought to have their staff working on it now. Within a short time they could make the decision, up or down, as to what they're going to do in respect to these requests that have been made here for relief.

You're entitled to know, and those of us in Congress are entitled to know. I've indicated this before, but for this record I want to say, I'm not interested in months of study on this problem. I think we have made the record for the administration. Let them take that record, and then tell us what they're willing to do and what they are not willing to do. Then it will be up to the Congress to decide what, if anything, it wants to do about it.

The second point I want to make, and then I'm through, Mr. Chairman, is that there has been injected into this hearing today, the subject of the investment of American lumber companies in Canada. We're going to hear a lot about that if you don't get some data and mail it to us.

I'd like to have your association, and I'd like to have the West Coast Lumbermen's Association, and the Western Forest Industries Association, and the Western Lumber Marketing Association, and all the other lumber associations we have, submit to this committee—

if they want to submit it on a confidential basis, or submit it to me on a confidential basis, I'd be glad to receive it on that basis, although I see no reason why it shouldn't be public—an accounting of what these investments are. Then, as your legislative counsel, we would be armed to meet any argument or attack that might be made that the investments of American lumber companies in Canada somehow, some way, cloud this issue and increase our problems. If you can get the data to me, and give it to me under whatever restrictions you desire, I will accept it on that basis and be ready to make it available in the executive sessions of this committee.

I don't need to tell you—you've been back there often enough to know that I needn't tell you what can be done with this kind of a general statement if we don't have the data that demonstrates that we know what we're talking about when we seek to discuss it.

Mr. HAGENSTEIN. I will be very glad to see what we can do to furnish you such information, Senator Morse. I just want to add another statement, if I may, Mr. Senator, and it will only take a couple seconds.

It seems to me that it isn't unreasonable for our industry to ask the Secretary of Agriculture to give us some kind of response and give it to us soon on our February 21 proposal. This is now the 4th of June, and, certainly, he's had plenty of time to mull this over. I realize he is busy with other problems, too, and he's running a big department and there are many other duties, but we do need some response.

Senator HARTKE. I'm sure we can persuade them at least to give you some kind of reply to that. I do know, as a matter of personal information, that there are attempts being made, I think, to come up with a solution. I don't know, as a fact, whether or not they have come up with definite conclusions. I still think it should be done, and, as Senator Morse indicated, it should be done shortly after these hearings are completed.

I did give some samples of appraisals to Mr. McCracken, and I requested his organization to analyze them, and I am going to give you two and ask you if you will do the same. Just take them and then send them back to the committee before our hearings in Washington, so that we can have that information, item by item, as to what you think would be a fair appraisal on them, so we will have some evidence on this matter.

Mr. HAGENSTEIN. Fine. I'll be very glad to do so, Mr. Chairman. Thank you very much, gentlemen.

Senator HARTKE. Thank you. Next, we will hear from James Fantz, international representative of the International Longshoremen's and Warehousemen's Union.

STATEMENT OF JAMES S. FANTZ, INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION, PORTLAND, OREG.

Mr. FANTZ. Chairman Hartke, Senator Morse, and members of the committee:

I am James Fantz, international representative of the Longshoremen's Union, and, of course, we work the ships that we have been hearing discussed today. I have a very short statement to read.

Gentlemen, we are pleased to have the opportunity to add our voice along with the others, to the urgent need for some action by the Government to stimulate lumber activity in the Northwest. We commend the committee for seeking a solution to the lumber industry's problem, and hope the committee recognizes that too much delay in solving it can cause irreparable damage to many communities.

Although the decline in lumber production has affected the whole Northwest, it has been felt, we believe, most severely in the more than a dozen deepwater ports that have for years relied mainly on the movement of lumber to east coast and foreign markets. If it had not been for the shipment of logs to Japan these past several months, the impact of loss of activity to these communities would have been disastrous.

We are confident with some assistance the Northwest lumber industry can adjust itself to the future and continue its valuable contribution to the building programs in this country and abroad as in the past.

We strongly support Senate bill 2737 as a partial answer to the regaining of some of the east coast market by Oregon and Washington lumber producers. The best solution of our problem, however, is a solution that finds new markets or stimulates growth in the present markets instead of merely regaining a bigger share of the east coast market at the expense of our friends and brother workers across the border in Canada. There is plenty of need for all of the lumber.

We recommend that some action be taken to stimulate building throughout the United States and particularly the building of family dwellings where lumber plays such an important roll. We further urge that every effort be made to reopen trade with mainland China in order to reestablish a market that was so important to the Northwest lumber industry before World War II.

The lumber industry is no doubt one of the most socially beneficial industries we have in this country, and we should do everything we can to keep its wheels turning at full capacity.

Thank you.

Senator MORSE. I would like to ask you one question. Are most of the lumber docks in Canada covered by your west coast longshore agreement?

Mr. FANTZ. Yes, but it's a separate agreement.

Senator MORSE. It's a separate agreement. What about the wage rates? Are the longshore wage rates in Canada almost the same, or to what extent are they the same?

Mr. FANTZ. I couldn't tell you exactly. They are somewhat less. However, I want to reiterate the statement made by Brother Hartung of the woodworking industry. There are some benefits received by workers in Canada, medical coverage, and so forth, and it's pretty hard to evaluate that particular thing.

Senator MORSE. When Al Hartung was on the stand, I did this, and I will do it with you as well. I think with any supplemental memorandum you can file for this record bearing upon the differentials in the labor costs between the United States and Canada with respect to the lumber industry would be very helpful to this committee, because, just as sure as you are sitting in that chair, when we get into executive session, there's going to be a variety of viewpoints

in the committee, and they're going to ask us for that information. I think it would be very wise if you would file a memorandum, and that memorandum should deal not only with the question of fixed wage rates, but also cover whether there are piece rates that cover piecework. It should cover the matter of fringe benefits on the collective bargaining agreements entered into, and also benefits that labor enjoys from the standpoint of governmental policies, by governmental legislative policies, in comparison with the United States.

What I want to do, I want to see what this whole picture is in detail, because I can just hear it said, "Ah, but look at the difference in the wage costs in Canada compared to the United States." We have to act on whatever the facts are, and I'd like to get them.

Mr. FANTZ. I'll see that those are furnished.

Senator MORSE. Thank you very much. Counsel has just suggested that was a very good point, and maybe Mr. Hartung will also take note of this. Counsel, will you see that Mr. Hartung gets a memorandum on it. Give us any information you can on productivity. We'd like to have any information that you can give us on whether there is any difference in productivity in Canada and the United States. That would have some bearing, it seems to me, on the matter of modernization of mill, and modernization on docks.

I'll take another 10 seconds to say that you make me a little homesick for some of the battles we used to have on the loading of ships. I'm glad to have you before the committee.

Mr. FANTZ. I'm glad we don't have some that we used to have, too.

Senator HARTKE. Thank you, Mr. Fantz. Mr. Gould.

STATEMENT OF J. L. "PAT" GOULD, DIAMOND LUMBER CO., TILLAMOOK, OREG.

Mr. GOULD. Chairman Hartke and Senator Morse, I am J. L. Gould, vice president of Diamond Lumber Co., of Tillamook, Oreg. I have a short statement I would like to read for the record.

Two weeks ago we had to close down our plywood plant and lay off approximately 300 men. The closing of our plywood plant will no doubt make Tillamook County a depressed area.

The high cost of our raw materials, combined with depressed plywood and lumber market over the last 3 or 4 years have made it impossible to continue our operation. I think a good deal of our lumber market troubles can be placed on the importing of lumber from Canada and other foreign countries and if something is not done about this we will have to close our sawmill and lay off 200 more men.

I do not think the 10–10 proposal that is being advocated by some industry members goes far enough to do us any good as this would only cost the Canadians or other importers $2 per thousand at the most.

I also think the Jones Act should be repealed to permit the American mills to use the cheapest transportation available to get their products to market. I believe this is one of the most important issues if we are going to be on a world free trade, as the present administration advocates. We have to use the cheapest transportation available to be able to compete with them in our own market.

In addition, there should be some way to equalize the monetary exchange that is being forced on the United States by the Canadian Government. One suggestion is to have an amendment made in the present trade bill that is going through Congress at this time, that a tariff will be placed on any imports equal to the difference in exchange rate.

We also find that the Forest Service and other Government agencies selling timber are very unrealistic in their appraisal price of timber and their attitudes toward helping the American businessman. They are not a bit hesitant telling anyone concerned that there are too many sawmills in this country and half of them should go out of business. There are some sales advertised in the Siuslaw Forest at the present time where the spruce and hemlock logs are badly overpriced. Spruce is appraised for $12 per thousand. One half of the spruce logs will have to be sold for pulp at $32 per thousand delivered to Tillamook. The balance of this spruce is very poor sawmill logs which will have to be logged, sawmilled and sold at an average price of less than $60 per thousand. There is a $6 road construction cost, $26 logging cost, plus 32 cents scaling cost (and if we have to put in a ramp the scaling cost will be more than double as we won't have the volume for scaling), plus $12.60 stumpage, plus $24 milling cost. This is a total cost of approximately $69.10 per thousand as compared to an average selling price of $46. You can readily see where the sawmill has a hard time coming out.

We also have a green veneer plant at Estacada, Oreg., in which we are almost entirely dependent on public timber sales from the Mount Hood National Forest and Bureau of Land Management. Two years ago the Mount Hood National Forest said they were to have a meeting to discuss installing scaling ramps where the logs had to be scaled before they left the woods. When this meeting was called to order the supervisor of the Forest Service opened it with the statement—This meeting was not called for discussion but to tell the operators the "facts of life," that the scaling stations were going to be put in despite 100 percent objection from every operator concerned. As a result of this, through an 8-month operating season in 1961 we were forced to hire an additional Bureau scaler at a cost of $1,200 a month when we already had a scaler at our plant which cost us $1,200 a month and he was only working half time because of the small amount of logs he had to scale.

It is my understanding that the Siuslaw National Forest is doing the same thing to us in our Tillamook operation. This is a lot more serious in this area than it is in the Mount Hood because of the size of logs involved. We are presently logging Forest Service timber that runs up to 40 logs to the truckload. It is practically impossible for anyone to scale these as they should be scaled while they are on the truck.

Our present practice is to unload the logs with a large lift truck and spread them out on the ground for scaling. The Forest Service likes and approves of this type of scaling, saying it is the best type of scaling available, but if they proceed with their plans to put in the scaling ramps in the Siuslaw Forest we will have to discontinue this efficient scaling and hire another scaler to put on the Forest Service ramp at an additional cost of $1,200 per month.

As Congressmen of these United States, elected to maintain the best interests of the American people, both business and labor, I think it is your duty to do something about this situation immediately. As it seems, you are the only ones in a position to help the lumber industry. If something isn't done at once, you will probably see one-half of the industry shut down. When this happens, it will affect the economy of the country, and especially the Pacific Northwest, far more than repealing the Jones Act and placing a tariff on foreign imports of lumber.

Thank you.

Senator MORSE. Mr. Chairman, I will just take 30 seconds to say this for the record. Saturday morning, I met with the mayor and members of your Airport Commission out at the airport where your Tillamook plant is located, and I notified them that immediately upon receiving notice that you found it necessary to close down, I asked the ARA to declare that area a labor surplus area. Certain time elements are involved, but I asked that they be waived because of the emergency situation. I haven't received a reply yet as to whether or not they will be waived, but this isn't the place or the time for you and me to discuss the extent to which we can be of help to you under the ARA program, or whether you want any help. I will not see you before I go back to Washington, I'm sure, but I want you to know that the whole delegation stands ready and willing to help you through the ARA. We can follow that course of action or any other procedure you wish us to follow, and we will do what we can.

There is no question but what the facts and points that you raised here are a part, at least, of the difficulty you had at that mill. You only have to be there to see it, as I was Saturday morning, to understand what a tragedy it is to the economy of Tillamook as well as the company.

Mr. GOULD. I do want to say this on this scaling, that I was told at several different ranger stations that they are scaling a hundred percent on trucks. I found out today that at Dee, Oreg., they are scaling on the ground, the same as we are at Tillamook. Yet, they won't let us come through to the scaling ramp unless they get a scaler there in the operation of the same forest. I think something should be done about it.

Senator HARTKE. Thank you. I'm going to call off some names and ask you, if you have any statements, to submit them for the record. Mr. Lenahan.

Mr. LENAHAN. I have submitted mine for the record.

Senator HARTKE. Do you have anything else? We're going to have to conclude the hearing. I'd like to stay longer and go further with the hearing, but it's going to be physically impossible for us to do so. Mr. Howard.

Mr. HOWARD. Can I make a short statement, Mr. Chairman? It will just take a minute and a half.

Senator HARTKE. All right. If I give you a minute and a half, we'll be here an hour and a half with the people we have left. That's the point. I tried to encourage these other people, as we went along, and I hope that we've tried to be fair about it. We tried to encourage these people to shorten their statements. Unfortunately, some of them didn't take our advice.

STATEMENT OF V. M. HOWARD, JR., PORTLAND MANUFACTURING CO., PORTLAND, OREG.

Mr. HOWARD. I would just like to state, Mr. Chairman, and Senator Morse, informally a year ago I proposed regarding the Japanese log exports and I have put in a written statement what I believe is a partial solution to what is forthcoming in that we form committees similar as to British Columbia on a regional basis which will either allow or not allow what our local needs require. I think it's a new concept and I think it deserves a lot of consideration.

Senator MORSE. It will receive it.

Mr. GRINSTEIN. Can you tell me why British Columbia mills ship to Japan and the United Kingdom in increasing amounts even though they have no advantage in shipping to them?

Mr. HOWARD. Is this on Mr. Dewey's statement, Counselor?

Mr. GRINSTEIN. Yes.

Mr. HOWARD. No. 1, I would assume the foreign market is a different product, generally speaking, than that used in the United States. The dimensions are not the same. They are on a meter system or some other common dimension we do not normally market. If we cut that specific item for the foreign market here, we oftentimes lose part of the wood that we can use in our own dimensions.

No. 2, they have cheaper stumpage, and, No. 3, they have cheaper labor. There are other factors involved in addition to transportation. tion.

Senator HARTKE. Thank you, sir.

Mr. HOWARD. Mr. Chairman, I will leave my statement for the record.

Senator HARTKE. It will be inserted in the record at this point.

(The statement follows:)

Mr. Chairman, Chief Counsel, and distinguished guests, my name is V. M. Howard Jr., timber manager for Portland Manufacturing Co., 8614 North Crawford Street, Portland, Oreg., Portland Manufacturing Co. is an independent family-owned company employing about 160 people in the Portland area with an annual payroll of about $1 million. We operate in the wood-products industry in northern California, Oregon, Washington, and Montana.

We do not intend to burden the record with a description of the disastrous economic situation existing today in the woods industry or with statistics bearing on Japanese log exports, Canadian log exports, or Canadian lumber imports. We feel the record is complete in the problem description. The practically unanimous and disastrous picture painted with devastating cumulative affect at the Lewiston, Idaho, hearing is enough, let alone evidence accumulated at Washington, D.C., Olympia, Wash., and here today.

Most operators in the industry have spent considerable effort in the past 18 months regarding the problems still at hand. The sands of time are rapidly running out; 1962 appears to be a continuation of 1960 and 1961 to the U.S. wood industry. If helpful action is not forthcoming wholesale closures will occur within a year. Already many plants have quit. Recently a plywood company at Tillamook has decided to quit. This means a loss of a 300-man payroll in this small community. In the Oregonian yesterday is an announcement of loss of 70 jobs in the small community of Aberdeen, Wash.

What can be done immediately to halt the increasing number of plant closures and resulting loss of jobs?

1. Create regional export approval committees to control the export of raw natural resources. We believe the Northwestern States should operate on the same basis as our largest State, Alaska, or Alaska should operate on the same basis as ourselves, and both of us should operate on the same basis as our friends in Canada. Such a committee could well be patterned after the Canadian plan

for control with all segments of industry and government represented. Such a committee we believe can be authorized under existing secretarial authority. If not, surely minor legislative acts allowing such authority could be passed with little opposition. We believe practically all American labor would favor such a program which would encourage manufacture in the United States of raw resources but also allow for export of such material if manufacture is not feasible. Oregon and Washington and California are not the only States involved in the export of logs. Hearsay indicates that logs can and are being shipped from northern Idaho and Montana to Canada.

2. The only practical short-range relief we can obtain from Canadian lumber imports is the imposition of quotas and tariffs as already noted in the record. We would hope that the tariff would include a 7½ percent currency exchange differential plus a penalty for exceeding the quota. It is our opinion that the long-range solution will be an amended or repealed Jones Act so that we can in fact compete on world and common markets. To do so may of course require more than adjustments of transportation costs. It is doubtful in our opinion that legislative action can be expected from this session of Congress. We are now in June and tremendous tasks are still ahead of the Congress.

3. We do not believe the Forest Service should be the whipping post for all the industry ills. We do believe the Forest Service has been slow in the fields of allowable cut determination, access road acquisition, performance of announced timber sale plans, and salvage of dead and dying timber. We do not believe the Forest Service and/or the Secretary of Agriculture have been forthright and frank in budget requests to the Congress. Announced programs since the Timber Resource Review in 1958 including "program for the national forests," 1959, and "development program for the national forests," 1961, have not been implemented by adequate budget requests. Increased appropriations for the Forest Service and Bureau of Land Management programs are largely self-retiring. It is difficult for us to understand the recent cut in the proposed Forest Service appropriation request by the House of Representatives. We understand the $800,000 cut in timber management funds is being restored by the Senate but ticketed to the ponderosa pine subregion.

From regional levels to the district levels we believe to few Forest Service representatives realize the interdependence between industry and the Forest Service. Without timber harvesting good land management is not possible. Without land management there eventually will be little or no industry. Far too frequently in meetings or contacts with Forest Service personnel we leave feeling no honest recognition of the problem has occurred. Too often we, the industry, and the Forest Service in day-to-day contacts enter discussions at arms length before we start. Certainly an attitude of cooperation should exist on both sides.

The Department of Agriculture is large and complex. It is our opinion that the Forest Service does not have the recognition or control by the Secretary that takes place between the Bureau of Land Management (specifically Oregon and California Lands Division) and the Department or Secretary of Interior. We believe the Secretary of Agriculture should review his organization and designate an Assistant Secretary or Deputy Secretary to act as his representative in matters having to do with the Forest Service. This Assistant or Deputy Secretary should devote practically all of his time and staff to Forest Service matters as a proper check and balance on Forest Service efforts. He should have equal status with other assistant or deputy secretaries.

Recently an announcement in the press stated the formation of an Interagency Study Committee. If this Department level group plans to initiate a detailed study of industry problems we suggest we will likely be out of business before they can complete the study. If this group is going to recommend action based on the present record of this and other committees we hope for prompt action. It is our opinion that if concrete solutions are not forthcoming within a year another 5,000 to 8,000 jobs will disappear and likely as many as 100 dependent communities will be destitute and requesting Federal relief of one sort or another.

I stated to you personally about a year ago, Senator Morse, that our company had and was sustaining losses; that we would be far better off dollarwise to discharge 100 employees, destroy our physical plant, and sell our timber under contract to the foreign market. The same situation exists today. How much longer the company will sustain losses remains to be seen but time

is runnning out. It is no consolation that large integrated companies such as Potlatch and Boise Cascade as stated in Lewiston are having difficulties also.

An economically healthy Northwest is dependent upon a healthy woods industry.

We appreciate, Senator Hartke and other panel members, your time from busy schedules to receive our statement. Thank you.

Senator HARTKE. Harry Welter, Orville Thompson—I'm reading these names. The reason is, I want to make sure that these people have been called or who have been notified to be here at this hearing, that their statements will be included in the record.

Senator MORSE. Orville, you send it to me, and I'll get it in the record.

Senator HARTKE. Mr. Sherman, G. Leep, James Yarborough, Vaughn, E. R. Baldwin, Lee Wade, Jack Hogan, Welby Schneider, L. Krauss, Don Parker, Norman Webb, L. D. Jones, Norris Johnson, George Ritchie, E. S. Erskine, John Underwood, Jack Stacy, Russell Maine, Wylie Smith, J. H. Whitty, Roland Parks, Frank Stillwell, Henry Coyle, Frank Bays, Ed Bellingham, Robert Cooper, Leonard H. Anderson, Fred Lundy, Robert Warren, C. L. Ballard, Harold Hutcheson, Wayne Olson, Dave Wullger, Clyde Shoemaker, Alfred Ernst, Salem Chamber of Commerce, Vancouver Chamber of Commerce, A. W. Lafferty.

REMARKS OF HON. A. W. LAFFERTY, PORTLAND, OREG.

Mr. LAFFERETY. Mr. Chairman, I just want to say a word and it will just take 1 or 2 minutes, and I can do it from here. It is noticeable that at these hearings today you have not had the titans of the lumber industry present; that is, they have not seen fit to be here themselves to give the reports of Weyerhaeuser, Crown Zellerbach, Georgia-Pacific, for the first quarter of 1962. Their own reports show that their sales and profits were greater than the corresponding quarter of 1961, and that their prices that they are now paying in the East are better than ever.

So that the cry of distress doesn't go down as to the titans of the lumber industry who are opposing the Neuberger bill and who are opposing the continuation of the benefits of the 15-day hold in Canada and the United States.

I merely ask that, when you get down to Washington to write your bill and take your action, that the decision is yours, not the decision of the titans of the lumber industry or their stool pigeons, some of whom they have brought here today to cover up what they are really trying to do, to obtain money under false pretenses, a crime of common law and by statute in every State of the Union, to obtain this without a full disclosure of intent and under false pretenses, and this is not good in this country. Thank you.

Senator HARTKE. Thank you. I want to say publicly here that all witnesses who did not get an opportunity to submit oral testimony, that their written statements will be included in the official record of these hearings. In this way, all of the Senators and the members of the departments of Government and the agencies will have the views of those who could not appear.

I want to express also, on behalf of the Senate Commerce Committee, our appreciation to the Department of the Interior for arranging for this room, and for the full cooperation in all matters which we have been granted.

This record will be held open for an additional 10 days for any additional statements, which are to be submitted to us in Washington. You may address them to the Commerce Committee, Senate Office Building, Washington, D.C.

I want to say that it has been a delight for me personally on my first official visit here in Oregon to see this democracy in action. I want you to know this is a real heartening thing. I know your problems, but to see this almost a town meeting-type proposition in Portland, Oreg., here is a demonstration that the people are still the individuals who rule as far as the country is concerned, and I want to thank Senator Wayne Morse. As I have said time and time again, he is one of the real giants in the Senate, and I want to thank him for giving me an opportunity to visit with you, and if you will permit, I would like to bring my wife and seven children back sometime.

Senator MORSE. Mr. Chairman, I know I speak for the participants in this hearing, and I express to you in their behalf our sincere thanks for the magnificent way in which you conducted these hearings today. You can well realize the amount of work that we have done today and the great amount of information that has gone into this record under your leadership to see what we have, and I want you to extend to the Commerce Committee our appreciation. I have attended many hearings, and I want to say I am especially proud of these hearings because I think you have made a magnificent record, and what the departments want are the facts, and we have them in this record.

I want to express my appreciation to the members of this committee, Bob Wolf and Gerry Grinstein, and to the ladies who assisted us on the staff, and I want to thank you for the great assistance you have given us, and also the man sitting down here, who has been taking this punishment all day taking these hearings, our reporter.

All I can say to you, Vance Hartke, is that I think you have performed a great service for my State by making it possible for us to make this record, and I thank you very much.

Senator HARTKE. Thank you very much. The meeting is adjourned.

(Whereupon, at 5:50 p.m., the meeting adjourned.)

(The following statements were subsequently received for the record:)

STATEMENT OF ASSOCIATED OREGON INDUSTRIES, INC., PORTLAND, OREG.

Associated Oregon Industries, like many chambers of commerce and other business and industry associations in the Pacific Northwest, is deeply concerned over the economic plight of the forest products industry. Economic problems which now plague the forest industries have been described in detail by hundreds of witnesses who appeared in recent months at hearings before the Senate Committee on Interstate and Foreign Commerce.

In the course of these hearings, it has become increasingly clear that the very survival of many forest products firms depends upon immediate Government action to find solutions to these problems. Further delay to conduct additional hearings and study may well lead to economic disaster in the State of Oregon, which depends so heavily on the employment in the forest products industry. The need for action is urgent. This association joins with others in asking for immediate Government attention to and action on such problems

as Canadian competition and those Federal timber management policies and practices which repeatedly have been criticized by forest industry witnesses.

Associated Oregon Industries is a statewide organization of business and industrial firms, both large and small. This association has 850 member firms, including manufacturers, service businesses, and retailers. These member firms of the association supply approximately 40 percent of the payrolls in the State of Oregon.

This association has true cause for concern over the economic problems which beset the forest industries. Few States depend so heavily on the employment and level of economic activity in a single industry as does the State of Oregon.

The forest products industry is Oregon's largest industry. The Oregon Department of Employment reports that 74,100 persons were employed directly in the forest products industry of this State in 1961. This employment furnished payrolls amounting to $396 million. This was 54 percent of Oregon's total manufacturing payroll.

In 1959, the forest industries of Oregon produced goods valued at $1,300 million. Oregon's second and third largest industries are agriculture and the tourist industry. Cash receipts from agriculture in 1959 amounted to $424 million; from tourism, $186 million.

These statistics demonstrates the extremely significant role the forest industries play in the economy of the State. The economic welfare of Oregon and the level of its business activity are determined in large part by the economic health of the forest products industry. Thus, economic health of the forest industries is of vital concern to every citizen of the State of Oregon.

Associated Oregon Industries would serve no useful purpose in repeating the testimony already presented to the Senate Committee on Interstate and Foreign Commerce by the hundreds of witnesses who appeared at the recent hearings. Nor could this association insert in the record any more significant facts than have been presented previously by representatives of the forest products industry.

The association would like to emphasize, however, that the forest industries have used restraint in asking for solution of their problems. They have not asked for Government subsidies. They have not requested Government action which would bestow special privileges on the lumber industry. They have not made demands which could be considered unreasonable in the light of the administration's attempt to secure satisfactory reciprocal trade agreements with foreign countries.

Instead, the forest product industries, believing in competition and a free-enterprise system, have asked only for effective Government action which would put hem in a fair competitive position with foreign producers of lumber and other wood products.

Historically, the forest industries of Oregon have sought to solve their own problems by their own action. When beset by problems, economic or otherwise, they have looked first for solutions which they, themselves, or their industry as a whole, might provide. When threatened, they have not traditionally run to Government for help. In fact, the forest industries have been exceptionally reluctant to seek Government aid unless it is absolutely essential.

In this instance, the nature of the industry's problems are such that only Government can provide the solutions. These problems require congressional recognition and action by the administration and agencies of the Federal Government.

Associated Oregon Industries, believing that there has already been too much delay, urges immediate and aggressive action to find effective solutions to the economic problems of Oregon's forest industries. The record has already been made. The economic plight of the industry has been documented. Some mills have already shut down. The operations of other mills are threatened. The economic impact of shutdowns and unemployment has been described. Economic disaster can still be averted, but only through prompt action. That action is needed now.

STATEMENT OF THE ASTORIA CHAMBER OF COMMERCE, ASTORIA, OREG.

RESOLUTION

The Astoria Chamber of Commerce does resolve as follows:

The economy of Astoria, Oreg., and Clatsop County has long been based upon the forest industries; 1,300 workers are provided jobs in Clatsop County alone.

To protect the consumers of forest products throughout the Nation, the Astoria Chamber of Commerce strongly urges the Federal Government to take immediate steps to establish equality in transportation and tariffs for forest products as between the United States and other countries.

STATEMENT OF ED BELLINGHAM, WARRENTON LUMBER CO., WARRENTON, OREG.

My name is Ed Bellingham. I am the manager and part owner of the Warrenton Lumber Co., of Warrenton, Oreg., one of the three medium-sized mills left in Clatsop County. We produce approximately 110,000 feet of lumber per shift and run two shifts. We emply 63 men, with an annual payroll of $340,000. There are six partners in the mill and in which four of us are employed.

We built the mill ourselves since the war—one of the most modern and efficient mills of its size. It has been a terrific struggle for us to keep it going and make ends meet on the payroll and pay off our obligations. We are not out of the woods yet by any means.

All of our product is hemlock which we ship to the Atlantic coast by cargo—shipping through the port of Astoria about 4 to 5 million feet per month. We are the port's major customer.

We cannot ship our product by rail as it is too heavy and would make us noncompetitive. Therefore, it is vital to us that we retain our share of the Atlantic coast market at a price at least high enough to make ends meet.

We and our county just cannot afford to let the Canadians capture all of our market with their cheap foreign charters. As it is, the margin left between c.i.f. sales prices and our costs, for the last year, have been hovering between a small profit and some losses. Now that the Canadian exchange has slipped to the present low, we just don't know where we stand. We understand that the Canadians are now enjoying a $10 to $11 freight advantage, which has been further spread by their reduced loading costs due to their exchange drop.

It is easily seen that the Americans get only orders after the Canadians get all they need first.

We urgently ask that something be done to equalize our opportunities before the Canadians take all of our market and drive us completely out of business.

STATEMENT OF LEE BROWN, BROWN BROS. LUMBER CO., INC., GRANTS PASS, OREG.

I am Lee Brown, office manager of Brown Bros. Lumber Co., Grants Pass, Oreg. We are a locally owned and operated mill employing approximately 35 men with a payroll of $167,000 per year.

Because of our geographical location we are primarily dependent upon Bureau of Land Management timber. As you know, the Bureau of Land Management sells their stumpage on a cruise basis and under this system, we have been unable to recover the volume they represent is within the sale area. We have purchased nine sales since 1956 totaling 19,040,000 board feet. Six of these sales have been short with a net shortage of 1,571,000 board feet representing approximately $55,000 lost in stumpage alone.

We have conscientiously reported our problems to the Bureau of Land Management, and on one specific sale had Mr. Cecil Smith, head cruiser from Portland, down to examine an area that sustained a considerable loss. Mr. Norman Webb, president of our company, personally spent a day going over this area with Mr. Smith and furnished a bucker to buck any questionable logs remaining on the area. Mr. Webb further offered to run any logs they desired through the mill on any sort of a test basis to check the validity of his claim. This was not an attempt to get relief from this individual sale, but hoping, through cooperation with these people, to show them their errors in cruising this highly defective old growth timber in the Williams Creek drainage.

It is apparent to us that regardless of our attempts to cooperate and correct this situation, we aren't realizing any relief. In answer to our complaints, the Bureau of Land Management has cited sales made prior to 1956 which show that on the average this mill, had very little shortage. This presents the problem of trying to maintain a business today on surpluses that occurred more than 6 years ago, under other management. Overruns in the past are just as wrong as underruns of the present and trying to correct one wrong with another does not make a right.

An often used and overworked excuse made by the Bureau of Land Management is that they cruise on a 16-foot basis and operators scale on a 32-foot basis. We scale our logs on a 2-inch taper. That is, if a log is actually cut long, which one must do to satisfy the customer's demands, we allow a 2-inch taper for each 16 feet of the log. This very nearly duplicates the Bureau of Land Management's own scaling practices. To substantiate this, we have enclosed a record of all the sales we have purchased and included in a scaled sale sold by the Bureau of Land Management. The Bureau of Land Management scale for this sale and our mill scale differ by only 2.5 percent.

A sale that cuts out short of the cruise not only causes a direct financial loss for the mill but means our timber supply plans have been disrupted, and many times forces an actual shutdown of the mill. Thus, men are laid off, causing additional unemployment within an already high unemployment area.

It seems to us that a very fair and simple solution to this major problem is the Bureau of Land Management to sell on a scaled basis under some recognized scaling standard. We, as a small operator, cannot stand the risk of paying for a pound and only getting 12 ounces. Under scaled sales, we would pay for a pound and receive a pound.

Some other problems are: The sale of tracts of timber with conditions imposed that make it very nearly impossible, if not impossible, for a company of limited assets to purchase. To be more specific we refer to heavy roadbuilding costs, which must be completed before logging, and the requirement of hi-lead type of logging on many sales, which require a large block of timber to be cut before logging. The bureau requires payment before cutting. This policy has placed many sales beyond any chance of a small logger or mill to compete. In all fairness, it must be added that some relief is in sight on this issue, by granting Small Business Administration loans for roadbuilding and by use of cutting bonds to allow timber to be cut prior to payment. Anything to expedite this relief would be most helpful.

We believe that a more uniform practice of selling timber should be adopted by the Forest Service, U.S. Department of Agriculture, and the Bureau of Land Management, U.S. Department of Interior. A situation now exists where it is possible for one mill to gain advantage over another by cutting Forest Service timber as opposed to Bureau of Land Management timber, because of the differences involved in selling methods of the agencies. In many cases, in cutting Forest Service timber, the cost of raw material per thousand board feet of lumber will be less, and almost always, a timber sale can be operated with less capital, a great advantage to small business. Some practices as used by the Forest Service that we feel give advantage over Bureau of Land Management sales are: The scale method of selling, the usually lower cash requirement to bid on sales, use of timber cutting bonds, use of Small Business Administration loans to construct roads. We think these are strong reasons that the two agencies should adopt a uniform practice for timber sale programs.

Thank you for your kind attention.

Record of cut on Bureau of Land Management sales since 1956

Date sold	BLM contract No.	BLM volume by cruise (thousand board feet)	Brown Bros. mill scale volume (thousand board feet)	Amount over (+) or short (−) (thousand board feet)	Percent over (+) or short (−)	Sale name (if any)
June 28, 1956	14-11-001(11)-91	4,684	4,259	+425	+9	East Fork Williams.
Oct. 16, 1958	14-11-001(11)-365	1,889	1,752	+137	+7	
Dec. 11, 1958	14-11-001(11)-393	2,055	1,876	+179	+9	Lone Creek.
Mar. 12, 1959	14-11-001(11)-423	177	193	−16	−9	East Fork Williams.
May 14, 1959	14-11-001(11)-445	655	883	−228	−35	Do.
June 25, 1959	14-11-001(11)-474	3,640	2,752	+888	+24	
June 9, 1960	14-11-0001(11)-602 [1]	3,456	3,605	−149	−4	Babcock Cabin.
Oct. 13, 1960	14-11-0001(11)-655	1,038	838	+200	+19	Cedar Flat Road.
Apr. 13, 1961	14-11-0001(11)-701	1,446	1,311	+135	+9	Lone Creek.
	Total	19,040	17,469	+1,571	+8	

[1] This sale was scaled on the trucks by the BLM, the result was within 2½ percent of own scale on this sale.

STATEMENT OF HENRY A. BUEHNER, COLUMBIA SOFTWOOD CO., PORTLAND, OREG.

My name is Henry A. Buehner, I am secretary of Columbia Softwood Co., Portland, Oreg., a lumber wholesale firm. I have been engaged in the lumber business as a wholesaler and manufacturer for a good many years.

The devaluation of the Canadian dollar we feel represents the culmination of a long series of severe blows to the Northwest leading industry, lumber. As of June 1, 1961, the American and Canadian dollars were at par. Today although the arrangements through the International Monetary Fund is supposed to peg the Canadian dollar at 92.5 percent of the American dollar, the slippage as of Friday, June 1, amounted to 91.38 on the New York exchange. Many bankers feel the Canadian dollar will fall to 90. Insofar as the American domestic producer is concerned this amounts to an 8 percent differential between American and Canadian in favor of the Canadian producer competing in the American market.

No wonder McMillan Bloedel in their annual report for fiscal year 1961 said that the main reason for the increase in profits was the discount on the Canadian dollar in relation to U.S. currency.

J. V. Cline, board chairman, said in the annual report, "as in the past, a considerable sum has been retained in the business which together with the accumulated savings of previous years, will help finance the very large expansions which are now taking place, and which, it is hoped, will augment the earnings of the company in the interest of the shareholders as well as affording employment in the community."

This happy report comes out of the hide of domestic producers. I cannot quarrel with the theoretical position taken by Oregon's senior Senator in the Congressional Record, May 4 of this year, commending the stabilization of the Canadian and American dollars at 92.5 but, its effect on the domestic producer without an automatic peril point tariff barrier to equalize the currency differential will be destructive to all those who rely on public timber for their log supply—the vast majority of producers in this area. The effect will be catastrophic on our Northwest's employment.

Shutdowns, liquidations, forced and voluntary, are the run-of-the-mill news story in Oregon, Washington, and Idaho.

There is no need to fill the record with statistics which other witnesses today and previous hearings have so eloquently stated.

The time for action is now. The administration took emergency action in the case of cotton imports. Why not in the case of the Northwest's lumber—or are we expendable in view of the Nation's overall economic position? If we are, we would like to be told—frankly!

STATEMENT OF CAPT. WILLIAM M. CALDWELL, REPRESENTATIVE, MASTERS, MATES, & PILOTS LOCAL 180, PORTLAND, OREG.

My name is William M. Caldwell. I am a master mariner, and at the present time representative for the International Organization of Masters, Mates & Pilots, Local 90. This is an organization of American licensed deck officers who sail American-flag merchant ships in the coastwise, intercoastal, and foreign trades. Many of our members are commissioned officers in the Naval Reserve.

Our organization is vitally concerned with the depressed condition of the Northwest lumber industry. This depressed condition has decreased the need for American-flag vessels to transport lumber to the east coast markets and consequently has resulted in unemployment for many of our licensed deck officers.

We also are gravely concerned about the welfare and defense of the United States because if a certain "proposed Northwest lumber cure" amendment to the Jones Act is passed by Congress, which would allow foreign-flag vessels to carry lumber between the U.S. coastwise and intercoastal ports, our fourth arm of defense, the American merchant marine, would be seriously crippled.

At the present time there are about 15 American-flag merchant ships operating in the intercoastal trade. In the 1930's there were approximately 10 times this many operating in the same trade. The bulk of the cargo that moved South and East by water from the Northwest was lumber. This same condition exists today.

Several factors have contributed to the decline in intercoastal shipping. Trucks and railroads have made inroads on this waterborne shipping. Plastics, aluminum, and other materials have replaced much lumber in modern building. Canadian lumber interests, because of favorable monetary exchange rates, stumpage prices, rail rates, and wage and labor policies, have a decided advantage in the east coast lumber market over our Northwest lumber.

Postwar years with the U.S. gigantic aid programs also brought the "runaway flag operator" who, through various maneuvers, placed their American-flag vessels under foreign flags in order to evade paying American seamen's wages, living conditions, and U.S. taxes. Some of the intercoastal fleet disappeared in this manner.

A few operators persisted in staying in this trade. New ideas were put into service. Ships and cargo handling gear were modernized. Package loads, machines, and lift trucks for stowing and discharging of cargo were used to cut stevedore costs and make faster turnaround schedules possible. A recent west coast longshore contract with relaxed work rules has enabled the operator to make better use of laborsaving equipment and has to some extent revitalized the trade and placed it in a better competitive position.

Regardless of the fluctuating size of the intercoastal fleet, it is a vital part from which any emergency or wartime shipbuilding, manning, and operating program would be built. An American merchant ship manned by American seamen in domestic waters will always be under effective control of our country in event of war. Foreign vessels, manned by foreign seamen, do not owe allegiance to the American flag and in emergencies will depart to their own country's defense, or, if neutral, to the more lucrative trades. Our country should never place itself in a position to be dependent on foreign shipping for the handling of strategic and critical materials, because an ally today may become an enemy tomorrow.

Sacrificing the knowledge, skills, and experience of seafarers, shipbuilders, repairmen, and management personnel who gained actual experience within the framework of our free enterprise system, to the interests of the lumber industry, by allowing foreign-flag merchant vessels to carry American lumber cheaper between American ports, is something the United States cannot afford in the struggle ahead for the cause of freedom. It wouldn't be long until the oil and steel interests would request the same relief which, if granted, would practically kill the American merchant marine.

Our organization does not think American lumber workers should be unemployed and American sawmills placed on the brink of financial ruin because a foreign country enjoys certain cost advantages which open up our east coast lumber markets to them. But we vigorously oppose any legislation that would lift the Northwest lumber industry out of its depressed condition by sacrificing the American merchant marine to a foreign-flag merchant marine.

We urge Congress to pass legislation that will encourage the use of American-flag vessels in the intercoastal lumber trade, and at the same time strengthen our Government's present enacted policy to create and maintain an American-owned, American-manned merchant marine adequate for the purposes of our economy and national defense.

STATEMENT OF JULIAN N. CHEATHAM, GEORGIA-PACIFIC CORP., PORTLAND, OREG.

While this company is in sympathy with the other problems creating difficulty the American lumbermen in regard to the Canadian lumber influx, this statement relates particularly to the matter of water shipment of lumber cargoes. The statement will be brief and will carry no statistics since all the figures bearing upon it are already contained in numerous testimonies in your hands. We refer to the volume of water shipments, the number and type of ships involved, and the number of people affected.

Georgia-Pacific is among Oregon's largest water shippers of lumber and also one of northern California's water lumber shippers. We additionally ship considerable lumber from southern ports.

We ask modification of the Jones Act restrictions so that lumber may be shipped in either foreign or American bottoms to the east coast and American territories. This antiquated act, which has long since ceased to perform the function for which it was written, imposes an expensive penalty upon lumbermen doing business within their own land.

While it and other impositions exist the Canadian lumber producers walk boldly in and take away our own markets with the result that much of our industry is paling with death while the final words have already been spoken over many others. The Canadians have to all intents and purposes been made a gift of American markets by the American Government, free to take them while American lumber industry is held off in complete frustration.

Our company endorses the statements and pleas which have been made by the National Lumber Manufacturers' Association, the West Coast Lumbermen's Association, and the Lumbermen's Economic Survival Committee asking for an immediate emergency quota on Canadian lumber to 10 percent based on a 10-year average of rail and water shipments to the United States. Rapid action in this regard is, we feel, crucial to the health of the industry and consistent with the effort for full employment.

All we ask is equal chance with the Canadian producers for the market which is rightfully our own and should, if anything, be guaranteed to us. The power to change this one act is ready in the hands of Government, and we beg you to use it now.

STATEMENT OF HENRY COOPER, REPRESENTING THE DEL NORTE COUNTY CHAMBER OF COMMERCE, THE CRESCENT CITY HARBOR COMMISSION, AND THE CITY OF CRESCENT CITY

I am Henry Cooper, city manager of the city of Crescent City, Calif., and representing before this hearing, the Del Norte County Chamber of Commerce, the Crescent City Harbor Commission, and the people of the city of Crescent City.

Del Norte County has a population of 17,900 persons, most of whom depend directly or indirectly upon the lumber industry for their livelihood. The city of Crescent City is the county seat of Del Norte County and serves as a port city for the lumbering and fishing industry. The port is managed by a countywide port district directed by the Crescent City Harbor Commission.

The economy of Del Norte County has been adversely affected by the situation in which the lumber industry now finds itself. The following data, prepared by the Del Norte County Chamber of Commerce, shows both the extent to which the county depends upon timber and the effect the current market situation has on the economy:

Data on Del Norte County

Timber anchorage:[1]	*Acres*
Total land area	642,000
Forest land (all types)	615,000
Commercial	451,000
Public	299,000
Private	152,000
Noncommercial	164,000
Nonforest	27,000

[1] Source: California Forest Range and Experiment Station Bulletin, assessor's office, city of Crescent City.

	1959	1960	1961
Population: Del Norte County	20,100	17,771	17,900
Lumber tonnage: Crescent City Harbor, 1958	411,950	181,696	177,476
Taxable retail sales	$20,339,000	$20,431,000	$18,268,000
Employment, Del Norte County:			
Employing units	444	395	385
Yearly payroll	$22,610,000	$19,626,720	$19,521,739

Lumber, 1st quarter, year of 1960: 68 employers, 2,830 employees, $3,716,000 payroll.

Lumber, 1st quarter, year of 1962: 43 employers, 1,800 employees, $2,813,000 payroll.

Total payroll[1] (including lumber):

[1] Source: Department of employment (figures include those covered by employment insurance only).

1st quarter, year of 1960: 405 employers, 4,100 employees, $5,165,000 payroll.

1st quarter, year of 1962: 341 employers, 3,198 employees, $3,801,672 payroll.

In 1961 Del Norte County lost 25 employing units from the lumbering industry, 3 of them were manufacturing plants, employing between 125 and 175 men. Other plants eliminated shifts and shut down logging operations. The town of Klamath has been hit particularly hard. One neighborhood grocer reported that prior to the closing of a nearby sawmill, his business grossed $4,000 per month. That gross now is down to $1,000 and the business is operated by himself and his wife where previously it employed three additional people.

In the Crescent City area, two grocery stores have gone out of business this year, due mainly to the economic reverses suffered by the area and the decline in retail sales, as shown in the foregoing data. Within a few weeks, another sawmill and planing plant will close and another 150 men will be looking for work. Many of them may be forced to leave the area, thus cutting down on the number of service establishment job opportunities.

The Del Norte County Chamber of Commerce, the city of Crescent City, and the Crescent City Harbor Commission respectfully request that every effort be expended to aid the lumber industry in its fight to compete in today's market. The industry can and is presenting its problems. We are presenting the impact of those problems upon our community and the need for action.

STATEMENT OF K. M. ENGEBRETSEN, MANAGER, PORT OF VANCOUVER, VANCOUVER, WASH.

My name is K. M. Engebretsen and I am the manager of the Port of Vancouver, Wash., a municipal corporation of the State of Washington, primarily an ocean cargo terminal handling all types of ocean traffic to all parts of the world, as well as coastwise and intercoastal freight.

During the last 5 years, the following intercoastal lumber was shipped through the port of Vancouver:

	Board feet
1957	72,801,000
1958	74,155,000
1959	74,783,000
1960	58,333,000
1961	20,434,000

The above figures indicate the loss of intercoastal lumber shipments and substantiate the plight of lumber producers, as previously developed by the various hearings on this matter.

Previous testimony indicates a substantial cost difference between shipments of Canadian lumber via foreign vessels to the east coast of the United States versus Northwest U.S. ports to the east coast of the United States in American bottoms. Because of the cost difference and loss of business to the Northwest U.S. producers, and subsequently because of the loss of traffic through the port of Vancouver and other Northwest U.S. ports, we contend that the facilities for transporting lumber cargo to the east coast should be reshaped in a fashion suitable to be competitive with the existing service from the Canadian ports. We contend further that modernization by docks and carriers would eliminate the cost difference of foreign versus American carriage of lumber to the east coast and also would be of substantial benefit to the lumber industry, the cargo carrier industry, and the U.S. Government, through elimination of obsolescent and antiquated cargo-handling methods.

Wherever and whenever a U.S. product is not competitive with a foreign product pricewise, it is essential to streamline, modernize, and eliminate waste, if U.S. citizens are to regain or retain desired business.

It seems entirely fitting that the Federal Government in cooperation with the transportation industry, develop a modern, up-to-date system superior to anything offered by foreign-flag steamships. We ourselves would prefer this to be done by a cooperative venture utilizing the ability of the Federal Government and private enterprise. Accordingly, we suggest that the Federal Government offer grants-in-aid and/or financial loans to private industry qualified and willing to assume this responsibility.

STATEMENT OF ED ERSKINE, EUGENE, OREG.

I am Ed Erskine of Eugene, Oreg. Prior to coming to Oregon in the 1920's I was in the lumber business in the Lake States and, gentlemen, I am still in the lumber business battling the everyday problems attempting to remain competitive and efficient and to meet my payrolls. My sawmill is at Swisshome, Oreg.

Our raw material source is the Mapleton working circle of the Siuslaw National Forest. Many of our timber problems relate to being a sawmill dependent on the Siuslaw National Forest's timber sales. The Siuslaw Forest is a second growth forest, the soil is good and the timber growth rapid. It is this very forest, the Siuslaw, that has been the focal point of our raw material problems. The Forest Service spent a lot of time and money taking a modern forest inventory. The operators of the installed mill capacity in our area were eager to get the benefits of this modern inventory and to see the forest rapidly expand its management of this second growth timber.

Everything progressed well to the point of analyzing this Siuslaw Forest inventory. Then things began to deteriorate. Our Mapleton working circle inventory had a 162 million foot annual cut calculated by the Forest Service. This was on a rotation length of 100 years. We didn't object too much about the rotation being unnecessarily long for this high-site and rapid-growing forest but in addition to that, they also reduced our 162 million allowable cut by 23 percent to 125 million.

If the new Forest Service policy of shortened rotations were applied to our Mapleton area and the 23 percent fudge factor reduction eliminated, the Mapleton working circle allowable cut would be approximately 200 million board feet. Gentleman, our economy needs that volume their forest inventory indicates as being available from the Siuslaw's Mapleton working circle. If the Forest Service is going to disregard its forest inventory results, I hope they will be asked by Members of our Congress for greater safeguards in the spending of taxpayers' money when next the Forest Service submits a request for money to carry out forest inventory activities. Certainly, I do not deny that we need an expansion of this inventory-type work, merely that we are sure the national forest personnel know what they are doing if they later must disregard their own inventory results.

Now for the record I wish to mention a development I consider most helpful to all public and private forest management plans. This is a program of developing intensive young growth management on public lands in Oregon that should be helpful to all State, Federal, and private forest land managers. I read of this program in the May issue of a trade publication, the Western Timber Industry newspaper. This is a program described as being put into effect by the Bureau of Land Management. The Bureau of Land Management proposes a young growth management study area involving approximately 56,000 acres of O. & C. and public domain lands under its management in Tillamook County, Oreg. Certainly the transition from harvesting old growth timber to managed second growth is having an impact on the wood-using industry's harvesting methods, utilization, and marketing practices, as well as the administering agency's own management methods.

In Portland last December, representatives attending the western forestry conference discussed intensive forestry, its problems of everyday management and how it cannot be divorced from the problem of profits. This spring the Bureau of Land Management announced its plans for a demonstration-management project in the above-mentioned Tillamook area to make practical application of measures tested heretofore only on a limited scale in young growth management. A major objective of the study is to determine the potential values which may be recovered from timberlands under a program of intensive management, including repeated thinnings without detriment to watershed, recreation and other benefits that might be realized from forest land. In order to attain this objective, a study will be made of road standards and logging methods for thinning and various types of soil and terrain, an analysis of present and potential markets for the products of intensive management of young stands, as well as work toward development of precommercial thinning practices, pruning, soil fertilization, and other stand improvement practices aimed toward the attainment of maximum productivity of the land. Naturally it will require a careful study of existing regulations and contracting procedures as they undoubtedly do not apply to intensive young growth management cutting practices. Gentlemen, I am appending clippings from our Oregon Journal of May

17, 1962, and the Western Timber Industry newspaper edition for May 1962, describing this Bureau of Land Management young growth Douglas-fir project.

Now, gentlemen, in summary:

1. I feel the Forest Service should sell each year the maximum volume of timber indicated by the inventory;

2. That the administrators of the Siuslaw National Forest be provided funds in order that they can immediately develop intensive second growth management action programs on each working circle in the forest; and

3. That the personnel of the Forest Service must be made to realize that the growing of timber and its subsequent manufacture is a partnership of Government, community, and industry—each needs the other in growing and utilizing a forest resource.

[From the Oregon Journal, Portland, Oreg., May 17, 1962]

CHANGED TIMBER CONCEPTS COMING

The timber industry in the Pacific Northwest for many years will be based heavily on the harvesting of old-growth trees.

But both private operators and public agencies are preparing for the time when the chief reliance will be on young trees. This in turn will require new concepts in timber management.

The changes will come gradually, as the industry seeks to preserve the old trees on which it must depend until the new stands reach merchantable size.

But intensified management increasingly occupies the minds of men in both public and private forestry as they survey the future.

Last December, delegates to the Western Forestry Conference in Portland talked about intensified forestry, and they agreed that it cannot be separated from the question of profits.

Practices designed to protect the forests and improve timber production add to the cost of timber management, and timber operators have to wait a long time for the return. But the sentiment of many was expressed in the words of one delegate:

"We can no longer be content with the forest as it is. We must improve what is on the land, even the land itself, so that what we harvest will be nearly the product we want rather than an unpredictable wild crop."

Last week the Bureau of Land Management announced a pilot program of intensified management for 52,000 acres of public forest lands in northwestern Oregon, mostly in Tillamook County.

This will include thinning practices, logging techniques for young growth timber, a study of the best methods of forest-stand improvement, a search for present and potential markets for young trees.

Like the private operators, the public agencies must be concerned with economics. Foresters know many practices which would improve forest production, but they do not have unlimited funds with which to work and they do not know to what extent intensified management can be justified.

Finding this out will be one of the purposes of the BLM study, which will be carried out in cooperation with the Pacific Northwest Forest and Range Experiment Station of the U.S. Forest Service.

The future of forestry has many unknowns. A generation from now, we may see a revolution based on wood chemistry. Researchers are continuing to unlock secrets of wood fibers which they think will lead to startling new products and new markets. Then it may be possible to plant and harvest trees in short rotation. The need to wait 80 to 100 years for a tree to reach marketable size would be a thing of the past.

Meanwhile the program inaugurated by the BLM should provide some guidelines which will be useful to the industry as it makes the transition.

[From the Western Timber Industry, May 1962]

THINNING KEY TO BLM YOUNG-GROWTH PLAN

As the old growth forests of the Douglas-fir region bows to the saw, it becomes imperative that we have the right answers on how best to manage our young forests.

A mistake—whether in tree biology or in road engineering or in economics—in managing the younger forests will leave our great grandchildren the poorer 80 to 120 years hence when the next harvest time comes.

But more immediate—mistakes would also mean less growing timber to calculate into the allowable cut of only 10 years hence. Right forestry decisions now can make a young forest contribute much to contemporary economic life long before the harvest cut.

So, to try to establish the best practical answers on a large-scale young forest, the Bureau of Land Management in cooperation with the Pacific Northwest Forest Range Experiment Station, developed a plan called "The Tillamook Project" for some 52,000 acres of forest land, mostly within Tillamook County, Oreg.

It is to serve as a pilot model for future intensive young growth forest management.

There will be substantial emphasis on thinning and the preharvest economic returns that thinning brings.

Numerous programs of young growth management have been undertaken, but the BLM and experiment station people who have prepared the Tillamook project plan feel that it presents two major assets heretofore unavailable:

1. Its sheer size; meaning that all of the forestry practices to be used must be practical ones—not speculative or theoretical and not plans which are economically unfeasible when put into operation. A forest—not a test plot—is to be created and managed intensively.

2. It involves a complete hook-up of the dollar-and-cents economics of forest management to silvicultural practices. This is particularly the area where the experiment station's research and personnel come into play.

Doubtless, one of its staff members will be assigned full-time to the project when it gets underway.

The BLM intends to get work started July 1, within what funds will then be available.

The concept has been reviewed and approved by all of the local BLM and Interior Department officials and has been recommended by Russell Getty, BLM chief for Oregon and Washington, to the bureau chief in Washington, D.C. It is too late for the project to be included in the appropriations requests which have been sent to Congress for the 1963 fiscal year. As supplemental appropriations are almost never made by Congress except for bigger and more urgent projects, there is little likelihood of its becoming really full-scale before fiscal 1964.

Only about 4 years of old growth timber remain in the project area. That compares with 20 to 60 year old growth cut still standing on most of the BLM's other units in western Oregon. As the Bureau's own report puts it, "The study area is on the transitional threshhold between old and young growth management; consequently the management of its young growth stands is not a matter of conjecture, but of necessity."

The Bureau's report gives these specific objectives for the project:

(1) To determine thinning protential and thinning schedules.

(2) To analyze present and potential markets for coniferous and hardwood products.

(3) To determine the effect of thinning on rotation age as related to volume production and financial returns.

(4) To determine the economic and silvicultural aspects of commercial release thinnings and its subsequent redistribution of growth in the young age classes.

(5) To determine road standards for servicing thinnings and final harvests.

(6) To develop logging techniques to utilize maximum potential production of the site without deterimental effects on soil, water or other uses.

(7) To develop precommercial thinning practices particularly pruning, soil fertilization and other stand improvement measures.

(8) To examine Bureau regulations and contracting procedures and their applicability to young growth management.

(9) To conduct soil-vegetation surveys to provide data to evaluate species desirability for certain sites, logging practices, brush encroachment, road location, and rehabilitation of denuded areas.

The Bureau estimates that 6 to 8 million board feet of thinnable materials, including some dead or dying timber, can be harvested on the project annually, providing revenue of about $55,000. This is in addition to the normal harvest of about 26 million board feet of mature timber which is expected to yield amout $600,000 annually in stumpage.

The BLM and experiment station men who conceived the operation have developed several objectives for the thinning program. One is, of course, to

recover a maximum financial benefit from the forest without reducing the volume of the "harvest cut."

Another objective is to "redistribute" growth into less trees. By removing some trees in dense stands, growth will be stimulated as those remaining are better able to obtain sunlight and soil nutrients.

The earliest thinnings, called "precommercial," will be considered in stands less than 30 years old.

Commercial thinnings of salavagable products will be considered at short intervals as these stands enter the 36–60 age group. Here, thinnings will periodically reduce competition and keep the stand in a fast growing, thrifty condition throughout its life.

These thinnings will also improve the stand quality by removing crooked, warped, and twisted trees, and those which have an excessive number of large limbs surviving at lower levels. These latter "wolf trees" result in too many knots. Only the better formed trees which will produce the highest grade logs will be left to maturity.

Access into the forest to achieve this intensive management will enable the B.L.M. to remove dead, blown down, burned, and dying trees with any infested with disease, insect pests or such parasites as fungus. Such trees might otherwise be lost to decay before the harvest cut.

The Tillamook project consists of about 50 percent Oregon and California grant lands and 44 percent public domain. It is not altogether consolidated but the principal land area lies near the Nestucca River with most of the balance concentrated north of the Kilches River. The area is west of the southwesterly edge of the Tillamook burn country.

Of intense interest to forest managers will be the answers to how much advance construction of road is advantageous and economically feasible for thinning. To remove an optimum volume of thinning per acre requires an adequate road system. But thinnings alone cannot readily pay for good roads. Therefore, the extent to which roads installed for thinning now will still be usable to support the harvest cut of timber 80 or more years hence is a vital question. If costs can realistically be assigned to harvesttime, then good roads can be justified now. Otherwise, other methods of constructing and financing roads will have to be found.

Bureau officials estimate initially that recovery of thinnings in the coastal area may run from 2,000 to 12,000 board feet per acre, compared with a harvest cut of the mature timber of 45,000 to 50,000 board feet per acre.

R. O. Fety, Chief of the Branch of Forest Management for the Bureau's Northwest operation, estimated that 52 miles of access road are already planned and will be financed through appropriated funds (thinning contracts will not produce enough revenue to bear the load). Of this, about 20 miles is underway and should be finished before the end of this year.

The 20-mile Nestucca River road is to link Yamhill and Tillamook County roads and is to be done this year at a cost of about $1,130,000—or $56,000 per mile, including three concrete bridges and surfacing.

Four other access road projects are planned in the generally Oregon and California lands area.

(1) The 5-mile Elk Creek job to start during fiscal 1963 and be surfaced in fiscal 1965. Cost is estimated at $250,000.

(2) Dovre Peak, a 3-mile job to cost $150,000 with surfacing due in fiscal 1965.

(3) Bald Mountain, a 13-mile, $630,000 job which is later to become a loop road. The first section is to start in fiscal 1964 with the whole job to be done in fiscal 1966.

(4) Bible Creek, a 6-mile job for which grading and surfacing is required and will be built several years hence. Cost is estimated at $330,000.

In the Kilches River area which is principally public domain, the road plan calls for construction of 5 miles of Kilches River access road with grading to start this spring or early summer and the job to be done within a year. Cost is estimated at $260,000 for grading.

Money for the access roads which are on public domain lands will have to come from funds appropriated by Congress. For roads which are on Oregon and California land-grant areas, funds are made available from timber receipts due the Oregon and California counties.

By law these counties are entitled to 75 percent of the gross receipts of timber sales on Oregon and California revested lands. The counties, in turn, have requested Congress to make available to the Bureau one-third of their 75 percent

(equaling one-quarter of gross receipts) for road construction, reforestation work, and construction of recreational facilities. It is from this fund that some of the money for the roads on Oregon and California lands in the Tillamook project likely would come.

Reconnaisance surveys and other preliminary planning would be made by the BLM with final engineering, contract letting, and supervision of construction handled by the Bureau of Public Roads.

The Bureau has 29 miles of timber sale road construction completed and feels that it needs 53 miles more to road the area. On roads already finished, the timber sale allowances vary as sharply as the topography of the countryside does. The lowest was at $4,164 per mile and the highest $21,014 per mile. The average was $14,996. Total cost for timber sale roads is expected to be $1,230,000.

Of the roads which the Bureau feels are needed for thinning sales, 15 miles are finished and 90 more are needed with total cost estimated at $630,000 (or $6,000 per mile). This figure is for dirt roads only. If rock surfacing should be added, the cost would rise to about $3,000 per mile. Costs to date for this type of road have run from $4,447 to $12,659 per mile.

Fety and Dr. Carl Newport, forest economist of the experiment station both emphasize that one of the primary objectives of the project is to produce the best economic return from the forest resource throughout its life—not just at maturity (which is calculated to be 80 years). It is to produce all types of forest products, not just peelers and sawlogs. Piling, poles, chip, and many other products are expected.

The experiment station will consult with the project leader to provide the best information thus far accumulated on silvicultural practices and economic knowledge. The Bureau's staff will be responsible for making the choices among the alternatives open, Newport pointed out.

"We must learn how best to do this young growth management job, because with the older forests disappearing, the future we used to talk about is with us now."

STATEMENT OF C. L. FALLERT, SOUTH COAST LUMBER CO., OREGON, LTD., BROOKINGS, OREG.

My name is C. L. Fallert. I am manager and coowner of the South Coast Lumber Co., Oregon, Ltd., at Brookings, Oreg. We have a capacity or 250,000 feet on a 2-shift basis and employ approximately 200 men and personnel. Our payroll is $1¼ million per year. We are one of the two principal sources of income for the town of Brookings, Oreg.

We primarily ship to San Diego, Los Angeles, Port Hueneme, San Francisco, Hawaiian Islands, and some export. We are into strong Canadian lumber competition, particularly in off species as well as construction lumber in Los Angeles and San Francisco.

We are having an increasingly difficult time to secure orders to the Hawaiian Islands because of the fact that the American cargo rate is $39.60 per thousand feet, and the Canadian rate per thousand feet is $34.65, or $4.05 per thousand feet less. Therefore, we are forced to curtail our supply to the Hawaiian Islands.

What this new drop in exchange is going to do to us, we do not yet know. We know this, with the Canadians capturing approximately 68 percent of the Atlantic coast markets, and that we Americans, as a whole, have lost about 1 billion board feet of lumber and annual sales by water, plus 1,500 million board feet of lumber by rail, and the remaining markets that are left for the few sawmills that have been able to survive these last few years, is very devastating to the present mills, employees, and loggers, plus all people depending on them for a living.

If our shipping rates are squeezing us out of business and enabling the Canadians to virtually take over our Atlantic coast, then we agree 100 percent with Senator Neuberger and her S. 3105.

For my own information several weeks ago, I drove from San Francisco to Portland, Oreg. Starting at San Francisco and coming up Highway 101, then turning east on Highway 199 to Grants Pass and via Roseburg to Portland, Oreg. I encountered over 100 sawmills that I visually saw or knew about that were not operating. The towns of Arcata and Eureka, Calif., several years back, were proud of having 35 smokestacks in or about their area. Today you have to look very hard to find 10 that are left in the same area.

Anything that will open our Atlantic coast market to us is bound to have a very beneficial effect on the balance of our market, whether we ship by rail to the Middle West or barge to California.

Timber, logging, milling, and markets, have and should play a very great part in building our Northwest and also our Nation. The great need to supply our national growth and support our national economy is definitely based on our ability to produce, market, and survive.

STATEMENT OF FRANK FELLOWS, MARITIME TRADES DEPARTMENT, AFL–CIO, PORTLAND, OREG., AGAINST AMENDING THE JONES ACT

It was recently announced by five Northwest Congressmen that they had drafted a proposed amendment to the Jones Act (which allows only American-flag ships to operate between American ports) so that American lumber producers could also use foreign-flag ships. This amendment would allow the Secretary of Commerce to waive the American-flag-only requirement.

There is no doubt that this proposed plan was the outcome of the crys for help from the Northwest lumber interests. The plan, which is supposed to "bail" the lumber industry out of its present dilemma, would allow Northwest lumber to compete with Canadian lumber in east coast markets because of reduced freight rates charged by foreign ships. The plan also would deal a deadly blow to American-flag ships carrying cargo between American ports.

We should be gravely concerned about the damaging effects of Canadian competition in the lumber industry to the American economy. But we should also be gravely concerned about amending the Jones Act, which has been on the books for the past 40 years, for the protection of the vital American merchant marine. Looking further into the problems of the Northwest lumber industry, other than the high cost of shipping by American-flag merchant ships, we find aluminum, plastics, and imported plywood replacing somewhat the previous need for lumber. Cement, masonry products, and steel are also being used in greater quantities in new construction.

In the new foreign common market concepts, competition for markets is going to be keen. Many past wars were fought because of needed markets and necessary vital materials. Instead of tearing down the maritime industry, the lumber interests should give more thought to increasing their own production, selling, and marketing their product. Wrecking the U.S.-flag merchant fleet by amending laws made in the past to protect it, buying timber from the U.S. Government for a song, allowing foreign ships to transport their lumber between U.S. ports with coolie seamen receiving substandard wages and living conditions, is not the American way of living and doing. There are other ways.

Portland citizens in 1952 were given a dramatic viewing of how "foul" some foreign ships become when the foreign crew of the SS *Riviera*, a Panamanian runaway flag ship, struck at Swan Island. This ship was feeding the crew diseased buffalo meat purchased at 7 cents a pound in Calcutta, India. Living quarters and conditions were unbearable and the plight of the *Riviera's* crew aroused the entire Portland community. How would this type of competition be welcomed by American laboring people?

In normal peacetimes our American-flag merchant ships carry our domestic waterborne commerce, as well as some of our imports and exports. In time of war these same ships serve as a fourth arm of defense. Since World War II many U.S. cutthroat ship operators have transferred their ships to foreign flags to evade paying American wages, living conditions, and taxes. Most of these vessels were built by American labor and American taxpayers' dollars. Some of these will be the ships that carry the lumber in domestic trade if certain lumber interests have their way in amending the Jones Act. If the lumber interests succeed in getting a waiver of the Jones Act, it will only be a short time until the oil and steel interests request the same waiver.

At the start of the World Wars I and II, United States had to frantically build ships at exorbitant prices, so as to have sufficient tonnage to carry their troops and supplies. If the Merchant Marine Act of 1936 hadn't been passed which reaffirmed U.S. Government policy to have an adequate merchant fleet sufficient to carry a goodly amount of U.S. imports and exports, our country might not have mobilized in time to escape defeat in the war.

W. G. Reed, president of Simpson Timber Co. of Seattle, was recently quoted as saying, "Only prompt action by the administration or Congress can avert

economic calamity for lumber-dependent communities along the U.S. coast." He goes further saying, "Our own maritime laws, which force our mills to ship in American vessels" coupled with a devalued Canadian dollar and labor costs make the American tariff of 25 cents a thousand on imported lumber insignificant.

Is Mr. Reed so naive that he believes the lowering of U.S. Government bars to allow foreign-flag ships to compete in coastwise and intercoastal shipping with American-flag ships will solve the Northwest lumber industry's economic problems?

Does he think that once cutthroat foreign shipping interests get their claws in the domestic shipping picture and succeed in driving American ships out of competition, that their shipping rates won't be increased to exorbitant proportions?

Has Mr. Reed forgotten that the few U.S. subsidized ships that were running in foreign trades and those U.S. ships that were carrying domestic cargoes coastwise and intercoastal formed the nucleus of our World War II merchant fleet. Also the men that kept these same ships in repair prior to the war were the nucleus of the manpower of our recordbreaking shipbuilding industry during the war.

Another reminder so we won't forget: Less than 20 years ago, one of these same foreign powers, which will be allowed to carry lumber between American ports if the Jones Act is amended, sent one of their submarines to our west coast for the purpose of firing incendiary shells into the virgin timber of the Coos Bay area. History proves this was unsuccessful, but we must never forget that in the fast-moving scence of international politics that "an ally today may be an enemy tomorrow."

It is vital to our country in time of danger and war to have a U.S. flag merchant fleet of sufficient size to carry imports and exports necessary to our economic and industrial life. If our exports and imports are dependent on the whims of foreign shipping interests, it should be evident to all that our country's welfare is dependent on the whims of these same foreigners. Effective control of this foreign-flag shipping is impossible as they are manned mostly by foreign seamen. We must remember that these nationals owe allegiance first to their country's welfare and defense, which may not be on our side.

Foreign economic interests have continually intruded into the political sphere to wreck our American-flag merchant marine. In 1915 President Wilson realized the mistake our Nation had made in not maintaining a peacetime fleet adequate to service our foreign trade during war. The 66th Congress, after studying the near disaster our Nation experienced because of the philosophy of depending upon foreign-flag ships instead of maintaining our own merchant marine, passed the Merchant Marine Act of 1920, and the Jones Act.

President Roosevelt reaffirmed this policy in the Merchant Marine Act of 1936. Amending the Jones Act now, after two World Wars and the Korean conflict have proved the need of an American-flag merchant marine is a serious problem for the Congress to consider. When the facts are weighed, it should be obvious that it is imprudent and dangerous to sacrifice a segment of the vital American merchant marine, which is such a necessary part in the defense of our Nation in time of war, to the economic interests of the lumber industry. This is a serious problem for all American citizens to consider.

STATEMENT OF J. R. GATES, 3–G LUMBER CO., WREN, OREG.

Mr. Chairman and members of the committee, I am J. R. Gates, president of the 3–G Lumber Co. We have a sawmill located in Lincoln County, Oreg. Our company is family owned and a manufacturer basically of green dimension Douglas-fir. Our logs come, almost entirely, from the Waldport working circle of the Siuslaw National Forest.

We, along with others dependent upon the Siuslaw National Forest for timber, have questioned the allowable cut on our tributary area. The Pacific Northwest Forest and Range Experiment Station cooperated with the Siuslaw Forest personnel in carrying out an intensive inventory of that forest in 1956. The results of that inventory were made public and annual allowable cuts were computed. The cut on the Waldport working circle was computed by the Forest Service to be 172 million board feet with a 100-year cutting cycle. This figure was then arbitrarily reduced to 132 million board feet. Various reasons for this reduction were given, but most held very little merit.

Early this year many of the operators in the area tributary to the Siuslaw Forest signed a petition asking that the Forest Service apply its policy of shortened rotations to the Waldport area and the rest of the Siuslaw Forest. If this is done, we can expect our available timber cut to be increased to at least 165 million board feet; if the original unadjusted cut of 172 million board feet were used with the new rotation, our cut would be about 215 million board feet.

We haven't heard if our petition is being favorably acted upon. If the new rotation policy is established for our area, it certainly will help as Lincoln County is classified as an economically distressed area.

If maximum allowable cuts are declared and sold it will be possible for the industry to purchase more timber in the Waldport area with less survival-type bidding, thus making it possible for us to better meet the competitive challenge of the Canadian lumber in our American lumber market.

Thank you.

STATEMENT OF LOUIS GERVAIS, WEMME, OREG.

I believe a review of the Forest Service appraisal manual will serve as a review of the appraisal practices of all of the Government agencies, since it has been agreed among the Forest Service, the Bureau of Land Management, and the Bureau of Indian Affairs to standardize their appraisal procedures.

The writer is not so ill informed on this problem as to presume for a moment that this report will in any large measure be original, or set forth any easy solution of this involved problem of stumpage appraisal by the Federal agencies. The most I hope to accomplish is to cut through the maze of technical minutiae and minor aspects of this large problem and invite the attention of the Federal agencies and the industry to the basic and major considerations that will determine in the long run whether the policies of the Federal agencies in the sale of Government timber as outlined are in fact in the best long-range interests of the forest products industry and in the public interest and suggest how the Federal agencies and the industry can cooperate in facilitating the healthy growth and expansion of the forest industries and increase the wealth-producing capacity of sustained yield forestry and sustained yield forest industries.

I shall leave the consideration of the technical details of appraisal to the task forces in the industry who are working with the Forest Service on this part of the problem and hope that this review may serve to focus attention of the responsible people in Government and in the industry on necessary changes in basic appraisal and timber sales policies that will result in a maximum contribution to the welfare of that part of the economy dependent on the forest industries so that this industry can make its maximum contribution to the national wealth in this rapidly expanding American industrial complex of which it is such a large part.

I shall first list major facts and basic premises pertaining to the general problem under consideration which are either considered axiomatic or that can be readily confirmed by reference to such reports as the annual reports of the Chief Forester, reports of other Government agencies, reports of industry associations, pronouncements of the Federal Reserve Banks, studies by financial institutions that lend to forest products industries and other similar sources.

After having set forth the major facts and basic premises in this study of the effect of current Federal timber appraisal procedures aud policies I shall then set forth conclusions, based on review of many reports by the industry, by Federal agencies, and on observation of the industry over some 30 years, as to the long-range effect of the current and proposed appraisal policies and procedures as set forth in the current appraisal manual above referred to together with explanations and data supporting these conclusions.

After setting forth the conclusions and the supporting data, I expect to complete the report with recommendations for joint action between the industry and the Federal agencies designed to better fit the appraisal policies and practices of these agencies and the resultant long-range effect on the industry into our accepted American system of individual responsibility and individual reward to which Americans whether in Government service or in private industry are presumably dedicated.

MAJOR FACTS AND BASIC PREMISES

1. The economy of the United States is rapidly expanding, industrial output and gross national production are rapidly increasing together with an increasing standard of living.

2. The principal threat to the continued prosperity of the Nation as a whole and our expanding economy and production is inflation.

3. A continuing problem in an expanding industry and an expanding economy is the provision of capital required to finance the expanded physical facilities needed in increasing the production required by the industries involved including the lumber and associated forest products industries.

4. The provision of the capital for expansion of production in the forest products industries and for capital investments in new facilities to take advantage of technological improvements in utilization such as chemical conversion of wood wastes, etc., and which additional facilities are necessary to convert to wealth the other half of the tree that heretofore has been wasted is a serious problem and cannot be divorced from this basic problem as applied to all other industries.

If the forest products industry is to attain its full potential in adding to the national wealth by keeping abreast of improvements and expansion in other industries it must secure the additional capital from the total pool of money and credit available for such purposes in the United States.

5. The forest products industry currently, and historically, is spending a pitifully inadequate amount of the sales value of its product for research and product development and in the interests of increasing the wealth producing capacity of the forest products industries should increase the amount of money spent for these purposes to a point more comparable to that of other major industries.

6. Monopoly in the forest products industry, by Government or industry, is not compatible with the American free enterprise system and is not in the public interest.

7. The guiding policies, principles and practices followed by the Federal agencies in the administration, appraisal and sale of forest products from the publicly owned forests will have a profound effect, for good, or ill on the contribution that the forest products industry and the national forests make to the general welfare and the wealth of the areas involved.

8. Money expended by the forest products industry in providing new facilities for better utilization and the building of such facilities when financed out of company surpluses or savings from retained profits is not inflationary and does not add to the continuing threat of inflation.

9. If the forest products industry, because of inadequate profits, has to resort to borrowings from commercial banks to finance additional capital investments or operations, such loans by commercial banks increase the money supply and are highly inflationary.

10. The soundest and safest manner of financing improvements in the forest products industry is the expenditure of savings from retained profits.

11. The commercial banks to which the companies in the industry have to go for financing of operations and additional investment judge the adequacy of the earnings of a particular company on their continuing record of net return after taxes on their investment required in the building and conduct of the company's business; percentage of realization on sales, operating ratios, selling value ratios and profit ratios are in the final judgment of the commercial banks only interesting related details and cross checks—they are not the basic indicator used by financial institutions which are the source of the necessary financing for the industry. Their ultimate and determining measuring stick is the net return on the investment retained after taxes.

12. The minimum return on investment required after taxes commensurate with the risks in the forest products industry and to provide for healthy growth is not less than the average rate of return to other manufacturing industries.

CONCLUSIONS

1. Starting in approximately 1940, the economy of this country and the industries comprising the economy including the forest products industry have been in an inflationary spiral, costs have chased prices, the price of lumber and other forest products has spiraled, stumpage prices on publicly owned timber have spiraled along with the price of forest products.

Inflationary and irresponsible bidding and policy bidding by elements of the industry have contributed to the inflationary rise in the price of publicly owned timber. In a booming market new operations without a backlog of timber have bid up publicly owned timber in areas where there is a short supply of timber due to over mill capacity, new operations, and the failure of the public agencies to make available the full sustained yield capacity of the forest.

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During this period much publicity has been given to the phenomenal prices received by the Federal agencies for timber on short term retail sales, and the thinking of the public and of some Congressmen, who carry out the will and the wishes of the public, was influenced to the shortsighted view that the public agencies were best performing their duties in the administration of the publicly owned timber by getting the highest possible price for the timber apparently without an understanding of the long-range effect of such policies.

The Forest Service and other public agencies of course carry out the wishes of the Congress who presumably express the will and move in accordance with the opinion of the public. These public agencies of necessity are influenced and to some extent directed in the final analysis by public opinion, properly informed or uninformed, as expressed through the Congress. The Forest Service and other public agencies as a consequence of the shortsighted thinking above referred to have been encouraged and to some extent pressured to increase the price of federally administered timber to the highest point that the traffic would bear regardless of the long-range effect on the forest products industries, or the sustained yield capacity of the forests, which require healthy progressive industries to convert the products therefrom.

In support of this conclusion I refer to the public prints, the congressional hearings conducted in the West by the so-called Chudoff committee in which they repeatedly beat the Federal agencies over the head for not appraising all the timber at the highest rate that could be found by an analysis of recent timber sales transactions, and especially refer to the General Accounting Office report on the investigation of the sale of Government-owned timber by the Forest Service and BLM, which report was forwarded to the Comptroller General March 31, 1953, and which pilloried these Government agencies for not getting the last dollar possible in sale of Government timber.

2. The industry has done a very poor job, if it can be said that they have done a job at all, in getting across to the public and the Congress, and consequently to the Federal agencies, the need for restraint in the pricing of publicly owned timber, the need of the industry for long-range wholesale sales, and the need of the industry for appropriate profit margins that will enable it to perform its necessary function in enlarging the wealth producing capacity of the forest products industries and the wealth producing capacity of the publicly owned forests by large additional capital investments needed for better utilization, greater production of usable products, larger earnings, greater payrolls, all of which would return to the U.S. Treasury through taxes much more than the dollars that can be gained by forcing stumpage prices up to a point that stops progress and expansion in the industry.

In support of this conclusion I again cite the public prints, the hearings and legislation pertaining to the termination of Federal control of the Klamath Indian Reservation and Forest, the report of the hearings by the so-called Chudoff congressional committee on timber sales policies which hearings were held in the West during 1955 and the General Accounting Office report above referred to. The fact that the industry did nothing to correct the prejudicial conclusions set forth in these reports, in my opinion, saddles it with some of the responsibility for the current policies and practices of the Federal agencies in selling timber and which policies and practices are, in the long run, not in the interest of sustained yield forestry, the forest industries or the public interest.

3. The present policies and practices of the Forest Service as set forth in their appraisal manual is stated to be the sale of timber at the fair market value. They point out in that manual that the fair market value of a commodity is that price at which the commodity changes hands when there is a willing buyer and a willing seller, alternate buyers and alternate sources of supply, and when neither buyer nor seller is under compulsion to buy or sell. It is my conclusion that during this inflationary period that the fair market value of timber, especially in those areas where there is a shortage of sawmill timber due to an overmill capacity or the failure of the Forest Service to sell the full sustained yield capacity of the forest, cannot be ascertained largely by analysis of recent transactions (the method used by the Forest Service), because the conditions necessary to fair market value transactions do not exist.

In support of this conclusion, I cite recent pronouncements by the Forest Service in their various reports that there is and continues to be a critical shortage of sawlog timber even though the use and growth of the total products of the forest is in reasonable balance.

4. The current Forest Service appraisal procedure as stated in the manual presumes to arrive at an adequate margin on sales (selling price ratio) by

analysis of recent timber sales transactions which are usually bids for national forest timber in the area concerned. It is my conclusion that the Forest Service cannot arrive at an equitable margin by such a procedure, even if they use averages, because the transactions that they analyze to arrive at such a margin are based on sales where there was the greatest demand for timber, therefore the greatest pressure on prices and the further fact that they do not include sales offered on which no bids are received. These transactions, bought under compulsion, could not possibly approximate the margin on sales that the average lumber company was getting unless such company was operating exclusively on Forest Service timber or other publicly owned timber similar to that which was the basis of the transactions which in turn were the basis of the transaction evidence developed and which was presumably accepted as equitable even though the margin on sales for operating companies couldn't possibly conform to this calculated margin because in almost every case the Forest Service stumpage was only a part of the cost of the raw material going into the production of such companies.

In support of this conclusion I refer to numerous Forest Service and industry reports showing the proportion of total production coming from publicly owned timber.

5. It is stated in the Forest Service appraisal manual that they acertain the profit margin that the industry and the components thereof deem necessary and satisfactory by the same procedure of analyzing recent transaction evidence and presuming that when they subtract calculated costs on a Government sale from the prospective realization as revealed by association reports, etc., that they have determined the margin of profit necessary and acceptable to the industry but such a procedure contains the same fatal error as reported above for calculating the margin on sales. The profit that they deduce as a result of analyzing recent sales again would be valid only if the industry or components thereof were operating exclusively on publicly owned timber similar to that in the recent transactions that were used in calculating the theoretical profit that the industry was receiving.

6. The current profit ratios (another way of expressing percentage of profit on sales) being used by the Forest Service for the pine region and which is brought about by following the inflationary spiral in pricing the timber is grossly inadequate for the maintenance and progress of the forest products industries involved for the reason that this margin does not permit a return on investment commensurate with the risks in the industry nor adequate to permit the forest products industry to grow and advance with the rest of an expanding economy.

In support of this conclusion I cite the fact of the recent suspension of many small- and medium-sized operations and the greatly reduced earnings in the industry due to the price collapse in lumber prices and the fact that in numerous recent Forest Service sales there have been no bidders.

In further support of this conclusion I cite the fact that I was advised categorically by one of the principal loan officers of one of the leading financial institutions on the west coast, which together with its affiliated banks is one of the largest sources for financing of the forest products industry in the West, if not the largest source, that banks do not regard a lumber company or associated industry as sound or progressive and their earnings as adequate unless they are receiving a return on investment much greater than the Forest Service is currently allowing in their timber appraisals.

7. The Forest Service and other public agencies have contributed to the inflationary spiraling in the prices of timber and lumber by their failure to make available to the industry and the public the full sustained yield capacity of the Government-controlled forests.

In support of this conclusion I cite the well-known fact that the classic cure for inflationary price trends in any commodity is to increase the supply of that commodity so as to bring it more nearly in balance with the demand.

In further support of this conclusion I refer to the reports of the Forest Service and the major softwood industry associations which show that for the pine region that approximately 70 percent of sawtimber is owned or controlled by Government agencies, but these timber reserves are currently furnishing less than 50 percent of the timber cut by the pine industry. Similar reports show that in the pine region the forests under the jurisdiction of the U.S. Forest Service are only up to approximately three-fourths of their sustained yield capacity in the sale of their timber and since the sustained yield capacity is calculated on old and inadequate inventories and since modern inventories have

shown the timber stands to be greatly in excess of the old inventories this disproportion between allowable cut and actual cut is much greater than current inventories show.

8. My final conclusion is that the Forest Service has departed from the philosophy, policy, and procedures officially set forth in the only authoritative printed appraisal manual that I know of and which is described as "Instructions for Appraising Stumpage on National Forests," revised April 10, 1922, and subscribed to by W. B. Greeley, Forester, and the Forest Service is currently using fundamentally different philosophy, policy, and procedures as set forth in their current appraisal manual which is the subject of this review and which they state reduces to print practices they have been following for some time.

It is my further conclusion that in abandoning the philosophy, policy, and procedures of the old appraisal manual above referred to and which has served the industry and the Forest Service and the public well for some 30 years they are, under the policies and procedures set forth in the current appraisal manual, contributing to inflation, and to monopoly in the forest products industry and, by reducing the margin of profit to an inadequate point may eventually destroy the ability of the industry to grow, improve methods, and make its maximum contribution to the economy of the country after it has exhausted the backlog of privately owned timber and is forced to operate on a proportionately greater amount of the publicly owned timber priced in accordance with the new philosophy set forth in the current appraisal manual.

In support of this summarizing conclusion I refer to the supporting data set forth above, but I especially refer to the Forest Service appraisal manual and in further support of this conclusion I urge a careful reading of the old appraisal manual—especially pages 32, 33, 34, 35, 38, and 39 and then a careful reading of the current appraisal manual.

Even a quick reading will reveal that the policy set forth in the old appraisal manual, which served the industry and the Forest Service and the public interest well, was to provide a return on investment designed to attract to the industry capital investments in plants necessary to convert the products of the forest to wealth for the use of the people and that their guiding consideration in their appraisals was ample return on investment as opposed to the procedure in the new appraisal manual which uses margin on sales which is no usable measure of profit margin to the investor.

It will be noted that the recommended allowable margins of profit on investment in the old appraisal manual would result in a much greater net return to the investor after taxes at the time of the old manual was authorized because the income tax rate at that time was very much less than it is in this present inflationary period.

I especially recommend the reading of the first paragraph under the heading "Methods of Reckoning Margin for Profit and Risk" on page 35 of the old manual which reads as follows:

"A percentage return on the capital invested, covering all of the elements discussed above, is the clearest and most satisfactory means of reckoning the margin for profit and risk. It accords with the usual business practice and conception and permits ready comparison with other industries. This method of reckoning profit margin, known as the 'investment method,' will be standard in the Forest Service. It should be employed uniformly in appraising the larger chances, and in appraising the smaller bodies of timber wherever it is applicable."

It is to be noted under this same heading that the old manual points out that the overturn method is appropriate only where investment is negligible and is not appropriate to large capital investment in permanent industries. It should be noted here that the profit ratio method or "percentage on sales" as used in the appraisal manual is even more erratic and less reliable as a measure of appropriate profit than the overturn method because the overturn method is based on costs which vary less than price of the product alone.

A careful reading of the old manual compared to the new manual will show that the emphasis in the old manual was to provide for adequate return on investment that would permit growth and progress in the industry but the emphasis in the new manual is on price first and the new manual repeatedly cautions the officer making the appraisal how to guard against profit to the investor greater than calculated in the appraisal with the result that a totally inadequate margin results for profit and little or none for risk.

RECOMMENDATIONS

1. It is recommended that the Government agencies controlling timber put up for sale immediately and continuously the full sustained yield capacity of the forests under their control based on new and adequate inventories.

2. It is recommended that the Forest Service and other Government agencies return to the philosophy of the old appraisal manual which provided the industry with the incentive to grow and improve. There are still frontiers in the forest products industry to be pushed back, much is to be gained by taking advantage of technological improvements in converting the rest of the tree which heretofore we have been wasting, long-term development sales are still needed for this purpose.

In this atomic age the frontiers to be explored and the progress to be made in the forest products industries is great indeed and should be accomplished by private industry in the traditional American manner and not hampered by the Government agencies administering Government-controlled forests who may be under pressure to take the shortsighted view that the maximum immediate dollar return on sales of timber is a measure of competent administration of the Government-owned forests which forests must be the basis for progress and growth in the forest products industry as the backlog of private timber is further depleted.

3. It is further recommended that the industry ask for a joint examination of the problem reviewed here by the Forest Service and other Government agencies involved together with the industry, and arrive at pricing policies by the Government agencies that are in the best interests of all concerned with the understanding that the key question to be resolved is whether present Government policies permit returns to industry necessary for stability and growth and comparable to returns on investment in other industries. It is suggested that these conferences be started at the regional office level and if necessary carried to the Washington office level and if not resolved equitably there that it be referred to the Congress.

In a searching examination of this whole question it may be appropriate to refer the problem to an independent research agency, such as Stanford Research Institute or McKinsey & Co. or similar organization.

A suggested outline for such a study and determination follows:

OUTLINE OF A STUDY OF GOVERNMENT POLICIES IN SALE OF TIMBER

The question to be submitted to a competent research agency:

"In the appraisal of the fair market value of timber offered for sale by the U.S. Government, what allowances for profit and risk, interest, and income taxes is in the public interest, and what is the most effective method of calculating such allowances?"

In arriving at an authoritative answer to the above question the research agency handling this assignment would of necessity make sure that their final recommendation dealt adequately with the following problems among others:

1. Will the recommended allowance for profit and risk facilitate the full use of the wealth-producing potential of sustained yield forest industries necessary to support sustained yield forestry on the large forest areas owned by the Government, especially in the Western United States, within the framework of the American free enterprise system under which private industry will of necessity have to make tremendous new capital investments to convert the raw materials from the Government forests to wealth in the form of new products heretofore wasted, and in the formation of new payrolls, increasing employment, expanding forest industries, increased earnings, and larger returns to the U.S. Treasury from taxes generated by an expanding forest products economy.

2. Will the recommended allowance for profit and risk meet the needs and be compatible with the total national effort that is required to make full use of manpower and material in the United States and generate the tremendous amount of wealth that is necessary to preserve our free economic and social order and still allow this Nation to divert the tremendous amount of wealth that is necessary to defend our Nation and the free portion of the world against the encroachments of communism.

3. Will the recommended allowance for profit and risk and the recommended method of calculating same tend to preserve free competitive enterprise in the forest products segment of the national economy or will it tend to force the forest products industry into a monopoly pattern detrimental to the national interest

by pricing Government timber so high as to force smaller and independent operators who do not own a backlog of private timber out of the industry and prevent the establishment and growth of new companies in the forest products sector of the economy.

4. Will the recommended allowance for profit and risk be adequate to permit the forest products industries to accumulate reserves in boom years necessary to carry them through the lean years and thus meet the problem of the historical pattern of "feast or famine" in the lumber industry.

5. Will the recommended allowance for profit and risk be adequate to meet the problem of extreme fluctuation in the price of forest products compared to other major manufactured commodities.

6. Will the recommended allowance for profit and risk enable the forest products industries to earn a rate of return commensurate with the risks disclosed in the study of the industry and such as to enable the industry to attract the tremendous amount of risk capital necessary to make use of technological advances in the conversion of the raw materials of the forests to wealth.

7. Will the recommended allowance for profit and risk be adequate to take care of the additional risks that operators on Government timber are subjected to by virtue of the fact that the Government officials administering timber sales have a wide discretion under their basic laws that permit them to limit or even destroy the profits of the operator on Government lumber by such devices as unnecessarily burdensome requipments as to roads, utilization, et cetera, and arbitrary changes in profit allowances in such a manner as to reduce profits below a normal level compared to other industries that compete for money and credit from the total pool of money and credit available in the Nation for industrial expansion.

8. Does the recommended allowance for profit and risk and procedure for calculating same recognize the fact that the Government owns approximately 70 percent of the sawtimber in the western softwood region and a tremendous area of forest lands and is substantially in a monopoly position and hence there is no "free bargaining" in the purchase of the products from Government-owned forest lands to sustain the dependent forest products industries.

9. Does the recommended allowance for profit and risk and the procedure for calculating same recognize that the placing of too high prices on the raw materials from the forests by the Government agencies involved can prevent expansion and growth in the industries and in sustained yield forestry and by forcing such prices too high may greatly reduce the wealth-producing capacity of the industry and the forests and the return to the U.S. Treasury that would have been generated by a lower price on the raw materials from the forests which would permit expansion of payrolls, capital investments, and earnings in the industry.

10. Does the recommended allowance for profit and risk facilitate attainment of the objectives set forth in regulation S–1 in U.S. Forest Service Manual, volume 3, title 7, "Timber Management." Copy of this regulation and the interpretation of the objectives therein stated in the manual follows:

"*Chapter 1, Timber Use Policies, part 1, Timber Uses*

"*101.1 Regulation S–1. Timber Uses.*—The Chief, Forest Service, is hereby authorized to permit the use of the timber resources of the national forests and to delegate this authority to subordinate officers, to the extent, in ways, and by means compatible with the laws and other regulations of the Secretary of Agriculture concerning such use, so as to make that resource of the greatest permanent usefulness to the people of the United States.

"*101.2 Purpose.*—1. Regulation S–1 is a broad delegation of the authority of the Secretary to the Chief of the Forest Service, under the act of June 4, 1897, as amended, and other legislation, to permit the use of national forest timber and to control that use in the public interest. It also places in the Chief responsibility for having that use conform with the laws and with other regulations of the Secretary concerning timber uses, and for having the use of the timber resource promote the permanent public interest to the greatest extent."

STATEMENT OF BRICE HAMMACK, PUBLISHERS' PAPER CO., OREGON CITY, OREG.

My name is Brice Hammack. My livelihood is logging manager for Publishers' Paper Co. of Oregon City, Oreg.

Our company plants consist of a 450-ton-per-day pulp and paper mill at Oregon City and 125,000 board-feet per shift sawmill at Tillamook, Oreg.

Including woodworkers, we provide year-round employment for approximately 900 men.

My particular department is charged with providing logs to both plants at a price which will enable them to operate at a profit.

We log both company and public timber.

A large source of our public timber supply is from sales on the Hebo district of the Siuslaw National Forest. This being of the coastal spruce and hemlock type.

The U.S. Forest Service, in compiling the stumpage prices of hemlock and spruce for present sales, are using 1960 lumber selling prices as a base to start from, and deduct development costs back to the advertised stumpage figures.

These lumber selling values used by the Government are close to $82 per 1,000 for both hemlock and spruce lumber.

Our first contention: Grade-for-grade spruce lumber from the type of timber involved will bring from $5 to $8 per thousand less than hemlock lumber.

This is because of resistance to the specie in the type of lumber it produces, and the downgrading that occurs in the manufacturing of spruce.

Hence the spruce stumpage in comparable hemlock grade should reflect this lower value.

This is not being recognized by the Forest Service in working up the stumpage value.

Our second contention: The hemlock lumber selling price of approximately $82 per 1,000 for 1960 being used by the Forest Service for 1962 appraisals is some $15 per thousand higher than the sales returns of 1960 for the coastal mills who are the major purchasers and consumers of this Government stumpage.

Admittedly coastal mills are at a disadvantage pricewise because of the rougher fast-grown spruce and hemlock timber, and the climatic location of coastal mills.

However, the mills that have survived and are the consumers of this timber are modernized and economically operated to meet competition.

We believe lumber selling values used by the Forest Service for this coastal timber should reflect the return of coastal mills rather than interior mills operating in hemlock, which lends itself better to recovery of a greater proportion of upper grades, or whose very mill location brings about a higher sales return.

Our third contention: Not all Government timber sales will be bid above the appraised price. This we state to dispute the "wornout" answer to complaints leveled at the Forest Service in respect to high stumpage figures: "What difference does it make; you will bid the sale up anyway."

If sales are placed on the market in an orderly fashion, surviving mills must and will seek a rational level of bidding.

In support of this; bid ratios on this Hebo ranger district decreased from 67 percent above appraised prices in 1959 to 15 percent above appraised prices in 1961.

What is needed to correct these stumpage inequities and other ills prevalent in dealing with Government agencies who handle our timber sales?

We believe:

1. Changing from a regional level, all dictatorial attitudes which filter right down to field men on ranger districts; to attitudes of understanding and cooperation with the timber operations.

The possibility of an impartial board of arbitration which would assure equal rights to operators could be of real merit in correcting attitudes and policies.

2. We as operators in various areas would welcome the opportunity to school the proper agency men in our specific business problems and actual operating costs and returns. This is basic considering that virtually half the cost of our product return is tied up in the raw material.

In conclusion: The adverse problems of our industry are so complex, numerous, and widespread that it would be impossible for one individual to begin to cover them all.

Rather I have attempted to be specific in one area where the outlined problems could and should be corrected.

We are hopeful that the high level of importance and respect of this Senate committee may be the expedient means of opening the door to proper understanding and correction of these problems.

STATEMENT OF JOHN C. HAMPTON, WILLAMINA LUMBER CO., PORTLAND, OREG.

My name is John C. Hampton. I am part owner of the Willamina Lumber Co. at Willamina, Oreg. We operate a medium-sized sawmill cutting about three carloads of lumber per 8-hour shift. This is our 20th year of operation at Willamina. The last couple of years have been about as difficult as any we have seen.

Like many other sawmills, we have come to depend on Government timber more heavily in recent years. The majority of our timber requirements have to be met from the Hebo district of the Siuslaw National Forest. This makes Forest Service practices and procedures extremely important to us.

A major problem common to the industry is the need to plan a log supply well in advance of the time the logs are needed in the mill. The further ahead the supply the more orderly the functions of inventory planning, sales, financing, plant modernization, and road construction, all of which contribute to steadier operation and steadier employment.

At present, most of the Forest Service sales are sold for removal in 2 years. There is usually a sizable road construction job connected with the timber sales. It is our feeling that if most of these sales carried a 3-year time for removal it would provide the operator with greater latitude in planning a continuous log supply. A mill is generally in trouble if it does not have most of its log supply lined up at least for the current year. This means then that timber sales bought this season are frequently for cutting during the following year. If they are 2-year sales, the one remaining year allowed for removal limits the flexibility of when the timber can be used. If 3-year removal time were allowed, it would give needed reserve time to be used if necessary.

For example, if some unexpected open-market logs showed up during the second year, logging on the timber sale could be deferred, and the log supply for that mill would be extended by the amount of open-market logs available. Or suppose the lumber market reached an abnormal low during the second year of a sale. A 3-year term would provide leeway to avoid forced cutting in a loss situation.

One other change would help our situation. If the yearly sale program could be worked up in detail and published well in advance we could determine much better what species, volumes, and sizes of timber would be available to fit our operation at a much earlier date. As late as last month, the two major sales scheduled for the last half of this year were held up, one due to an unresolved right-of-way situation, the other from determination that road costs and sale layout made the sale unfeasible. This work should be done much earlier so the sale program can be finalized at least a year in advance and added to quarterly to keep at least 12 months sales scheduled ahead. Let's be sure they have adequate men and money to get this work done.

A third revision we wish to suggest is that the footage sold be more evenly distributed over the calendar year. At present the bulk of the sales are sold during spring and summer. This tends to result in higher appraisals. Prices are adjusted quarterly, but only by one-half the change in indices up or down. By appraising and selling the cut over the calendar year, a fairer relationship of timber cost to market conditions would result.

Anything this committee can do to implement these suggestions will be appreciated.

STATEMENT OF EARL HARTLEY, WESTERN COUNCIL OF LUMBER AND SAWMILL WORKERS, PORTLAND, OREG.

INTRODUCTION

We are witnessing today a period of dynamic change in the structure of our economy including the lumber industry. Automation, mechanization, a high level of unemployment, shrinking natural resources, the complex international trade picture, changing consumer buyer habits, the changing composition of the American labor force, are all factors in this dynamic evolution.

As it specifically relates to the lumber industry, including logging, sawmill, veneer and plywood production, I believe this dynamic period of charge has been mainly caused by the following factors:

1. The increasing popularity of various wood substitutes in both residential and commercial building construction.

2. Acceleration of the trend toward mechanization, or an advanced form of material handling, if not actual automation in the industry.

3. The increasing impact of foreign and Canadian competition manifest in the snowballing amount of lumber and plywood imports coming into the United States.

The first and third factors have had an adverse effect on the industry insofar as the recent reduction of profit margins in most cases, notable exceptions usually involve the "giants" in the industry, curtailment of production and shipments, unfavorable overall trend toward lower prices and a reduced amount of exports, etc.

Official Government statistics are available to illustrate these trends.

For the employees who depend on this industry for their livelihood, these two factors have largely been responsible for wage- and fringe-benefit-collective-bargaining settlements during recent years being substantially less than the average for U.S. industry in general. Increases including fringe benefits average approximately 40 cents per hour during the past 6 years or an average increase of less than 7 cents per hour per year. In many instances the increases were offset by (1) a gradual reduction in hours worked, thereby nullifying the take-home increase benefits which would normally result from such wage adjustments, and (2) loss of jobs by thousands of workers in the industry.

The second factor, increased mechanization or automation in the industry, constitutes one of the adjustments the industry has been able to make to offset the other two factors and place itself in a better position to compete with wood substitutes and increasing foreign competition. However, this same factor has significantly added to the unemployment problem in the lumber industry. In other words, while mechanization and automation have been helpful to the industry, it has caused the most serious problem of all, namely, obsolescence of the job and the loss of the job at a time when the amount and duration of unemployment insurance benefits is unreasonably limited and prior to any real program of retraining assistance being available.

NEED FOR JOINT ACTION

At the outset, gentlemen, please understand that we are keenly aware of the seriousness and complexities of the problems which face both management and labor in this industry with respect to the above problems. We are also aware of the fact that some facets of the problem can be best solved separately by government action or industry action or action on the part of organized labor, depending on the specific item under consideration. However, to a large extent real, practical solutions to the problems can only be arrived at by joint action and cooperation on the part of government, industry, and organized labor. We are prepared to meet our responsibilities on this score.

In expressing some of our thoughts and viewpoints on the overall situation, we want this honorable subcommittee to know that we believe that solutions must be found within the framework of the present administration's thinking and trend toward free trade rather than high-tariff protective walls as an expedient which might have some value within this industry, but at the expense of other large industries in the United States and detrimental to improved foreign relations and an improved world economy.

We believe it necessary to stress the fact that the dilemma and unhappy position which labor and management find themselves in today in the lumber industry is not caused solely by increased foreign and Canadian competition. It also is the result of the tremendous readjustments which are having to be made due to the competition from wood substitutes and the impact of mechanization and automation in the industry.

HAS INDUSTRY ADJUSTED TO THE PROBLEM?

As suggested in my opening remarks, the industry's recent stepped-up program of mechanization and automation constitutes one adjustment it has been attempting to make to offset the competition from foreign imports and wood substitutes. These management programs have to a large extent resulted in increased productivity and efficiency and have enabled the industry to improve its competitive position. Part of this success is due to diligence, adaptability, and flexibility of many of our members who have had to change jobs and learn new ones in a short period of time.

However, as I suggested earlier, these programs have taken their toll in the form of loss of jobs by many thousands of workers in the lumber industry. In this connection, while I am going to try to avoid using statistics as much as possible in my remarks to you, knowing that you have most of them already and some will be furnished by the industry, I do want to make the point that the unemployment problem in the industry is serious. In the State of Oregon alone, for example, comparing the most recent month available, April 1962, with April of 1959, we find a decrease in employment in logging and sawmills amounting to 15½ percent, or from 46,500 to 39,300, a loss of 7,200 jobs. This large decrease was only slightly compensated for by the recent increase in veneer and plywood employment during the same period of time by 2,500 employees. We have copies of a table summarizing these facts for your consideration which I will leave with you.

As to other adjustments made by management in this industry, they appear to have found out that a larger company is better able to compete by being able to produce at a lower cost per unit that a smaller company. As a result, during the last several years, the trend toward mergers, consolidations, and expansions within the industry has accelerated. This represents another adjustment by industry in its endeavor to solve the problem. However, this trend has had the effect of changing this from an industry predominated by the small operator to becoming predominated by the large corporate giant. We believe this is an unfortunate but inevitable trend which will continue.

The other significant adjustment which a portion of the lumber industry has made is its heavy investment in lumber production facilities abroad and its entering into long-term contracts with foreign producers who agree to supply a specific lumber product to a designated American lumber firm. These developments have been particularly prevalent in the plywood industry. While the standard sources of financial data on American corporations do not provide evidence of direct investment in foreign firms, according to last year's records of the Hardwood Plywood Institute and the Bank of Japan, the following American firms and individuals have investments in or contracts with lumber or plywood companies in Japan, the Philippines, or other Pacific countries:

Jones Veneer & Plywood Co. (Eugene, Oreg.).
Nickey Bros. (Memphis, Tenn.).
United States Plywood Corp.
Elliott Bay Mill Co. (Seattle, Wash.).
Simpson Logging Co. (Seattle, Wash.).
Douglas Aircraft (California).
Higgins, Inc. (Louisiana).
Chapman Forest Utilization (Oregon).
Stanley S. Slotkin (California).

Douglas Aircraft, Higgins, and Chapman Forest Utilization have technical assistance contracts of more than 1-year duration with Japanese firms, while Stanley S. Slotkin has acquired stocks in such firms. Jones Veneer & Plywood has entered into long-term contracts with Philippine producers of veneer. It is probable that United States Plywood, Elliott Bay, and Simpson Logging have also entered similar contracts in Japan and the Philippines.

In the May 1962 edition of the Lumberman magazine, its editor, Dean Sherman, produced an article entitled "Lumber Industry Takes Positive Steps To Offset Import Competitive Imbalance" (pp. 50–53). In it are set forth some important statistics which we urge the subcommittee to consider, including a table showing the decrease in U.S. softwood production and exports from 1951 through 1961 and the substantial increase in softwood imports during the same period of time. The figures are startling and as of today we have evidence, which I will discuss in a few minutes, that a segment of the lumber industry in this region is becoming concerned. However, in their report on plywood imports in mid-1959, the majority of the U.S. Tariff Commissioners put much emphasis on the fact that almost no interest in the 1958–59 hearings had been manifested by producers in the Pacific Northwest. They further noted that the chief concern about imports was evinced by firms in the South Atlantic States, and that domestic production had risen most in the very area (the Pacific States) in which most of the imported lauan plywood had been consumed. The lack of interest at that time by western producers, however, might be explained by the fact that many of them had invested in or contracted with plywood firms in outher countries, and were themselves responsible for importing much of the foreign products.

We point this out not in any endeavor to minimize the problem or to say it "serves the industry right," but merely to try to give you some idea of some of the steps which a portion of the industry has taken and is taking in an attempt to adjust to these problems according to their own wisdom.

OTHER RECOMMENDATIONS MADE BY INDUSTRY SPOKESMEN

Various other steps have been suggested by leaders in the industry, most of which have been ignored by the industry in general. For example, Arthur Temple, president of the National Lumber Manufacturers Association at a recent Western Pine Association meeting in San Francisco is quoted by the Lumberman in the May 1962 issue (p. 55) as challenging the lumbermen to take position steps on things "we can accomplish." The magazine said Mr. Temple believed the following could be accomplished:

"We can achieve grade simplification and standardization.

"We can extend the gains made in improving and simplifying wood engineering.

"We can help builders utilize the most economical sizes and grades without difficulty and confusion.

"We can take the lead in the components field, both on-site and at the factory.

"We can make the lumber industry the main source of cost-saving techniques in the entire light construction field.

"We can carry through to successful conclusion other projects to give still greater performance to a superior material.

"We can bring about the development of more durable finishes for wood.

"We can build consumer preference for our products.

"We can influence style and design trends—both for an individual structure and for the planning of entire communities.

"We can achieve a climate in which lumber and wood products of uniform quality and standard performance are dependably competitive in the market.

"We can expect a Government attitude that will bring about plant and community stability.

"We can build enough demand to come up with the production and distribution techniques and efficiencies for whatever the market is going to require."

We believe that many of these goals are desirable and could be achieved by a forward-looking management in the industry operating in concert with each other.

On the last point of building up "enough demand to come up with production and distribution techniques and efficiencies for whatever the market is going to require," this is going to be difficult to achieve until and unless the industry is willing to reevaluate some of the unnecessary, built-in added cost structures resulting from the superfluous steps in the distribution processes which are accounted for by the sometimes unnecessary middlemen and jobbers. More efficient distribtuion from the producer to the consumer with fewer interim steps must be developed in an effort to keep costs in this country on a more competitive basis.

Similarly, it is our belief that some of the "luxuries" enjoyed by the industry which contribute to the high cost of selling its products and the increased price to the consumer must be reevaluated.

EXPLORATION OF RECIPROCITY UNDERSTANDING WITH CANADIAN LUMBERMEN

As reported in the article by Mr. Dean Sherman mentioned earlier in my talk, the West Coast Lumbermen's Association gave approval 2 months ago at a meeting in Portland to the National Lumber Manufacturers Association program to seek closer competitive equality for U.S. producers in this country's market with Canadian softwood lumber producers. The article reports that the program has been unanimously approved by all U.S. lumber associations, marking the first time lumbermen have joined together on a national basis on a mutual problem affecting the entire industry. Again, we would like to direct the attention of this subcommittee to that article and the statistics contained herein. Before commenting on the major areas of our agreement with this program and some areas of doubt, we would like to call the subcommittte's attention to some of the factors causing this country's lumber industry competitive problem with Canada, which in all honesty we believe are beyond the control of the industry alone to correct. These were mentioned in the article. For example:

1. The Jones Act section of the Merchant Marine Act which requires the use of American ships to transport cargo between American ports creates an ex-

tremely competitive situation for the lumber industry in this country. As pointed out in the article (p. 50), "because of the higher rate structure of American lines, the situation automatically provided British Columbia shippers with a total of $7 to $11 per thousand board feet advantage of laying down lumber at U.S. eastern ports." It would appear as though serious consideration might be given to legislation to overcome this inequity. However, our organization is on record as opposed to any amendment to the Jones Act that would be to the detriment of the maritime unions.

2. Existing inequities in rail rates is operating to the disadvantage of west coast lumber producers when compared with other regions in the United States and with British Columbia.

3. The U.S. Government should consider adopting better appraisal policies more closely related to the market. The cost of timber in British Columbia is substantially lower than the average prices paid by the industry in the United States for Federal stumpage. Mr. Sherman's article indicates that the lumber industry in this country has taken some steps at the Department of Agriculture level with various congressional representatives to attempt to resolve this problem. However, much of the higher prices paid for U.S. timber result from excessive bidding, currently about 40 percent over appraised price.

4. As Mr. Bently also admitted, devaluation of the Canadian dollar has also given Canadian industry a competitive advantage over this country. Appropriate steps should be taken to encourage a correction of this situation as soon as possible.

SUMMARY OF NATIONAL LUMBER MANUFACTURERS ASSOCIATION PROGRAM

Mr. Sherman stated as follows in his article:

"The suggested program calls for a conference between United States and Canadian officials and lumbermen to discuss equal reciprocity. Substance of the program is these two points:

"1. To provide for tariff-free shipping both ways across the border for a volume of softwood lumber up to 10 percent of the domestic market consumption. Beyond that point the amount of softwoods imported would be subject to a 10-percent duty. Under this plan, the present free import volume of softwood lumber from Canada would be about 3 billion board feet annually. For the United States it would mean a free export into Canada of 300 million board feet annually. It would eliminate the present $3 million annual U.S. duty changes now being paid by the Canadians.

"This would not actually impose a quota against the Canadian lumber. The 10-percent duty on the upper bracket volume would be no more severe than an equalizer against lower production and shipping costs.

"2. To implement this action, through NLMA, the industry has asked Secretary of Commerce Luther Hodges to arrange a roundtable conference between lumbermen and officials of both countries. The invitation is extended through the Department of Trade and Commerce at Ottawa and will probably be held in Washington."

While we certainly agree with the second point of this program, in all honesty we have not had the time to study or evaluate the first point in the program. Offhand, however, we would have to candidly state that if our lumber associations were inflexibly committed to this formula, it might be impossible to achieve agreement with the Canadian lumbermen. Tariff-free shipping in excess of 10 percent might have to be considered as well as a duty beyond that of less than 10 percent. In order to provide some immedate equity we would approve establishment of temporary quotas, pending final agreement. Certainly, however, the present imbalance in the import-export duties now applicable in Canada and this country warrant a decided readjustment in the direction indicated by the National Lumber Manufacturers Association formula.

WHAT ABOUT THE WORKER?

I hope I have made clear that some of the adjustments which the industry has been able to effectuate to alleviate its competitive problem with wood substitutes and foreign competition have not alleviated the problem for the worker in the industry and, as a matter of fact, the result of many of these adjustments

has been the displacement of the worker from his job and onto the rolls of the unemployed. Much of this has resulted from automation, mechanization, mergers, consolidations, investment by west coast lumber companies in foreign companies, etc. Since these trends have been accelerating, the danger of economic disaster to the worker in the industry is proportionately greater than to the employer in the industry in our humble opinion.

This is the case even though it is generally conceded by management to be a fact that the higher wage rates paid lumber workers in this country is offset by our greater productivity and efficiency when compared with other countries. (For example, see p. 52 of Mr. Sherman's article under the "Labor Costs" subtitle.)

Even if the administration's Trade Expansion Act of 1962 designed to meet the problem of the European Common Market should be adopted by the Congress of the United States, the trade adjustment allowances to the worker in the industry in the form of moving, retraining, and unemployment insurance benefits would only be applicable if the lumber industry could prove that tariff reductions resulting from the act had brought about the increased imports and resulting unemployment. These trade adjustment allowances would not apply if the worker were displaced as a result of mechanization, increasing use of wood substitutes, lumber company mergers, etc. To meet these conditions, the status of legislation today, both Federal and State, is completely inadequate. For example, it now seems doubtful if the Federal Government will renew extended unemployment insurance benefits to supplement State unemployment insurance benefits. This means that in Oregon the worker will have to revert to the 26-week maximum benefit providing maximum benefits of $40 per week—both are completely inadequate insofar as amount and duration. We intend to do something about this at the next session of the State legislature in Salem. At least the trade adjustment allowances provided for in the Trade Expansion Act of 1962 allow the worker unemployment benefits of up to 65 percent of his weekly wage, which averages far more than $40 per week. The only other area of relief existing for the worker is the recently enacted Manpower Development and Training Act which again falls far short of the mark.

I stress these facts to you distinguished Senators to emphasize the importance of looking at the need for broader and more liberal legislation for the worker in this and other industries who is faced with displacement, not just because of foreign competition but for the many other reasons which are prevalent in this country today in many industries, including the lumber industry

We are prepared to work jointly with our Federal Government, State government, and with industry to develop practical and reasonable legislation which will adequately protect the worker in this most difficult of all transition periods, particularly for the lumber industry. The worker in this and other industries constitutes the mass of the consuming public of this country to which our vast mass-production industries must look for the sale of their products. Unless the purchasing power of these consumers is protected during this difficult transition period when many workers are faced with their jobs becoming obsolete and are forced to seek work elsewhere, our economy will meet with disaster.

We realize that taking the legislative and industrial steps necessary to protect the health of the lumber industry in this country to a large extent correlates with the economic well-being of the employees within that industry. However, in all cases, it is not always true that what benefits the industry benefits the worker of that industry because a benefit to the industry may result in the loss of the worker's job in that industry as I have pointed out. So we must go further. We must take definite steps specifically for the worker in this and other industries whose job is lost either as a result of mechanization, automation, competition from other products or competition from other countries or a combination of these factors. Unemployment insurance in itself is not sufficient. Employment assurance is what we seek. This is why broad, comprehensive moving and retraining benefits are so important to train the worker for a new job, possibly in a new industry and to place him in the locality where that new job exists. We trust that all of these vital factors will be given careful and serious consideration by the subcommittee.

Thank you for your time, courtesy, and attention.

Employment in Oregon in logging and sawmills, 1959–62

Date	Number employed	Decrease since April 1959
April:		
1959	46,500	----------
1960	43,700	−2,800
1961	36,700	−9,800
1962	[1] 39,300	−7,200

[1] Preliminary estimates based on reports from sample of some employing establishments.

NOTE.—Percent decrease April 1962 compared with April 1959=−15.5 percent.

* * * * * *

Employment in Oregon in veneer and plywood, 1959–62

Date	Number employed	Increase since April 1959
April:		
1959	21,100	----------
1960	22,600	+1,500
1961	22,000	+900
1962	[1] 23,600	+2,500

[1] Preliminary estimates based on reports from sample of some employing establishments.

NOTE.—Percent increase April 1962 compared with April 1959=+11.8 percent.

Source: Oregon's Labor Market, May 1960, 1961, and 1962; Oregon State Department of Employment.

STATEMENT OF HOOD RIVER COUNTY CHAMBER OF COMMERCE, HOOD RIVER, OREG.

OPENING STATEMENT

The Department of Labor has certified Hood River Valley an area of substantial and persistent joblessness. It can be documented that the lumber industry, which is the industrial base of the county, has, because of high cost raw material, been required to adopt every laborsaving device that is available. It can also be substantiated that this restricted job opportunity has been further aggravated by market conditions of lumber.

URGENCY OF SITUATION

Studies conducted by the Hood River County Chamber of Commerce and other local and governmental agencies have shown conclusively that the lumber industry of Hood River County cannot continue present day operations without increased utilization of Forest Service timber. If they cannot obtain timber at a competitive price to meet the inroads of foreign competition they will be obliged to "cut and get out" or suspend operations. Currently local mill capacity of 70 million board feet is supplied by 40 million board feet Forest Service timber on sustained yield basis. There is strong evidence that a shortened sustained yield period now in operation in Willamette Valley region could be effectively applied to Mount Hood area, thus providing much needed timber sources. An increased supply would result in needed job opportunity for the community and competitive relief for the companies. In like manner an unfair advantage Canadian producers enjoy with respect to freight rates and dollar exchange has also made great inroads in the traditional markets of Hood River Valley mills. This situation further compounds their problem of obtaining timber at a price that will meet inroads of foreign competition.

CONCLUSION

Experience has shown conclusively a pressing need for job opportunity in Hood River Valley and the Northwest in general. Present policies of the Forest Service do not take cognizance of the great economic hardship being faced our

local mills as witnessed by increasing concern of the Northwest lumber industry and the vast number of communities who depend on them for existence.

Local cooperation and concern by the lumber industry can be shown in the effort being made by Hood River Valley lumber industry to market new products and continued technological studies and improvements in their operations.

With these facts in mind we urge the Congress establish a basic guide for Forest Service policy with particular emphasis in the need for an Appeals Board which may adjudge forest policies which are of vital economic concern to the lumber industry. We further urge that recognition be given to the unique competitive problems of transportation costs for the forest industry.

STATEMENT OF AL HURL, CHAIRMAN, YAMHILL COUNTY ECONOMIC DEVELOPMENT COMMITTEE

I am Al Hurl of McMinnville, Oreg. I am chairman of the Yamhill County Economic Development Committee. Also, I am a partner of the Oregon Alder-Maple Co. Our Yamhill County area, currently classified as a distressed area, derives its income from agriculture, forest products, and diversified small industry.

A major source of our raw material for the forest products industry is obtained from the public forest; much from the Hebo working circle of the Siuslaw National Forest. During the past 5 years, a controversy has raged over the forest inventory and allowable cut on the Siuslaw National Forest. When the inventory on this forest was completed, the results did not satisfy some administrators in the Forest Service. The timber volumes found as a result of the inventory were supposed to be too high. On the Hebo area the Forest Service computed an annual allowable cut of 91 million board feet using a 100-year rotation. They then reduced that cut to 70 million. When Congress appropriates funds for forest inventory activities I'm sure the Members of Congress do not expect the results to be ignored. The consulting firm of Mason, Bruce & Girard analyzed these same data and determined that the cut on the Hebo area should be 113 million board feet; an 80-year rotation was used which is in accord with Forest Service policy on rotation. If the Hebo district of the Siuslaw Forest would sell at least the 91-million-foot cut they calculated from their timber inventory data, it would help our area, a county classified as an economically distressed area, and presently being considered for Area Redevelopment Administration assistance.

I urge that the Forest Service go one step further and that is to apply its new rotation policy to the Hebo working circle and to sell the 113 million board foot allowable cut.

It seems unbelievable that one agency of Government will not provide the maximum volume of raw material for our wood products industries, an action that would aid our local economy, reducing or eliminating the need for tax dollar aid, which is forcing another agency of Government to use taxpayer dollars to boost that same economy. A boost that might not be needed if the Forest Service would sell its indicated sustained yield cut on the Hebo area of the Siuslaw National Forest.

I have tried to avoid getting into a detailed explanation of the controversy surrounding the Siuslaw National Forest cut. However, if there are any questions I would be happy to attempt to answer them.

STATEMENT OF INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION, LOCAL 50, ASTORIA, OREG.

Because of space limitations, we are confining this statement to what it would mean to the longshore payroll in Astoria if any more sawmills shipping lumber to the Atlantic coast were forced to suspend operation. The last decade has witnessed the closure of four mills that were cargo sources for our membership.

I want to preface these remarks by explaining that we are members of an international union which has affiliates in Canada. But we feel our Canadian brothers would not be opposed to this attempt to rechannel traditional cargo to

stateside ports. All the more so, because there is a surplus of work on the British Columbia waterfronts at this time, due to the fact that Canada is selling wheat to Red China—a country with which our own ports are banned from doing business.

It is not the purpose of this brief to evaluate U.S. trade policy. But we do want to point out that the present embargo policy—which permits the eastern seaboard to trade with Red Russia, and forbids the west coast to do business with Red China—that this policy is highly discriminatory to our ports out here.

It would appear that the industrialists and shippers back there are able to put heavier pressure on whoever sets this policy—that they must have a more effective lobby on you Senators than we have here on the Pacific coast.

Sawmill operators who are oldtimers in the game may recall, with me, that China trade kept our tidewater mills going right through the depression of the thirties. In fact, in 1931, Oregon and Washington shipped 314 million board feet to China. This was more lumber than the two-State region exported to all countries in 1961.

We mention this only to stress the fact that the east coast lumber shipments are all the more important to us because we have already lost so many trade outlets and cargo items, through governmental policies discriminatory to our region, and to Clatsop County in particular.

Among these was the policy which permitted use of U.S. tax funds for the construction of flour mills in areas to which flour was formerly shipped over the Astoria port terminals. The culmination of this policy was that we longshoremen lost flour from the cargo roster entirely—when the Pillsbury Co. closed its milling operation, located in Astoria since 1924, and moved its export flour manufacture overseas. Flour, in 1961 gave us 60,000 tons of cargo—cargo we no longer have.

Unlike most other ports, we in Astoria had little or no general cargo to fall back on, because of the discriminatory rail rates between our port and inland areas which otherwise might be induced to send goods and commodities for shipment over our piers.

Fortunately, for us, 1961 saw the start of a log movement to Japan—about which, we are informed, some of you gentlemen here to testify, weren't too happy at the time. We understand, though, that most of you have since come to agree with us that it isn't the logs, but the Canadian competition which is putting Oregon lumber at a disadvantage in east coast markets.

In our opinion, there are some other factors involved in the lumber crisis, such as the high stumpage rates and lack of access roads, which make it difficult for the smaller operator without roadbuilding equipment to bid on Government timber; as well as the control of private timber and the open log market by the larger operators—at least several of which have interests on both sides of the line.

However, there is ample evidence to show that Canadian competition is a main factor in the lumber crisis and threat to our cargo and jobs. In talks which we had with mill operators in both Warrenton and Bradwood, we were told that if there were a quota system on Canadian imports or if a law were to be passed and enforced requiring the use of U.S.-produced lumber and building materials on Federal construction projects there was every indication production and sales would be at least doubled. Such expansion would put more butter on our bread.

But to get back to our own situation, at present. A breakdown of our work opportunity during the first 4 months of this year shows that about 60 percent of the cargo loaded by us was outbound logs; 4 percent was tuna discharge; and 30 percent east coast lumber. Working in other ports and California lumber accounted for the small remainder.

We wish to make clear that the east coast lumber shipments are more important to us, moneywise, than the actual footage involved would indicate. This is because lumber shipped to California, for example, goes mostly by steam schooner, and that is mechanized cargo. Our basic longshore gang consists of nine men, to which are added one or two liftdrivers. It would take 5 gangs, of 11 men each, 8 hours to load 500,000 feet of lumber for the Atlantic coast, whereas 6 men could put 800,000 feet of lumber on a steam schooner in the same length of time.

We have 120 registered men in our port, but as many as 40 extra men have been added when a number of ships were loading. The longshore payroll in 1961, when we still had flour, amounted to more than $1 million.

The breakdown for the first quarter of 1961 on east coast lumber shipments gives us this table:

	Ships worked [1]	Total man-hours	Total wages
January	Natale, Flomar, Penmar, Alamar, Portmar, Utah, Mag. State.	8,024½	$24,073.50
February	Sooner State, Steel Chemist, Empire State	2,228	6,864.00
March	Empire State, Bay State, Talkeetna	9,369¼	28,107.75
April	P. & T. Navigator, Losmar	2,769¼	8,307.75

[1] Not all represent full cargoes.

The average wage per man for the 4-month period, for handling east coast lumber, was $561.27. Total wages per man (all types of cargo) was $2,000.

Thus, it will be seen that lumber shipments for the east coast accounted for more than 30 percent of our work.

It is interesting to note that during the month of April, Pacific Lumber Inspection Bureau figures indicate that British Columbia put 97,525,820 board feet (or 19 shiploads of lumber) down on the U.S. east coast—compared to only 7,857,693 feet (or 1½ shiploads) from Oregon ports, including Coos Bay.

In April, our earnings from east coast lumber fell to $69.23 per man, as compared to $234.23 per man from these shipments during March—when Oregon sent 17,170,608 feet of lumber to the Atlantic coast, or more than twice as much as in April. Most of the shipments were from our area.

A table appended to this report shows how the ratio between British Columbia and Oregon-Washington shipments to the Atlantic coast has changed the lumber shipping pattern in the last 30 years, from one in which foreign shipments were negligible—to one in which British Columbia has practically taken over this traditional market for our Douglas-fir lumber.

Since we lost flour, we have at times had to travel to other ports, notably Longview, to keep our families going. Were we to lose the east coast lumber shipments, we would have to move out of the Astoria area. No man enjoys commuting 50 to 100 miles to earn his bread.

The east coast shipments are all the more vital to our livelihood in that there are indications the Japanese log movement which began in December 1960 (and during the first quarter of this year accounted for 60 percent of our work), may not continue in any great volume, due to the balance of payments, or export trade deficit in Japan, the inflation there and other factors.

In our opinion, therefore, the fate of Astoria's ocean commerce, the survival of related industries, our own survival as wage earners in the area—and to a certain extent the welfare of every resident of Clatsop County hinges on the sawmills on that county being in a competitive position with the British Columbia mills, in regard to the east coast market.

We are informed by the State department of employment's Astoria office that only last month one of the mills was almost forced out of business by the imports.

We can only point out, in grim summary, that closure of the county's remaining sawmills would spell disaster in a region which the Government has already designated as a depressed area.

We must leave the solution of this problem of the lumber imports to you gentlemen of the Senate. However, as union men we do not wish our American merchant marine to be further weakened by the repeal of, or amendment to, the Jones Act.

We urge you to consider either a subsidy for intercoastal shipping, which is in effect in a similar position to those American flag routes already subsidized, or a quota system of Canadian imports to the east coast market.

Thank you.

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APPENDIXES

TABLE 1.—*Waterborne shipments of lumber, Oregon, Washington, and British Columbia to the U.S. east coast*

[Table summary, in board feet]

Year	British Columbia	Oregon-Washington-Northern California
1931	139, 723, 866	1, 236, 314, 756
1961	794, 337, 825	594, 854, 000

The immediate past

[In thousand board-feet]

Year	Total	Oregon and Washington	Percent	British Columbia	Percent
1956	1, 305, 199	1, 023, 038	78. 38	282, 161	21. 62
1957	1, 248, 831	973, 398	77. 94	275, 433	22. 06
1958	1, 526, 388	923, 961	60. 53	602, 427	39. 47
1959	1, 497, 054	902, 836	60. 31	594, 218	39. 69
1960	1, 543, 593	848, 989	55. 00	694, 604	45. 00
1961	1, 389, 194	594, 856	42. 82	794, 338	57. 18

TABLE 2.—*Average stumpage prices for saw timber*

[1960, in dollars per thousand board-feet]

Species	Pacific northwest (1) timber sales	British Columbia coast (2) timber sales
Douglas-fir	$32. 04	$15. 10
Hemlock	10. 52	5. 58
Cedar	14. 59	5. 20
Spruce	13. 35	5. 67
All species	22. 18	7. 30

TABLE 3.—*Approximate costs, waterborne shipments, lumber*

[In dollars per thousand feet net board measure]

Destination	Rough or surfaced	Pacific Northwest	British Columbia
Atlantic coast	Surfaced	$36. 00	$26. 00
Hawaii	do	[1] 39. 60	[1] 24. 00
Puerto Rico	do	56. 94	27. 50
Australia	Rough	46. 00	40. 00
Japan	do	32. 00	26. 00
United Kingdom:			
Conference rate	do	40. 40	34. 40
Charter rate	do	37. 90	32. 20
Common Market	do	47. 00	47. 00

[1] Based on thousand feet board measure.

REPORT ON EMPLOYMENT AND GENERAL ECONOMIC CONDITIONS, PORT OF ASTORIA AND CLATSOP COUNTY, OREG.

Submitted by Longshore Committee for the Welfare of the Port of Astoria

I. POSITION OF THE PORT IN ECONOMY OF THE COUNTY

The maritime industry in Clatsop County, by reason of its employment potential and the dependence upon its facilities of related industries (and of indus-

tries bringing in raw products, such as petroleum and frozen fish) has for many years been a major industry, and a key industry in this area.

A 79-page report prepared as a cost of $10,000 in 1961 by Thomas A. Murray & Associates, Portland, for the port of Astoria, stated that "the economy of Astoria and Clatsop County has been and will continue to be tied to the port of Astoria.

The local office of the Oregon State Employment Service (OSES) lists maritime as one of the three largest employers of labor in the county. (The two others are Crown-Zellerbach and Bumble Bee Seafoods, Inc.)

II. MAJOR INDUSTRIES IN CLATSOP COUNTY[1]

1. Maritime and related (Name and number of employees and/or status):
   Longshoring, 160 employees.[2, 3]
   Pillsbury Flour mill, 76 employees; ceased operations November 1961.
   Port of Astoria, 50 employees.[3]
   Grain elevator, 8 employees, laid off January 1962.
   Tugboat operations; locally employed, 18.
2. Lumber and logging:
   Crown-Zellerbach and gyppos, 200 (piers used to load logs).
   Columbia-Hudson Sawmill, Bradwood 160 (cargo mill).
   Shepherd-Morse Mill, Westport, 150; ceased operations 1956.
   Wauna Lumber, Wauna, 150; closed 1958 (both were cargo).
   Prouty's Sawmill, Warrenton, 150; closed 1951 (was cargo).
   Warrenton Lumber Co., employs 60, cargo operation.
   Westport Lumber, employs 30, cargo operation.
3. Plywood:
   Astoria Plywood, 200 shareholders.
   Port Plywood, 60 (took place of Uptegrove Box, which closed).
4. Canning:
   Bumble Bee, 500 (including cold storage, fish receiving, and Elmore, Cannery, with 200).
   Barbey's, employs 60 to 70.
   Union Fish, 60 to 70.
   Sebastian-Stewart, Warrenton, 50.
   The following have ceased operations or moved from area in the past several years: Paragon, Cold River Salmon, Van Camp's, New England—represents 400 lost jobs.
5. Commercial fishing: The Clatsop County Industrial Advisory Committee lists the number engaged in this as 1,400. The OSES points out this is overlapping, as bank employees and others have gill net boats and fish occasionally. Closed seasons have forced even hard-core fishermen to work at other trades between seasons. Extent of the run is another factor. This year, the number of men going to Bristol Bay, Alaska, will be greatly reduced because of the poor cycle.
6. The tourist industry: From point of view of employment, it does not mean a great deal, according to OSES. Many restaurants and motels catering to summer visitors are owner operated and staffed. Other motels are absentee owned, employing possibly a local manager and maid. Wages are often substandard.
7. Other:
   Maritime reserve fleet, 60 employees.
   AMCO, 16 (had 500 a few years back, when ship repair was a major industry here).
   American Can, 14 to 15.
   Tongue Point, employed 500 civilian employees at one time; 100 to 55 in recent years, according to OSES. Was deprogramed in 1961. No employees today.
   Lovell Auto, 55.
   Lower Columbia River Dairy, 65.
   Motor freight companies (2), employing about 21.
   Hospitals (3 in county), the largest employing 120.
   Highway department, 60.

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[1] Source: OSES.
[2] Includes union members and extra men, such as students, teachers, unemployed loggers, fishermen, and others working out of local 50 hall.
[3] Will be drawing unemployment or forced to move, if port goes out of business.

Schools, etc.: No attempt was made to secure figures on number of teachers employed in the county, social workers or others connected with the county welfare commission. Presumably staff of the latter, and of OSES might be increased, as joblessness increases.

III. LOST JOB OPPORTUNITIES AND COMMENT

The number of jobs which the above list indicates has been lost in this area in the past several years:

Where:	*How many*	Where—Continued	*How many*
Routy's	150	Pillsbury	76
Westport	150	The Elevator	8
Wauna	150	Longshoring	[1] 160
Canning	400	Port of Astoria	[1] 50
AMCO	484		
Tongue Point	100	Total lost	1,728

[1] If port discontinued.

Comment: Also removed from the consumer group in the Clatsop County marketing area, according to the county's industrial advisory committee are the 2,940 officers and men removed when the Columbia River Naval Reserve fleet was scaled down, and then discontinued in 1961. The Astoria Bomb Scoring Station, established at Warrenton in 1960 with great fanfare, was closed down February 1962. Had 70 officers and men, 51 of whom had moved here with their families. All have left.

IV. PAYROLLS LOST THROUGH THE ABOVE (DOLLARS AND SENSE)

Many firms declined to furnish figures on what the lost payrolls amounted to in terms of money in circulation in the consumer or marketing area, and to business prosperity. However, the following is an indication:

Longshoring, $1,130,451.48 payroll for 1961.

Pillsbury, $500,000 annual payroll according to Astorian, issue of August 23, 1961.

Elevator, $56,000 approximately.

Port of Astoria, $406,407 for 1961.

Comment: The four categories total well over $2 million, which was spent locally.

V. EMPLOYMENT AND UNEMPLOYMENT

1. Clarification: The committee set up by ILWU Local 50 to work for the welfare of the port of Astoria feels the subject must be considered in the light of the area's population decline (see later) and some other factors. These are:

(*a*) Withdrawal of individuals from job market because no jobs to be had: In this category come many high school graduates attending the community college in the hope of acquiring job skills, who might otherwise (due to the economic situation of their parents) be working, if there were jobs to be had.

(*b*) Unemployment insurance exhaustees: These are running from 15 to 20 per month.

(*c*) Other unemployed, not reflected in jobless statistics because they were disqualified from drawing benefits owing to lack of sufficient earnings in base period.

(*d*) Partially or part-time employed, who count as employed, although they may be working only 2 or 3 days a week.

2. Some official figures: Average total employment, Astoria and immediate area:

Period January–June 1951, number employed, 3,089; January–June 1961, number employed, 2,827 (based on the 45 major firms employing almost 75 percent of those working in the area).

NOTE.—The job losses do not reflect Pillsbury closure, nor any employment loss from port decline.

The local office of OSES advises us that with a population decrease of 13.1 percent, there has been a loss in jobs with major firms of 24 percent, since 1950; and a decline in number of new hires each year of 59 percent.

Annual new hires, in the 45 major employing firms, in the 10-year period declined from 2,870 in 1951 to 1,028, last year.

Clatsop County employment, covered by State jobless insurance, averages about 6,000 workers, an estimated decrease since 1950 of 1,000 persons. This, in spite of the fact that in the interim coverage was extended to firms employing only one person.

Comment: Because of fluctuations in several kinds of employment in the county, unemployment percentage figures (so widely used by some to argue the situation isn't so bad) are not a barometer of the real condition. Far more indicative are the "new claims" figures, which show a staggering increase of from 191 new claims in January 1950 to 283 new claims in January 1962.

There was a larger population in this area several years ago than there is today, also a larger work force. And the percentage of those laid off from the total employed has increased.

VI. BUSINESS DECLINE

The decline in population and labor force (those working and/or able to work, the unemployed and self-employed) has affected business and the supply trades. This is indicated by some figures on that barometer of prosperity in any community, the number of persons laid off in trade (stores, etc.).

Benefit payments for week ending in mid-January (they reflect Christmas layoffs, and so forth

1958	127	1961	73
1959	111	1962	51
1960	66		

It might appear all is rosy, few were laid off this year, buying held up, etc. But the lower number of layoffs actually means there were fewer to be laid off, fewer firms were in business, and some firms were being owner operated, without help.

The impact of the population, labor force, and job opportunity decline upon local business is reflected in the increasing number of vacant store fronts in Astoria's main business section (including the seven-block area between 8th and 14th on Commercial, Marine Drive, and immediately adjacent side streets; and in the West End shopping center. A survey March 8 showed the following number of business vacancies, some of them double and corner store fronts:

Business vacancies

Location	*Number*	*Location*	*Number*
Commercial St	17	11th St	3
Duane St	2	West End	7
10th St	3		
Marine Dr	10	Total	42

NOTE.—See attached exhibit A. It shows Astoria's business "boom" in photographs.

VII. DECLINE IN CLATSOP COUNTY LABOR FORCE

Number in Clatsop County labor force

Year:	*Number*	Year—Continued	*Number*
1956	13,000	1960	10,800
1957	12,200	1961	10,000
1958	12,250	1962	[1] 9,000
1959	12,300		

[1] Subject to downward revision.

NOTE.—Note drop of 4,000 in the 7-year period.

Source: OSES.

VIII. POPULATION DECLINE [4]

Clatsop County suffered a decrease in population of 3,967, or 13.1 percent, between 1950 and 1960.

Astoria, which had 14,027 residents in 1920, has only 10,152 today.

[4] Source: U.S. census, and OSES.

Comment: The impact of the recent layoffs in flour have not been felt as yet. The Pillsbury shutdown was cushioned by the severance pay negotiated by the union, and by unemployment benefits. The longshore force has been seeking work in other ports. But unemployment compensation will run out, and men cannot continue to commute 50 to 100 miles to work. Eventually, many will be forced to move, with their families, out of the area.

In a county with a total estimated population of only 27,352 persons, the above noted declines in population, labor force, job opportunity, and business are serious indeed.

IX. CAUSES FOR LOSS OF POPULATION AND PAYROLLS

Clarification: It is not our purpose to go into some types of industry loss, such as the county's once prosperous bulb-growing industry, or other areas of employment and income outside our experience as longshoremen. We shall confine this to an examination of cargo losses and some effort to evaluate their cause.

1. Tonnage summary: The principal outbound cargo items from Astoria have been logs, lumber, wheat, flour, feed, and canned fish.

The principal inbound items have been petroleum products and frozen tuna for processing in local canneries.

Inbound and outbound totals in tons: 1957, 377,510; 1961, 275,826 (1957 was chosen as the base year, because wheat, which has since been lost as a cargo item, was then important. We exported 172,905 tons of wheat that year).

Breakdown

	1961	1957
OUTBOUND		
Logs	105,536	17,173
Lumber	54,561	7,370
Plywood	221	None
Wheat	[1] 532	[2] 172,905
Flour	59,953	86,192
Feed	555	7,796
Canned salmon	433	None
General	397	1,795
INBOUND		
Petroleum products	37,492	73,244
Frozen fish	12,495	10,141
Canned fish	3,651	84
General	None	273
Total, inbound and outbound	275,826	377,510

[1] One-twentieth of a ship.
[2] 20 ships.

Comment: The biggest single item last year was logs. Lately, however, log shipments to Japan have fallen off sharply, due to a variety of reasons—one of which (the condition of the piers) will be discussed under a later heading.

Flour and feed have been dropped from the ships' manifests entirely, due to the closure November 22, 1961, of the Pillsbury mill, which had been engaged in grinding flour for export since 1917.

Take logs, flour, and feed away from our tonnage (we lost wheat some time ago), and there is left only 109,782 tons. This is the figure which must be compared with the 1957 tonnage figure; and which we have to shoot at for this year: a little outbound lumber and some inbound petroleum and frozen tuna. Unless what is left our once lucrative import-export tonnage can be retained and used for a basis to gain back the volume of past years.

X. CAUSES OF DECLINE IN OCEAN COMMERCE

1. The embargo against China trade: It is not the purpose of this report to discuss the merits or demerits of the trade ban on the country which in former times was the main outlet for Oregon lumber, flour, and wheat.

We mention, only in passing, that the 1949 embargo (which other countries of the free world, including Canada, are no longer observing) ended a trade

which at one time kept two flour mills running around the clock in Astoria; and which even in the depression thirties, kept steam up in tidewater sawmills which have since closed.

2. Export flour manufacture has moved overseas: Federally financed competition in South America and the Philippines was responsible for closure of the local flour mill, Judge Guy Boyington was quoted as saying, in the Astorian of February 14, 1962.

The Pillsbury Co. closed the local mill, after making arrangements to grind flour at various oversea points to which the company had previously shipped flour from the local plant. This is what Harry J. Taylor, business agent of the Weighers, Warehousemen & Cereal Workers Union, Local 18, charged in a letter to the same newspaper. The charges were documented.

3. Condition of the port's public ocean dock terminals: The facility is obsolete and no longer competitive with upriver terminals. See exhibit B, attached. (Pictures of the docks.)

The Murray report stated that deterioration from lack of maintenance has now reached the point where certain sections of the plant must be completely rebuilt, if the facility is to continue in operation. The advanced deterioration of substructures on the west side of pier 2 and pier 3 is such that failures of the deck or floor area will occur if any sizable amount of cargo is placed in such areas. Disrepair in some places is such that rehabilitation or condemnation of these areas is essential.

A survey conducted by ILWU Local 50's committee for the welfare of the port indicates the piers will not support the weight of the type of crane needed to load logs competitively with upriver ports; or to safely unload concrete, steel, and other materials which will be needed soon for construction of the trans-Columbia Bridge.

The local 50 committee survey also disclosed evidence that firms which might have an interest in utilizing the docks would be unwilling to use them in their present condition.

The deck planking on pier 2 recently gave way under a longshoreman engaged in loading lumber. He escaped serious injury only by throwing out his arms to prevent falling through the dock into the river.

XI. PORT OF ASTORIA

1. The port facilities: They consist of three fingerlike piers, with berthing space for 10 oceangoing vessels; a 1 million bushel grain elevator and flour mill, and 167,000-square-foot covered warehouse, located on pier 1; and a 248,000-square-foot transit shed located on pier 3. Pier 2 is an open pier.

All piers have rail connections, and there is a "herringbone" on pier 1.

Facilities and plant under jurisdiction of the port commission include, also, a small boat mooring basin, fishermen's dock, a 20-inch pipeline suction dredge, and the local airport.

Comment: Murray & Associates found Astoria's marine terminals were originally overbuilt, and that the income derived from their use had not been sufficient to provide the necessary preventive maintenance, let alone the modernization necessary to make them competitive.

The Murray report stated that the past investment and present worth of the piers and terminals were worth salvaging, and that this should be done, because of the role maritime plays in the economy of the county.

2. The port's income: The port's estimated biennial income for the period beginning July 1, 1960, and ending June 30, 1962, according to an article in the Astorian of August 25, 1961, was $850,210. Of this, some $300,000, or 44 percent, was anticipated income from the Pillsbury Co. Pier 1 (with the grain elevator, half of which was then under lease to Pillsbury, and the flour mill) was the only facility which was expected to show a profit.

The anticipated loss in operation of the other piers, and of the mooring basin, fishermen's dock, and the airport, was expected to be covered by the profit from the mill, elevator, and pier 1 operations.

Comment: Longshoremen are not cost accountants. A detailed statement of the port's financial condition, and schedule for retiring outstanding bonds (no payment on the remaining principal indebtedness is due until 1964) is available from other sources.

It is the purpose of this report merely to indicate these matters, and to concern itself with the human angles involved in the port's continuing operation, its payroll, and employment possibilities, and potential—and, inversely, with the

social cost to the entire Clatsop County community if its once flourishing maritime industry is permitted to dwindle and die.

3. Can the docks be rehabilitated, and made competitive with upriver terminals?

The Murray report said that they could, and opined—after analyzing income sources in the county—that "the economy of the area (the entire county) has been, and will continue to be, tied unalterably to the port at Astoria."

The report recommended that the terminals be reconstructed to provide a versatile facility requiring a minimum of maintenance, and suggested a master plan on which to proceed.

4. How could a repair and modernization program be financed?

(*a*) Through Federal help, if this can be obtained.

(*b*) A minimal type rehabilitation program could be financed through the issuance of bonds which could be retired from future revenue.

A survey to nail down exact costs of a renovating program that would permit the terminals to continue functioning is being made and is to be presented this week.[5]

5. Some cost estimates: It has been estimated that minimal repairs might be accomplished for approximately $3½ million. Not a large sum, when it is realized that this would not only protect the taxpayers' original investment, but place the port in a position to seek new cargo and reattract that which has been lost; thereby insuring the continuance of payrolls and employment.

Primary rehabilitation needs include repairs to pier 2 to the point where it could support a crane for the loading of lumber and the unloading of steel.

At least one of the commissioners, Albert Rissman, who is a member of ILWU Local 92, has recommended that an outlay be set aside that would enable the port body to provide special loading or unloading equipment for firms that might be induced to locate here, because of the access to deep-water transportation, could their needs be met.

6. Can new cargo items be found to replace what has been lost?

Logs: Rehabilitation of pier 2 and purchase of a gantry crane would implement the continued movement of logs. Lumber, as a cargo item, has already been stepped up from 7,370 tons in 1957, to 54,561 tons last year.

Flour: Even after it had purchased plants in Canada and moved part of its flour manufacturing overseas, the Pillsbury Co. hung onto its flour operation in Astoria for a time. This reportedly was because of the plant's strategic position as a possible shipper to China, should trade with that country be resumed. The firm's refusal to sell or lease to the port any of the machinery in the mill indicates reluctance on the part of the company to let a possible competitor take advantage of the location. Certainly the mill is ideally situated for flour trade with Red China (with her 700 million people and her desperate food need).

Wheat: There is at present an enormous unsold wheat surplus in the United States. This, plus the fact that 90 percent of Northwest wheat goes into export channels, indicates that some modernization of existing terminal facilities, plus an aggressive campaign on the part of the commission, would easily reattract wheat as a cargo item here.

Flour tonnage in the past 5 years brought 643 vessels to the terminals, 56 percent of the total vessel calls.

A large part of the flour volume was relief agency flour; that is, flour purchased by the U.S. Government and donated to a relief agency, such as CARE, UNICEF, etc., for delivery to a foreign country. As a distressed area, it is our contention that this port is entitled to some of these shipments.

Beans, peas, dried milk, etc.: The Murray report stated there was a potential for increased tonnages in the above items through the port, from inland areas of Oregon and Washington.

In this connection, it is interesting to note that members of our union reported that a ship loaded with Canadian cargo destined for Red China was held over recently in the port of Vancouver, British Columbia, waiting the arrival of sacked Oregon beans, similarly earmarked for shipment to the country we are doing business with, through third parties and U.S. capital investment in nations which are trading openly with our onetime No. 1 foreign customer.

The Commodity Credit Corporation controls a large outbound annual movement of the agricultural products cited above from Oregon, Washington, and Idaho. Pressure could be placed on Congress to see that the Federal agency

[5] NOTE.—This is now available.

gives some consideration to the storage of such commodities in distress area ports, and to shipment from their terminals.

Containerization: The Murray report noted that in containerization, a new process in cargo handling, Astoria's geographical position at the mouth of the river would give the port a substantial advantage in turnaround time over up-river ports, in serving a fully containerized vessel service to and from the Columbia. The county's pulp and paper plant potential would fit into this pattern.

Furniture: Various other cargo potentials exist through the availability of natural resources, adapted ideally to certain types of new manufacture that might be attracted to our region. This could include fine furniture, made from alder wood.

The port-owned tideflats west of pier 3 would be an asset in attracting new industry needing deep-water frontage.

XII. WHY EFFORT AT EVERY LEVEL OF GOVERNMENT SHOULD BE DIRECTED TO THE REHABILITATION AND MODERNIZATION OF OUR PORT

1. The Americana Annual lists maritime as Oregon's fifth industry, in order of importance. The paucity of harbors on the Pacific coast, as compared to the east coast, invests Astoria—located at the entrance of the river which furnishes the only deep-draft harborage between Puget Sound and San Francisco—with special importance. With Coos Bay and Yacquina Bay, Astoria is the only year-round harbor on the Oregon coast.

2. The present world situation, especially with regard to tension areas in east Asia, makes it imperative that the port facilities at Astoria should be kept in a state of usability, in the event of a national emergency.

At the same time, it is equally important to the overall growth of this area, from a long-range viewpoint, for facilities to be available here to take advantage of the vast, new markets in the Orient, if and when our policies in regard to world trade come in line with those of other maritime nations.

3. Our pilotage and channel advantages (the county court's industrial advisory committee lists channel depth between Astoria and the ocean as 45 feet, compared to a 35-foot depth between Astoria and Portland) should be exploited, through greater effort to enlist new cargo and business.

4. Finally, preservation of the docks and extension of ocean commerce complement the other major industry, which has the potential for great future growth in this area—the tourist trade.

Our public docks, with freighters flying the flags of exotic, far-off lands, have always been a main attraction to tourists, particularly to those coming from the Midwest over U.S. 30 and the "Old Oregon Trail," who have never had the opportunity to watch ships loading and discharging cargo.

Members of our union on countless occasions have observed the tourists congregated at points of vantage to watch the cargo going into the hatches, and such interesting practices as the topping of the booms.

In conclusion: The ships are our bread and butter. But they are more than that.

Our maritime commerce—symbol of man's prosperity and man's hope—should be extended. And shore facilities, in ports such as Astoria, with one of the finest fresh-water harbors in the world, should be considered a national resource.

STATEMENT OF INTERNATIONAL WOODWORKERS OF AMERICA, LEGISLATIVE COMMITTEE OF LOCAL 3–116, COOS BAY, OREG.

Mr. Chairman and members of the committee, we the undersigned are members of the Legislative Committee of Local 3–116, International Woodworkers of America, AFL–CIO, of Coos Bay, Oreg. Our local union represents approximately 1,400 men, employed in the lumbering industry in the Coos Bay area.

We have for some time been concerned about the adverse economic conditions being experienced in our area and particularly in the sawmills and logging. Our local submitted a brief to the Subcommittee on the Impact of Imports and Exports on American Employment expressing our concern over the log export problem and we are taking the liberty of enclosing a copy of that brief with this report.

The fact that Canadian lumber shipments have taken over the Atlantic coast market and have made inroads in many other marketing areas as well as showing a tremendous increase in lumber shipments to the California market we know has been shown to you through the many statistical charts presented to you as documentary proof.

However, gentlemen, since we are representatives of people employed in the lumbering industry our chief concern is about the welfare of the worker, who, because of these conditions, is forced out of work. Throughout the Northwest we have experienced an upswing of unemployment in our industry over the past few years, and are seeing it growing in proportion now, and strongly feel that if through the combined efforts of our legislature, industry, labor, and civic leaders something is not done very soon that it will spread to an alarming proportion in a short while.

We have noted that the Canadian Government owns approximately 1,000,700 million feet of timber (these figures were taken from British Columbia Forest Service continuous forestry inventory); while our Government owns approximately 778 billion feet (these figures taken from U.S. Forest Service Timber Resource Review). In view of these facts and the fact that Canada manages its timber with the apparent view in mind of keeping their lumber industry sound economically by fluctuating stumpage prices and insuring their people of a continuous supply of timber. We strongly urge that our Government manage its forests with these same views in mind.

We would like to take this opportunity of showing you an example of what is happening to the individual worker in our industry. Let us use as an example a man 40 years of age, who has put 20 years of his life into learning his trade as a sawmill worker, suddenly through no fault of his own but because of these adverse economic conditions he is laid off work. He must then sign for his unemployment benefits, at a greatly reduced rate of pay, and begin his search for work. Because of his age and primarily because sawmills in our industry are just not hiring he finds it extremely difficult to find employment. This, I assure you gentlemen, is a new experience to this man, who is a specialist in his trade and has enjoyed steady employment over the years, in many instances with one company. He may because he is an intelligent and good worker pick up a few extra days work here and there or he may be forced to uproot his family and leave the area (this too is not an easy matter for our entire industry is experiencing the same difficulties). He cannot find work in a new industry because of inexperience and the reluctance of industry to train men of his age.

The tragic part of this is the hardship and suffering his family and he must endure.

Gentlemen, we are putting it mildly when we say that we are deeply concerned about this type of thing happening and apparently growing throughout the industry.

We submit to you that these men only ask that their Government, the lumbering industry, and their labor unions give them the job opportunity to prove to the world that being put somewhere near a competitive basis with other workmen in their industry that they will produce a product, sorely needed throughout our country and the world, in quantity and quality that will rank at the top of anyone's list, as they have always done in the past. These men are the strength and backbone of our communities. Let us pledge ourselves to work together to give them their opportunity.

We feel that increase in Government-backed loans for single unit housing would help our industry as well as a possible subsidy to American shippers. We do not feel any repeal of the Jones Act will solve our problems.

We do not intend to suggest a solution to this complex problem but rather to put our trust in you Senators, who with your knowledge of the many sides of this problem and your concern about the welfare of our people will act with all haste to aid our people and our communities.

Respectfully submitted.

DONALD R. VOGTSBERGER,
AL LAFLEUR,
The Legislative Committee Local 3–116, I.W.A. AFL–CIO.
DANIEL F. KELLY,
Financial Secretary–Business Agent.

STATEMENT OF SILAS JONES, EMPLOYEE REPRESENTATIVE OF WARRENTON LUMBER CO., WARRENTON, OREG.

My name is Silas Jones. I am speaking for the employees of Warrenton Lumber Co. of Warrenton, Oreg. We, as employees, do not know the actual financial condition of the sawmills, but during the last 10 years, we have seen sawmill after sawmill shut its doors and dispose of its property and equipment. In 1952 there were four large cargo sawmills and several small mills operating in Clatsop County, Oreg., which employed more than 600 men. Today there are three smaller sawmills operating and they employ less than 200 men. We are very concerned about the possibility of those few remaining sawmills having to close their doors because of unfair competition from the Canadian sawmills.

Most of the employees of Warrenton Lumber Co. have worked in sawmills the better part of their lives and are skilled in their particular jobs. If they were to lose their jobs, and had to look elsewhere for employment, they would be forced to work at common labor or be retrained in some other skill. As there are very few industries operating in Clatsop County, they would have to seek employment in some other area. A large number of the men either own or are buying their homes. If they were forced to make a move, they would have difficulty in selling their homes, and very probably would take a large loss on the sale.

We very seriously urge that some action be taken to protect our jobs and homes.

STATEMENT OF LEWIS KRAUSS, ROUGH & READY LUMBER CO., JOSEPHINE COUNTY, OREG.

Mr. Chairman and members of the committee, my name is Lewis Krauss and I represent the Rough & Ready Lumber Co. which is located in the southern part of Josephine County, Oreg. Our mill is a small family owned operation and we are dependent, almost entirely, on Forest Service timber.

Over the years, the demand for timber, in this area, has greatly exceeded the supply, resulting in the complete closure of many mills, and a sharp curtailment of production in others. For instance, in 1946 there were 25 mills in our area, now there are three remaining who operate on a curtailed basis of 8 or 9 months per year. Naturally, this has created a serious unemployment problem—so serious, in fact, that Josephine County has been declared a depressed area.

The Area Redevelopment Administration, in trying to promote industry to relieve unemployment, is planning to grant a Federal loan to the West Coast Plywood Co. to reopen the now defunct Grants Pass Plywood, one of our former competitors which was forced into receivership a year ago. My understanding of the purpose of the ARA is the creation of new jobs within these depressed areas and not the trading of jobs from one mill to another.

Now we are not trying to avoid competition or stand in the way of progress in Josephine County, but our feeling is that this is a rather futile effort, since it would be one more drain on our limited timber supply and would almost certainly create as much unemployment ultimately, as it would temporarily reduce. For these reasons we request this committee to charge the ARA with the responsibility of holding a public hearing in Josephine County to gather more facts concerning timber supply before this loan to West Coast Plywood Co. is granted.

STATEMENT OF HON. A. W. LAFFERTY, LAWYER, PORTLAND, OREG., ON THE NEUBERGER BILL, S. 3105, AND ITS IMPLICATIONS

Mr. Chairman, by freeing ocean shipments of commodities between our Atlantic and Pacific seaboards from the restrictions of the Jones Act, all intercoastal commerce, not merely lumber, will necessarily be included.

ALL COMMERCE BENEFITED

An important point, so far overlooked, is that the Neuberger bill, by its terms, does not limit the anticipated good effects of the measure to lumber alone. Indeed, any discrimination between lumber and grain, groceries, meats, fish, machinery, furniture, boots, shoes, hats, and every other item of commerce, would be unconstitutional.

IMPROVED RAIL SERVICE TO BE TRIGGERED

Looking specifically to improvement of our western lumber industry, which feature inspires your current timely deliberations, it is quite true that the great bulk of western lumber would continue to move eastward by rail.

But the mere fact that passage of the Neuberger amendment, if it does pass, will have made cheaper water transportation available, will prove an incentive to our transcontinental rails to give maximum good service, lest they lose tonnage.

RESTORATION OF "15-DAY HOLD" PRIVILEGE

Your committee is already familiar with the rise and fall of the "15-day hold" policy of American railroads, and its retention to this date by Canadian railroads.

On March 31 of this year, just 3 days before Senator Neuberger introduced her bill, I printed in the Oregon Voter, and airmailed a copy to her, a two-page advertisement embodying a brief of Western Lumber Marketing Association, from which I beg to quote:

"Several years ago, rail shippers were allowed flexibility in sending their lumber east via U.S. railroads. They could hold cars en route or divert them for reasonable periods of time, to match delivery dates with the needs of eastern dealers and distributors who cannot carry huge lumber inventories on sidings and whose building plans are subject to changing weather.

"This flexibility helped 'smooth out' the Northwest's lumber market. We could cut and ship fairly continuously throughout the year, avoiding peaks and valleys in our economy.

* * * * * * *

"But, today, U.S. railroads have abandoned this previously granted 15-day holding policy. The result: if easterners order lumber only when and as they need it, railroads will be clogged during peak periods; mills which can't maintain huge inventories or do not have a nationwide complex of distribution warehouses will have to operate spasmodically; payrolls will jump up and down, and so will the lumber market.

"During this same past 2 years, in an effort to promote traffic rather than restrict it, Canada's two railroads have kept their 15-day-hold policy in effect. Hence, logically, much lumber is being shipped east across Canada—wholesalers find the shipping flexibility they need on Canadian railroads.

* * * * * * *

"The five major railroads serving wheat shippers in eastern Oregon and Washington have consistently cut freight rates to compete with truck and barge carriers. Is lumber any less a commodity in this region?

"Apparently so, for this month a group of U.S. railroads asked Canada's two main carriers to abandon their 15-day-hold policy. This move, say the proponents, would 'equalize' the two nations' lumber transportation policies. It would, indeed. It would make Canada's approach as unrealistic and discriminatory as the United States.

"Something is awry here.

* * * * * * *

"Does the answer lie in the monolithic financial character of a few lumber corporations—with distribution warehouses and terminals strewn around the country, with water cargo carriers of their own ready for Government subsidy? Do these titans simply want to eliminate the 'little man' from the lumber scene for the sake of bigness alone?

"We urge greater public and congressional attention to the needs of the West's rail-shipping lumber mills; greater scrutiny of ICC decisions affecting railroad freight policies, and less concern over Canada's enlightened and aggressive trade practices.

* * * * * * *

"Canada need not steal our lumber markets. It is not doing so today.

"We have enough lumber in the West to cut and sell profitably for generations to come; enough to serve as a continuing platform under our regional economy, if we are allowed to market it with the flexibility which supposedly characterizes a true private enterprise system."

CONCLUSION

Mr. Chairman, having made this small contribution to your record, which you will carry back to Washington for study by the great Interstate and Foreign Commerce Committees of both Senate and House, the President and his administrative agencies, I am sure that your continued labors will bring forth at this session of Congress modification of the Jones Act as being the major step of all proposals submitted to improve not only the northwest lumber industry, but commerce of the United States in general.

I thank you.

STATEMENT OF JEAN LEEP, LEEP LOGGING CORP., MYRTLE POINT, OREG.

Mr. Chairman and members of the committee, my name is Jean Leep. I am the president of Leep Logging Corp. The Leep Logging Corp is a sawmill located at Myrtle Point, Oreg., one of the communities that ships its lumber through the port of Coos Bay. We employ 30 men and have a payroll of approximately $173,000. We are the last of five mills in Myrtle Point, and this payroll contributes heavily to the economy of this small town.

During the course of a year we produce approximately 9,500,000 board feet of lumber, all of which must be shipped by water because of its weight. Of this production, 6,500,000 is fir and 3 million is of various other species. Because of market requirements, this 3 million must go to the east coast.

In recent years, we have realized that to stay in business with the type of timber we are dependent on, we would have to gear our operation to the use of large quantities of this off-species timber. However, in the last year we have had to seriously curtail our production for the east coast market. As a matter of fact, at the present time we have 1,200,000 feet of off-species logs in storage that we cannot saw because of the present market conditions. This has forced us to start cutting our fir timber, which we had planned to save for winter logging, at great cost to us.

In addition to these logs, we have an inventory of over one-half of a million feet of east coast lumber that we have been unable to sell at a break-even price. Last year, in a market that was none too good, we sold this type of lumber for $56 to $58. This year we have had to accept $51 in order to gain working capital. We attribute this price drop directly to the Canadian imports.

We can see, very clearly, that if we do not get some measure of relief that will make it possible for us to sell lumber on the east coast, we will probably be forced out of business. The only way we can hope to compete with the larger operators and with Canada is for us to keep our mill as modern as possible. This expense must be paid out of our profit dollar which today does not exist. Under today's conditions, the necessary profit is not there to enable us to buy and install new equipment or even to properly maintain the equipment we have.

Gentlemen, as a small operator, I can assure you that we cannot hold out much longer. If there is not some type of relief forthcoming immediately, we as well as many others in our position, will be forced out of business.

Thank you for your courtesy in allowing me to appear before you.

STATEMENT OF JAMES LENAHAN, COOS BAY CHAMBER OF COMMERCE, AND ERIC SAUKKONEN, NORTH BEND CHAMBER OF COMMERCE

Mr. Chairman, members of this committee, my name is James Lenahan, and I am representing the Coos Bay Chamber of Commerce, and the North Bend Chamber of Commerce.

By definition and function, a chamber of commerce is established to aid, foster, and protect the business climate of its area. The Coos Bay and North Bend chambers have no other aim. The business community of our area now faces what is developing into a serious threat to our stability. The port of Coos Bay has, for years, been recognized as one of the largest, if not the largest, lumber shipping port in the world. In the most recent 5 years, we have noted that total shipments of lumber and logs have dropped from 636 million to 495 million, a decrease of 22 percent, but more important we have seen shipments

of lumber to the Atlantic coast drop from 247 million to 133 million, a decrease of 46 percent. We can attribute this loss to nothing other than the great increase in the importation of Canadian lumber into the United States.

We have been forunate, in a sense, to be able to maintain our employment level at about the same as past years, and our unemployment levels are reasonable and only slightly above the State average. This has been due to the fact that new industries and new jobs have appeared to take the place of those lost in lumber manufacturing. We have held our own overall but we have not shown the hoped-for growth due to the fact that sawmilling has decreased in recent years.

After due consideration the joint chambers feel that the problem of Canadian imports must be dealt with immediately in order to forestall any further loss of shipments through our port, and to assure the lumber industry of our area of marketing conditions which will allow them to continue operations on a profitable basis, thereby maintaining and expanding our economy.

STATEMENT OF FRED M. LUNDY, LUNDY BROS., INC., WALDPORT, OREG.

I represent Lundy Bros., Inc., Waldport, Oreg., located in Lincoln County, a labor surplus area. If conditions continue such as they are today, we are also very likely to have a surplus of lumbering operations in Lincoln County.

We are strictly a cargo mill and manufacture about 50 percent hemlock and 50 percent fir lumber. In the past we have shipped all of our hemlock to the east coast. Today we cannot compete with the Canadians due to our higher costs such as freight, stumpage, and dollar differentials.

We are the only major payroll in the city of Waldport, in Lincoln County. As a matter of fact, we are the only lumbering operation left in the south end of our county.

Our direct payroll averages $300,000 per year. This does not take into account the small loggers and contractors working with us.

The combined lumbering payroll in Lincoln County is of utmost importance as it represents 75 percent of the total payroll.

We strongly recommend the Federal Government take immediate steps to establish equality in the transportation and tariffs for forest products as between the United States and other countries.

STATEMENT OF RUSSELL K. MAINE, INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION, LOCAL NO. 12, COOS BAY, OREG.

As a delegate to this hearing, I am representing a work force of approximately 500 men engaged in loading ships in the port of Coos Bay, Oreg. In addition to this work force, the neighboring ports of Bandon and Newport depend on Coos Bay for supplemental longshore work.

You gentlemen probably know, Coos Bay is considered the world's largest lumber shipping port in the world. About 75 percent of the economy in the bay area depends on lumber and lumber products. These are the only commodities shipped by water from Coos Bay. The amount of lumber shipped to the east coast from the port of Coos Bay in 1957 was 246,773,543 board feet. This amount decreased each year for the next 5 years until in 1961 only 133,915,981 board feet was shipped. This amounted to a loss of approximately 80,960-plus man-hours, or about $291,456 in wages to longshoremen alone in the year 1961.

The lumber industry, excluding longshoremen and truckers employs over 4,000 people with a payroll over $27 million. Of this number, approximately 2,000 employees are involved in the production of lumber alone in Coos Bay. Unless something is done to improve lumber shipments to our domestic markets, our men and all of Coos County will become a much more depressed area than it has been in the past.

The increased export of logs have helped to fill in for our lost lumber shipments. Although some of the smaller sawmill operators have objected strenuously to the export of logs, they seem to agree that Canadian imports are having a much more adverse effect on the lumber industry. Many farmers with small patches of timber, gypo loggers, raftmen, and longeshoremen were given a wel-

come economic boost by an increase in the export of logs at a time when the lumber market was very poor. We understand the Japanese have discontinued buying fir logs, at least temporarily, in this area.

ILWU Local 12 would not under any circumstances recommend revising the Jones Act. We feel that any changes in this act would only increase unemployment and possibly culminate in complete extinction of our already weakened American merchant marine. We would rather advocate a subsidy to the American shipping lines in the intercoastal trade, which in turn would allow cheaper shipping rates to the lumber industry. We also feel that export of nonstrategic materials to foreign countries such as China would help to stimulate the lumber industry.

STATEMENT OF DOUG PETERSON, THE BROOKINGS-HARBOR CHAMBER OF COMMERCE, BROOKINGS, OREG.

My name is Doug Peterson. I am the president of the Brookings-Harbor Chamber of Commerce, Brookings, Oreg. Brookings is a town of 2,580 population on the southern Oregon coast; situated on U.S. Highway 101, 7 miles from the Oregon-California border.

Brookings was established for and has grown according to the lumber industry. In the Brookings-Harbor community 62 percent of the working force is employed directly in the lumber industry. Another fair percentage are employed in lumber service-type enterprises. The majority of our labor force, our businesses, and our local tax-supported facilities are dependent on the present and future health of the American lumber industry. This is a situation not peculiar to Brookings alone but is in evidence the length of the Oregon coast.

Our development is and has always been directly regulated by the lumber industry. Our geographical location and natural and manufactured resources have precluded the development of any other sustaining industry. When the lumber industry subsides, all of our businesses suffer and directly our entire population is adversely affected. There is no other industrial area which can absorb the excess labor force in our community and provide the payrolls to maintain our businesses, homes, and standards of living.

The lumber industry is and must necessarily continue to be our prime industry and source of income. To this end our mills must be afforded all means to compete favorably and successfully in the United States and the world markets.

Therefore, on behalf of the Brookings-Harbor Chamber of Commerce and the citizens of Brookings, I respectfully request that this committee recognize our predicament and react favorably to institute action in accordance with our system of free enterprise to insure the capability of our lumber industry, not only to maintain itself but to develop and progress with the rest of the nations.

STATEMENT OF GEORGE RITCHIEAND, BATE LUMBER CO., GRANTS PASS, OREG.

Mr. Chairman and members of the committee, my name is George Ritchieand. I represent the Bate Lumber Co. which operates a plywood plant near Grants Pass, Oreg.

In February of 1961 due to a shortage of timber being offered for sale by the U.S. Forest Service and the Bureau of Land Management we were forced to close our lumber division which employed over 200 people.

Our company had an investment of $1,500,000 in this operation and if the timber was available we would still be manufacturing lumber.

We are concerned that the proposed ARA $800,000 loan to the West Coast Plywood Co. in Grants Pass for the purpose of reviving a bankrupt company will cause an even greater timber shortage which still exists in our operating area and we therefore request this committee ask the ARA to hold public hearings in Grants Pass and vicinity in regards to the availability of timber with respect to this proposed loan.

A contributing factor to the shortage of timber offered for sale in our operating area is the consistent underestimates of timber offered by the Bureau of Land Management. Not only does this mean we have paid for timber which doesn't exist but it has the effect of creating what is an artificial timber shortage which could be corrected if the BLM sold the volume of timber they claim they do.

We therefore respectfully make another request of this committee which is to investigate the sales practices of the BLM with special emphasis on their methods and practices of measuring the timber they offer for sale.

Thank you very much.

STATEMENT OF WELBY SCHNEIDER, SCHNEIDER LUMBER CO., BROWNSVILLE, OREG.

I am Welby Schneider, owner of Schneider Lumber Co., at Brownsville, Oreg. I employ approximately 100 people with a payroll of nearly $500,000 per year.

I purchase timber from both the Forest Service and the Bureau of Land Management. One of the most serious problems we have is the BLM system of charging a lump sum for an estimated volume of timber regardless of what we actually remove.

The Forest Service sells on a recovery basis; that is, you pay for what you actually remove. At our mill logs are taken from the truck and laid out on the ground where each log may be accurately measured and the volume recorded by a professional scaler, trained by an independent scaling bureau. This recorded volume is what we are charged for by the Forest Service. Thus we pay for what we get. No more or no less.

In contrast the BLM sell their timber on a cruise basis. That is BLM personnel go into the woods and attempt to estimate the usable volume in a standing tree and the purchaser must pay on this estimate whether it is correct or not. Even the most experienced cruisers, in highly defective old growth timber, disagree as to the volume within a given tract and a satisfactory answer isn't found until it is logged and taken to the mill and actually measured.

For example, in two BLM sales I completed last year my measured scale recovery was 2,250,000 board feet less than the BLM indicated was there. This represented a direct loss of $75,259.06 for stumpage alone. In all fairness the BLM cruisers were not alone in misjudging these tracts. While my cruiser indicated considerably less volume than represented by the BLM I was dismayed to find the big underruns I stated above.

The primary cause for this misjudgment was the hidden defect factor which was readily apparent to the scaler. When trees are bucked up into logs a scaler has a much better opportunity to see the various defects, whereas any cruiser must call upon his crystal ball to estimate what he cannot see in the standing tree.

In buying timber on a cruise basis each interested party must spend considerable time and money attempting to arrive at a figure that will represent the usable volume that will be recovered from a given tract. On Forest Service scaled sales this expense is considerably lessened as the volume determination loses much of its significance. Anything such as this to reduce our costs helps us in our competitive struggle with our neighbors to the north.

This cruise problem has become so serious throughout the State that groups of operators have had several meetings with the BLM requesting corrective action be taken.

Due to the highly competitive and economic conditions the lumber industry is facing today, we cannot stand the extra risk involved in buying BLM timber on a cruise basis.

We therefore respectfully request this committee to investigate this problem and do all within its powers to see that the interests of both the Government and business are protected by requiring the BLM to sell their timber on a scaled basis.

Thank you for giving me this opportunity to present this serious problem.

STATEMENT OF DEAN F. SHERMAN, EDITOR, THE LUMBERMAN, PORTLAND, OREG.

Lumbermen have historically been vocal exponents of free enterprise and bitterly resent anything that remotely looks like a Government subsidy. They have produced lumber and wood products that have housed millions of Americans.

However, our shrinking world and the developing conditions within our own economy have placed many marketing factors beyond the scope of the industry and in the hands of the Federal Government.

We have to start on the premise that this Nation has grown and prospered due to the resourcefulness and incentives of the free enterprise system—that our national strength has been, and still is, dependent upon our industrial prosperity—that the throttling off of any industry seriously affects the national welfare and our ability to maintain our dominant world position.

The lumber industry's present major problem has to do with imports of lumber—primarily because our own U.S. softwood industries can no longer compete on an even basis in our own Atlantic seaboard markets. This is an absurdity, but it is part of many problems that have to a great extent been self-incubated.

The Jones Act is part of the troubles. Designed as a post-World War I expediency to proposedly protect our intercoastal merchant marine (now nearly extinct), the act now serves only to maintain a heavy dollar penalty on cargo shipments of west coast lumber to the Atlantic seaboard; it helps only to perpetuate the give away of our own prosperity; it helps provide Canadian lumbermen with a real advantage over our west coast industry in our own markets.

There is also the added cost of loading ships at American ports, as much as $4 to $6 per thousand feet. Depending upon prevailing charter rates, Canadians have a water shipping advantage over U.S. mills to our eastern seaboard of about $10 per thousand board feet.

The raw material costs: The Forest Service is rightly concerned with the raw material supply since under their control is 60 to 70 percent of our merchantable softwoods. However, there seems to be mistaken ideas in Washington that the timber is "Government owned" when in fact the Department of Agriculture is merely the custodian of our nationally owned timber supply.

Federal timber is the primary supply for sale to non-timber-owning mills and secondary supply for many mills owning some timber. Since stumpage prices have gone beyond the level of sound economics by contributing to an artificial scarcity of timber, a large share of the industry is adversely affected. Neither are the lumber manufacturers without fault in bidding up prices beyond all reason. That action has been in desperation to keep in operation. However, today the bid-in price has risen to nearly equal manufacturing costs. This one factor alone has resulted in closing hundreds of mills, estimated to be at the rate of over 100 mills a month the last 2 years. The situation has been further compounded by imports of 4 billion feet from Canada last year.

The fact remains that British Columbia coast mills pay their government an average of $7.30 for stumpage while U.S. west coast mills pay an average of $22.13 per thousand board feet for stumpage—three times as much. This in itself hands Canadian producers a healthy advantage in our own marketplace.

The devaluation of the Canadian dollar to 92.5 cents against our dollar provides an additional total monetary advantage of about $5 per thousand board feet on $70 lumber. This is further attrition of our position and cripples our efforts to compete fairly in our own markets.

It is not only a matter of Canadian competition but may well develop to the point where we find increasing imports from other countries. Lumber manufacturers thus find themselves in the disliked position of having to seek Government help to solve these problems at a Federal level.

The Jones Act; stumpage prices; the 15-day freehold advantage on Canadian rail lines; the inequality in tariffs, all require legislative action. These the lumber industry cannot solve alone, much as it might like to do so.

The result of these factors on western lumber industry has been the loss of 1.3 billion board feet of production in Douglas-fir in 1961, below the previous 10-year average. The Canadian producers have gained just about that much in imports into this country. This means 7,400 loggers and sawmill employees lost jobs. It means the loss of $40 million in wages, lost profits and tax revenues. It also means loss of business to merchant and to mill and logging equipment suppliers.

Though no accurate tally has yet been made, it is estimated that an average of 100 sawmills a month have been closed because they cannot meet the competition. It has resulted in more mergers of larger companies to meet competition by broad diversification requiring very large capital investment.

A chance to compete in our own markets on an equal basis, is all that the U.S. lumber manufacturers are asking. The absurdity is even that any major industry should find itself forced into such circumstances. The problem is complex and not easy to solve, and will take time. Certainly we cannot afford,

nor would we wish, to have our northern neighbors in an unfavorable economic position anymore than Canada can afford to have us in the same spot. The Canadian Government is aware of the facts and of the importance of its lumber industry to its welfare. It realizes and acknowledges the truth of the situation and acts accordingly. Too often our own legislative actions have been the result of expediency and pressure groups without knowledge of the results of these actions. This is a case in point.

A few weeks ago, West Coast Lumbermen's Association executive vice president, G. C. Edgett, laid a nine-point program before the western Governors' conference.

Two of the points succumbed to the attrition of change 2 weeks later due to the devaluation of the Canadian dollar and the third and fourth in May. However, it might be well to review them and examine those areas left where equality at the marketplace could be established, in part.

1. Amend the Merchant Marine Act of 1920 to permit the transport of American lumber on foreign ships to Puerto Rico.
2. Amend the Shipping Act of 1916 to exempt export lumber, as was done with other bulk commodities in Public Law 87–346.
3. Appoint a three-man commission to recommend measures for the improvement of lumber-loading performance at U.S. ports.
4. Insure that the Interstate Commerce Commission has authority to order U.S. railroads to refrain from joining in on through rates of Canadian lumber shipments which have been accorded a 15-day freehold.
5. Request the U.S. Treasury Board to use the stabilization fund to counteract any massive intervention by Canada in the foreign exchange field (now outdated).
6. Introduce a resolution at the next meeting of the International Monetary Fund requesting Canada to declare a fixed par value on the Canadian dollar (now outdated).
7. Accept the recommendation of the U.S. Tariff Commission of a separate classification for drilled, glued, and treated lumber, but change the proposed tariff on 1.5 percent to the 20-percent level which is in effect in Canada (now outdated by action to remain at 1.5 percent).
8. Pursue the proposal of the National Lumber Manufacturers Association for a conference between United States and Canadian Government officials and trade representatives to eliminate tariffs between the two countries on softwood lumber until imports reach 10 percent of domestic consumption.
9. Adopt in full the national forest management recommendations of the lumber industry to the Secretary of Agriculture on performance standards, timber appraisals, appeals procedures, and contract revisions.

We should be quick to point out, however, that the west coast lumber industry is not a dying industry. Total lumber output last year was $820 million in Oregon and Washington alone. The industry has a large pool of skilled workmen and the finest equipment in sawmills and logging operations in the world. The industry has nationwide acceptance of the species and products which are aggressively merchandised. Given equal competitive advantages it can hold its own by any other region in the world.

Right now it is carrying a "fat" monkey on its back and seeks only that those who are responsible for the welfare of our country on high governmental levels act in accordance with our Nation's welfare.

Though there have been numerous meetings from Portland to Washington no real action has taken place on these problems. There have been congressional hearings and joint industry and senatorial meetings on an impressive scale. Admittedly it is a tough problem with many facets. We believe that many basic problems and understandings could result when lumbermen from both countries sit down across the table.

We believe that there are many areas of joint action that can be taken by the lumber industries and Governments of the two countries working together to increase export markets abroad.

While actions proposed to date may not be a total solution, they are a start. It must be realized that British Columbia alone could produce nearly half of the present U.S. softwood lumber requirements with advantages of its monetary exchange rates, stumpage prices, taxation, rail policies, wage and labor policies, and governmental sales promotion activities. A workable solution must be found for both countries before irreparable damage is done.

EFFECTS OF EQUIPMENT SUPPLIES

Thousands of jobs as well as the continued operation of the lumber industry depends upon its equipment and service suppliers.

Sales of equipment to the lumber industry are conservatively estimated to have been off from 17 to 50 percent this past year. This includes logging as well as sawmill purchases.

During the 1929–30 depression years many mills could keep operating as all costs declined including labor and stumpage. Today the situation is the reverse. Costs of stumpage and labor and other expense have continued to climb, while markets have dwindled and profit margins have been squeezed almost to nonexistence.

Equipment distributors have reported to us that they have little more than traded dollars the past year, while records show that many of them have gone out of business in the Pacific Northwest alone. Distributors of equipment serving logging operations have estimated that up to 50 percent of the loggers in many Western areas are not presently operating while suppliers of mill equipment estimate that about one-third of the small and medium mills are presently down, or have been greatly curtailed in operations the past 2 years.

Here we have a clear-cut situation of smaller operators rapidly going out of business and the larger operators merging to maintain their existence. Unless a mill is prepared today to install barker and chipper equipment, plywood plant and probably a particleboard plant and other diversification, he is gradually being eliminated by competition, imports, taxes, and high raw material costs. He must today be prepared to invest a minimum of $3 to $5 million to diversify his products and this in the face of an administration that has been seemingly unfriendly to business.

The general economic condition of the lumber industry also affects such businesses as our own in the business publishing field.

Along with the equipment suppliers and wood manufacturers, our publishing business has also been down considerably. Most recently we are combining our two publications, the Lumberman and the Timberman, into one publication, to be known as Forest Industries. This is a direct result of economic conditions of the wood-products industries which we serve. Equipment manufacturers advise that their sales have been so reduced that they have curtailed promotion of their own business in this field.

STATEMENT OF C. WYLIE SMITH, COOS HEAD TIMBER CO., COOS BAY, OREG.

My name is C. Wylie Smith. I am vice president of the Coos Head Timber Co., of Coos Bay, Oreg, manufacturers of lumber and plywood. Coos Bay is recognized as the largest lumber-shipping port in the world and hence the stability and the rate of employment in the forest-products plants is very important to the economy of the Coos Bay area. Our company operates 2 sawmills and 1 plywood plant with a total direct employment in these plants of 320 people and an additional 200 men are employed in the logging and trucking of the logs required for our plant operations.

Our plywood production for the year 1961 was 37,169,364 feet and our lumber production was 79,285,312 feet. This lumber-production figure is approximately 8 million feet less than the 1960 production and approximately 20 million feet less than the production for the year 1959 since the loss of our lumber markets to Canada forced us to discontinue one shift at our Empire, Oreg., operation with the resulting layoff of approximately 70 men.

I am certain that your committee has been furnished with adequate statistics to show the loss of both domestic and export lumber markets to Canada by the American mills. Attached is a concise table setting forth the waterborne shipments of lumber from Oregon, Washington, and British Columbia to the United States Atlantic coast. In the interest of saving the time of your committee, I would like to refer only to the year 1951 on this table which shows the American mills supplying 93.01 percent of our Atlantic coast market and Canadian mills supplying 6.99 percent. Ten years later, or for the year 1961, the American mills supplied 42.82 percent and the Canadian mills had taken over 57.18 percent of our Atlantic coast market. The figures for the first 4 months of 1962 show even a more serious loss of this Atlantic coast market to the American mills with Canada supplying 67.93 percent and our mills only 32.07 percent.

Waterborne shipments of lumber from Oregon, Washington, and British Columbia to the U.S. Atlantic coast

Year	Total board feet (thousands)	Oregon and Washington board feet (thousands)	Percent	British Columbia board feet (thousands)	Percent
1951	877,242	815,944	93.01	61,298	6.99
1952	1,275,777	1,053,699	82.59	222,078	17.41
1953	1,593,834	1,058,869	66.44	534,965	33.56
1954	1,441,531	933,696	64.77	507,835	35.23
1955	1,376,059	1,031,139	74.93	344,920	25.07
1956	1,305,199	1,023,038	78.38	282,161	21.62
1957	1,248,831	973,398	77.94	275,433	22.06
1958	1,526,388	923,961	60.53	602,427	39.47
1959	1,497,054	902,836	60.31	594,218	39.69
1960	1,543,593	848,989	55.00	694,604	45.00
1961	1,389,194	594,856	42.82	794,338	57.18
1962 (4 months)	553,761	177,581	32.07	376,180	67.93

NOTE.—1951 to date: Shipments from California are included in Oregon and Washington and total columns.

Source: West Coast Lumbermen's Association, based on reports of Pacific Lumber Inspection Bureau.

The figures just referred to are industrywide and while they present a very serious situation, I should like to take a moment to point out what has happened at our plant and which shows an even more serious and urgent problem. The following chart sets forth lumber sales from our company to Atlantic coast markets for the past 7 full years and 1962 to date:

Coos Head Timber Co. sales, Atlantic coast

Year	Footage (board measure)	Percent
1955	7,478,108	
1956	8,055,062	
1957	6,266,527	
Subtotal	21,799,697	92.55
1958	210,610	
1959	978,966	
1960	65,331	
1961	499,296	
Subtotal	1,754,213	7.45
1962		0
Total	23,553,910	100.00

For the period beginning with the calendar year 1958 to date, our company has shipped only 1,754,213 feet of lumber to Atlantic coast markets, equivalent to approximately 1 week of production, as compared with 21,799,697 feet shipped during the 3-year period 1955 to 1957, inclusive, or expressed on a percentage basis, our shipments to the Atlantic coast markets for the past 4½-year period were only 7.45 percent of the volume of 23,553,910 feet shipped during the past 7½-year period. The loss by our company of this Atlantic coast market, which up until the last 4 years was an outlet for a very substantial portion of our lumber production, has forced us to place over 90 percent of our domestic sales in the California market and primarily in the Los Angeles area. Our company is a typical cargo mill operation, being located on tidewater and has traditionally always shipped by cargo vessels, and we are not equipped by location or products to compete in the inland rail markets. The Canadians are putting ever-increasing quantities of lumber into the Los Angeles market as are American producers who have lost their traditional Atlantic coast market to Canada and unless this situation is changed, we can see only a further curtailment of the operations of our company with resulting layoff of men presently employed in the mills and in the woods.

The Pacific Lumber Inspection Bureau figures show that for the calendar year 1961 a total of 1,189 million feet of lumber was exported from the Northwest America and British Columbia mills of which British Columbia supplied 856 million feet, or 71.99 percent, as compared with 333 million feet, or 28.01 percent, from the American mills. Now I should like to point out the extent to which our company has lost the South African market to Canada:

Coos Head Timber Co., sales, Africa

	Feet		*Feet*
1957	6,777,123	1960	9,147,402
1958	5,530,517	1961	42,189
1959	5,187,546	1962	

The above figures need very little explanation as they point out very dramatically that for the years 1957 to 1960 inclusive the South African market was a very substantial buyer of our export lumber and that for the year 1961 and 1962 to date our company has lost this market to Canada with our shipments being practically nil during the past 1½-year period.

Another serious problem confronting our industry is the export of logs to Japan. The last session of the Oregon Legislature realized the seriousness of this problem and passed into law house bill No. 1663 prohibiting the export of logs from State-owned lands. The purchaser of an Oregon State Forest Board timber sale must now sign an affidavit and post a performance bond guaranteeing that he will "not sell the purchased timber for delivery outside the boundaries of the United States in log form and that said timber shall be primarily processed in the United States as provided in chapter 700, Oregon Laws of 1961." This is a step in the right direction, but actually covers only a very small volume of timber and to be effective restrictions of a similar nature should apply to all timber sold by the U.S. Forest Service and the Bureau of Land Management, with the possible exception of Port Orford cedar logs for which there is presently no satisfactory market for the American mills.

A witness before the congressional hearing in Portland on October 7, 1961, was quoted in the October 9, 1961, issues of the World as saying "that most of the log cargo was salvage-type timber, largely logs from thinnings."

The same issue of the World quoted from an interview over KEZI–TV, Eugene, in which the speaker said:

"Until Japan entered the market for Douglas-fir logs, much of the material now exported was destroyed in the woods as too small and of quality too poor to be used by American mills, he stated. From 20 to 40 percent of the export logs are what would be generally classed as culls All of the exports of Douglas-fir, he pointed out, consists of third growth timber with the exception of some large cull logs bought by the Japanese."

As Confucius says, "A good picture is better than a thousand words" and I would like to have you carefully look over four pictures which I took at Central Dock in Coos Bay on October 11, 1961, at four different locations throughout the dock storage yard and showing the high quality logs awaiting loading out on the ships.

Mr. Norio Tanaka, managing director of the Council for Forest Resources of Tokyo, Japan, said at a presentation in San Francisco on April 6, 1962, before the Western Forest Industries Association that Japan's requirements for forest products from our Pacific coast ports would continue in the approximate ratio of 75 percent in the form of logs and 25 percent as lumber. Why does Japan prefer to import logs rather than lumber? The research and study which we have made on this question convinces us that one of the major considerations in Japan for importing logs rather than lumber is to provide jobs for the thousands of people who are employed in the Japanese sawmills, plywood plants, etc., and engaged in converting our logs into usable finished products. We are convinced that when an inadequate supply of raw material, such as logs is being exported, that we are also exporting jobs of American workmen.

Local No. 3–116 of the International Woodworkers of America, affiliated with the AFL–CIO, representing approximately 1,200 workers in the Coos Bay area, recognized the jeopardy to the jobs of their membership through the exportation of logs to Japan, and we are attaching a copy of their brief of December 6, 1961, to the Honorable John H. Dent, chairman of the Subcommittee on the Impact of Imports and Exports on American Employment, U.S. House of Representatives, Washington, D.C.

We are certain that your committee has heard the U.S. Forest Service criticized at other hearings, as well as this one, for their policies in appraising and pricing national forest timber. We do not want to take time here to belabor this point, as the experience at our company has been that the Bureau of Land Management practice of making timber sales on a cruise basis results in a much more serious loss and problem to our company than the U.S. Forest Service practice of selling timber on the basis of the scale of the logs actually recovered from the timber sale contract area.

Following is a chart which sets forth the volume of logs recovered by our company from 11 different BLM timber sale contracts which we have completed within the last 2-year period and involve over 30 million feet, board measure, of timber.

Contract No.	Location	Purchased on BLM cruise (thousand feet board measure)	Columbia River bureau log scale (thousand feet board measure)	Amoun tof shortage (thousand feet board measure)	Percent shortage
14-11-001 (8)-281	North Fork Middle Creek	5,103	4,347	756	14.81
14-11-0001(8)-320	do	3,404	2,931	473	13.90
14-11-0001(8)-319	Catching Creek-Sumner	1,556	1,175	381	24.49
14-11-001 (8)-258	Sec. 3-Middle Creek	3,181	2,602	579	18.20
14-11-0001(8)-8	Vaughan Creek-Middle Creek	3,773	2,890	883	23.40
14-11-0001(8)-359	Honcho Creek-Middle Creek	5,852	3,922	1,930	32.98
14-11-0001(8)-343	North Fork Ridge-Middle Creek	6,134	4,011	2,123	34.61
14-11-0001(8)-365	Burnt Mountain-Middle Creek	5,939	4,341	1,598	26.91
14-11-0001(8)-394	Vaughan Creek	3,032	2,628	404	13.32
14-11-001 (8)-228	Daniels Creek	1,444	1,499	(55)	(3.81)
14-11-0001(8)-358	Burnt Mountain-Middle Creek	2,692	2,002	690	25.63
Total		42,110	32,348	9,762	23.18

All of the logs removed from the above-listed BLM contracts were scaled by the Columbia River Log Scaling and Grading Bureau which is the largest independent log-scaling bureau in the State of Oregon and represents the sellers and buyers on the scaling of over 4 billion feet of logs in an average year. The scale of the logs in the above table shows a shortage of 9,762,000 feet under the amount that we paid the BLM for, or a 23.18-percent underrun. Expressed in dollars per thousand feet log scale, this means that on an average stumpage rate paid the BLM of $28, and a recovery of only 76.82 percent of the volume paid for the actual cost per thousand feet is $36.45 to which must be added required road construction costs which represent an additional expense to the buyer on many typical BLM timber sale contracts of $6 to $8 per thousand feet.

Recent meetings held with the operators and representatives from the BLM in Eugene, San Francisco, and Portland, brought out statements that this overcruising of timber is being experienced in the Salem, Eugene, Roseburg, and Medford BLM Districts at well as the Coos Bay District. We respectfully request that immediate steps be taken to correct this inequity which puts the American mill at a very serious disadvantage in competing with the Canadian producer for the available domestice and foreign lumber markets.

DECEMBER 6, 1961.

Hon. JOHN H. DENT,
Chairman, the Subcommittee on the Impact of Imports and Exports on American Employment, U.S. House of Representatives, Washington, D.C.

DEAR SIR: Our names are Al LaFleur and Dan Kelly, president and financial secretary-business agent respectively, of local 3–116 of the International Woodworkers of America, affiliated with AFL–CIO.

We wish to thank you for your invitation to appear at your meeting held in Washington, D.C., the latter part of November and the first part of December. However, since it was impossible for us to send a representative at that time we do desire to take advantage of your generous offer to submit a statement for the

final record and hope that we can be of some aid in helping you solve what, to us, is a very serious problem in the lumbering industry. Namely, the export of logs to Japan.

Sincerely yours,

AL LAFLEUR,
President.
DAN KELLY,
Financial Secretary-Business Agent.

Our local union represents approximately 1,200 workers in the lumbering industry, and includes, loggers, sawmill, plywood and hardboard plant employees. We have, during the past year become very concerned about export of logs to Japan because we see jobs for our workers being exported as well.

To bear this out let me point out that there is a definite shortage of timber and logs in the Coos Bay area for the sustained operation of the large number of forest products industries. As proof of this statement, since World War II we have seen a number of old, established mills, which had operated for 25 years or more, shut down, and the equipment removed from the plants. To name a few of these, I am referring to the Georgia-Pacific Co. sawmill, at Millington, the Irwin-Lyons sawmill, at North Bend, the E. K. Wood Lumber Co. sawmill at Reedsport, and the Evans Products Co. sawmill, in Coos Bay. In addition to these large plants there have been dozens of small sawmill operations which have shut down since World War II. We now see more of the small operations shutting down or drastically curtailing their operations because they cannot compete against the Japanese log buyers. We have personal knowledge that some of the larger independent operators now, or will in the near future, face the same fate if the present rate of log export from public lands continues.

The people employed in the plants which have closed down are forced to either move from the area or, in many cases, accept jobs within the area that are below the scale of pay and the skill of the jobs they previously performed.

In the port of Coos Bay we see from two to three large Japanese vessels loading logs continuously and this has been going on for about 2 years now. From a September Forest Service report on Pacific Northwest log and lumber exports to Japan, requested by Senators Morse, Neuberger, Magnuson, and Jackson, we note that for the period from January through August of 1961, log exports from Oregon totaled 75,811,000 feet as against 14,870,000 feet for the same period of 1960. From Washington we see an increase for this period from 6,952,000 in 1960, to 64,041,000 in 1961. The combined increase from the 2 States for this period is from 21,822,000 to 139,853,000. (All the above figures are per Scribner log scale.)

We have noted further that the quality of logs exported has risen as well, until now the bulk of logs shipped from our area are of a prime quality and excellent size for use in the mills of our area.

We have heard statements by people exporting logs that they have created work for loggers as well as longshoremen. This is no doubt true as far as longshoremen are concerned but we wish to go on record as stating that as far as the hourly paid loggers are concerned they would have performed the same jobs at the same scale of wages whether the logs go to the mills in our area or aboard the ships; and we are further convinced that the mills were and are in the market for all of these logs.

We recognize the facts that the American lumber market is soft due to many reasons and that the effect of Canadian lumber shipments, where we understand the operators are protected by their Government's control over sale and stumpage price of Government timber, as well as their advantages of being able to use foreign ships at cheaper rates and the low rate of import duty. These advantages help make possible for them to take U.S. east coast orders from our mills. We would also like to see a better housing program to create a stronger market.

We, however, feel that the problem of log export is a separate problem that needs immediate attention, for when a tree is cut from our forest lands it takes many years for it to be replaced and if our Government operates its timber sales on a sustained-yield basis, which we strongly approve, we have been told by many experts in the forestry field that the present supply of timber will not be sufficient to keep all of our plants in operation. Since it then seems inevitable that some of our people must be unemployed by this necessary program we can see no reason to add the additional burden of log export on our already diminishing supply of timber.

We understand that timber in the Grays Harbor area, in the State of Washington, and timber from Alaska is now prohibited from being exported by Federal legislation.

The last session of the Oregon Legislature realized the seriousness of the log export problem and passed into law House bill No. 1663. This bill was introduced by Representatives Clarence Barton, "Bun" Kelsay, and Sid Leiken. These men represent districts where our forest-products industries are of prime importance to employment and economy of the areas and we feel they deserve a great deal of credit for their outstanding work on this bill. House bill No. 1663 prohibits the export of logs from State-owned lands. The purchase of an Oregon State forest board timber sale must now sign an affidavit and post a performance bond guaranteeing that he will not sell the purchased timber for delivery outside the boundaries of the United States in log form and that said timber shall be primarily processed in the United States as provided in chapter 706, Oregon law of 1961.

We feel that this is a step in the right direction but actually covers only a small volume of timber and that in order to be effective restrictions of a similar nature should cover all timber sold by the U.S. Forest Service and Bureau of Land Management, with the exception of logs actually of a species and quality unusable by American mills. Here we refer primarily to Port Oxford cedar logs, which have long been exported from our area.

Lastly we believe that it is always the soundest economic policy to manufacture as much as possible the raw materials of an area in or near that given area, especially when as in our area the plants to do that manufacturing are available and in need of the raw material. We respectfully request that the Congress of the United States enact necessary legislation to prevent the further export of our limited timber supply in the raw material form of logs from Government-owned timberlands.

IWA Local 3–116, AFL–CIO.
Al LaFleur,
Dan Kelly.

STATEMENT OF FRED SOHN, SUN STUDS, INC., ROSEBURG, OREG.

Mr. Chairman and members of the committee, I am Fred Sohn, president of Sun Studs, Inc., Roseburg, Oreg.

Our area is not unique in timber ownership. It is typical of the western fir region. It is important to note that 65 percent of all commercial timber is owned by our Government. Only 35 percent is in private hands and half of this is controlled by our large timber owning companies. Due to this timber pattern, no private company operating in our area owns substantial quantities of timber in relation to their capacity. We are all dependent on Government timber for our existence.

I believe that many of the timber problems, which have been created over the years, are due to an arbitrary philosophy of our Government timber selling agencies. Our Government agents, who manage these timber resources, have assumed the position of sole owners, without the checks and balances which are so traditional in our form of Government. Due to this philosophy our Government's attitude has become one of a private monopoly, with all the pitfalls, restrictions, and abuses of such a position. Contracts, which we enter with the Bureau of Land Management and the Forest Service, are so one-sided that no reasonable person would sign such an instrument. May I quote one sentence from one of the Government contracts: "The purchaser shall put, maintain, and leave in a condition satisfactory to the authorized officer all roads shown on exhibit B and roads constructed by the purchaser." This means that the officer in charge of this particular sale can make us do anything he wants us to do and we will have to do it if we want to operate. He can make us pave this road, he can make us rock this road, or have a water wagon on this road, rain or shine. Our only recourse is to go to his superior and plead for reasonableness.

Another point which I would like to mention is the appraisal policy of the Bureau of Land Management and the Forest Service as an outgrowth of this monopolistic position. It is not good enough to appraise the timber, by some formula or established method, but our Government acknowledges that it must also look into the crystal ball to see what the future market may be in order

to add another nickel to the price of stumpage. In other words, the Government is speculating with this natural resource. The Bureau of Land Management does this manipulation somewhat differently from the Forest Service. They cruise a timber tract and sell it in a lump sum on its cruise, but they do not use any accepted standards to do this job. They use their own standards and change them at their will. Again, there is no recourse—except that we do not have to buy these sales, but shut down our operation.

If you permit me, I would like to quote several sales:

	Thousand board feet
No. 1: Bureau of Land Management cruise	3,317
Actual cutout	2,069
Falldown or 60 percent overcruised	1,208
No. 2: Bureau of Land Management cruise	1,709
Actual cutout	1,186
Falldown or 44 percent overcruised	523
No. 3: Bureau of Land Management cruise	1,724
Actual cutout	1,298
Falldown or 33 percent overcruised	426

These are the cutout results of these Bureau of Land Management sales which have been bought and logged. Why are these differences? The Bureau of Land Management makes 100 percent cruises, which cannot be checked in the field, except by recruising the whole tract at considerable expense to each operator or the Government. They cannot be checked by our cutout reports because the Bureau of Land Management does not accept them as a check scale. The reason given us is the fact that these logs have not been scaled by the Bureau of Land Management, but by an independent scaling bureau on whose board of directors industry as well as Government is represented. Due to industry pressures, some scale sales have been made by the Bureau of Land Management, but the scaling was done by the Bureau of Land Management, using their own standards and methods. Under those conditions, the cruises must remain inaccurate since the Bureau of Land Management has no method to standardize their cruising work, but can change the results at their will.

I would like to recommend abandonment of 100 percent cruising and use sample cruising in its place. This would improve the accuracy of cruising since it can be checked. But this is only a partial solution unless we can check these results against our cutout reports which are based on certificates by the independent log scaling and grading bureaus.

I would like to stress the fact that these problems, as well as others, are homemade. I trust that you can help us to solve some of them.

I would like to thank the committee for having been given the opportunity to present my views.

STATEMENT OF L. R. SPOFFORD, FISHER BROS. CO., ASTORIA, OREG.

I am here representing Fisher Bros. Co. of Astoria, Clatsop County, Oreg., to report on the value of the lumber-processing plant to the economy of our area.

Our firm has been in continuous operation since 1872 and now employs between 25 and 30 persons with payroll of more than $120,000 annually. We sell hardware and industrial supplies principally to logging and lumber industry, commercial fishery, heavy construction, and all types of industrial plants.

In order to establish the value of lumber mills to us, let me report that out of total sales in 1961 of over $745,000, 36 percent of this amount was sold to the logging and sawmill industry. It is therefore extremely important to our local economy that any interference which hinders a free competitive manufacturing and distributing operation should be carefully reviewed and every consideration given to a proper means of restoring this important industry to a healthy and stable condition.

STATEMENT OF JAMES S. STACY, WESTPORT LUMBER CO., WESTPORT, OREG.

My name is Jim Stacy. I am president of Westport Lumber Co., of Westport, Oreg. Our mill is located on the Columbia River, 25 miles from the ocean. We have our own deepwater dock and operate a cargo mill with a capacity of 90,000 board feet per shift. At the present time we employ 54 men. Our annual payroll is in excess of $300,000. This operation is the sole source of income and employment in the town of Westport, Oreg. The mill is the principal source of income for the local school district.

Clatsop County has historically had a very substantial sawmill industry. The total acreage of the county is approximately 550,000 acres with about 400,000 acres in timber-producing land. The present sawmill business left in our country is but a shadow of what we have had for many decades. Some drastic action by the Government to correct the ills of the industry is needed, and at once, if the present sawmill capacity of the county is to be maintained.

Of the various suggestions of relief to the industry, the modification of the Jones Act is the only one which will bring real and permanent help to restore us to the position which we formerly held. We are not asking for special favors. We want equality. And given that, we will compete and thrive.

It takes approximately 47 loggers to keep our mill running 2 shifts. Counting longshoremen, boom men, tugboat crews, etc., plus the actual men working the shifts at the mill, a very large number of families in our community are dependent upon the health of our industry.

A factor which is choking us is the unfair Canadian competition. The built-in advantage which is handed to them by our own legislation must be remedied if we are to survive. The recent devaluation of the Canadian dollar only makes our problem worse.

Clatsop County's great salmon industry is on the decline because of the ever-increasing encroachment of Federal dams on the Columbia River. We have lost the Tongue Point Naval Base, and the Pillsbury export flour mill has just been closed. We in our county cannot afford to have our sawmill industry further hurt. We need relief, and we need it now. Tomorrow won't help.

STATEMENT OF ALVIN H. THELIN, COQUILLE CHAMBER OF COMMERCE, COQUILLE, OREG.

The lumber industry is the predominant economic factor in Coquille as it is throughout Coos County and the State of Oregon. When this industry is depressed, it adversely affects our total economy through a curtailment in purchasing power.

The lumber industry has been in a depressed condition for the past 2 to 2½ years. This has been due to a number of factors, with the Canadian import problem perhaps the major factor. Right now, when the industry should be enjoying its best part of the year, it is still in the doldrums. This present situation can be attributed very largely to this factor wherein the Canadian lumber exports have captured large segments of the American markets. The several advantages enjoyed by Canadian lumber producers are directly responsible for this condition. To avoid repetition, we will not recite these advantages since we are sure you are familiar with them.

Coquille has some mute evidence of the shrinkage of its economy. During the past 12 months, we have had a net loss of eight business and professional establishments. In a city of our size, this is a substantial loss and represents loss of jobs and job opportunities. The continuance of these establishments are largely dependent on industrial payroll.

The situation that confronts the industry is and has been beyond the control of the lumber industry and we therefore feel that Congress is the proper body to provide the necessary relief. We respectfully request that you give this problem early and serious consideration and sincerely hope you will be able to recommend some immediate emergency action.

STATEMENT OF ORVAL N. THOMPSON, ON BEHALF OF DORVAL BEVENS AND ANNA BEVENS, PARTNERS, NORTH SIDE LUMBER CO.

My name is Orval N. Thompson. I am an attorney at law from Albany, Oreg. I am appearing today on behalf of my clients, Dorval Bevens and Anna Bevens

who are partners, doing business under the trade name of North Side Lumber Co. They operate a sawmill located six-tenths of a mile west of the town of Philomath, Oreg. The mill cuts between 18 and 20 million board feet of lumber per year and they employ 50 men in the mill and an additional 50 men are employed in the woods by the logging contractors who furnish logs to the mill.

The problem I want to present to your committee today arises from the arbitrary action of the forest supervisor of the Siuslaw National Forest in issuing an order creating a central log-scaling station at Philomath, Oreg. This order is arbitrary in that it was issued without consulting with the mill operators involved and without giving any consideration to the additional costs that will be imposed upon many mill operators, including North Side Lumber Co., as a result of the order.

North Side Lumber Co. secures its logs from three sources; namely, private timber, Bureau of Land Management timber, and Forest Service timber. All logs purchased by North Side Lumber Co. are scaled by a Columbia River Log Scaling and Grading Bureau scaler. A full-time scaler is assigned to the North Side mill by the Bureau and he scales all logs that go into their pond. This practice has been followed for many years and has heretofore met with the approval of the Forest Service. No complaints have been made to North Side by the Forest Service relative to the scale or to log accountability.

By a letter dated May 3, 1962 (file No. 2440), the forest supervisor of the Siuslaw National Forest notified North Side Lumber Co. and other sawmills in the Philomath area that a central scaling station was being established and that after it was placed in operation all Forest Service logs coming to or through Philomath would be scaled at the central scaling station. The cost of the scaling is to be paid by the mills who have logs scaled at the central station. The central station is to be located at the west city limits of Philomath. The North Side mill is approximately 0.65 miles west of this scaling station site.

The order of the forest supervisor is objectionable to North Side Lumber Co. for the following reasons:

(1) All Forest Service timber purchased by North Side in the Siuslaw National Forest is situated west of North Side's mill. This means that North Side will be required to haul all Forest Service logs past its sawmill, into the scaling station at Philomath, and then back to the mill. This is an additional hauling distance of 1.3 miles for each load of logs. Log hauling costs North Side 17 cents per thousand per mile, or 22.1 cents per thousand for the additional haul. At present North Side has three outstanding Forest Service timber contracts. Approximately 20 million feet of timber remains to be removed. The additional haul will cost North Side in excess of $4,220 under these three existing contracts.

(2) It is the position of North Side that the forest supervisor does not have the right to change the scaling location under existing contracts. This matter has been presented to the regional forester and on June 2, 1962, North Side received a copy of a letter from the regional forester dated May 31, 1962, indicating that the central scaling station would not be mandatory for existing contracts. However, it is submitted that the action of the forest supervisor in attempting to make central scaling apply to existing contracts was arbitrary and unwarranted.

(3) Use of the central scaling station will substantially increase the log-scaling costs of North Side. Even if all Forest Service logs are scaled at the central scaling station it will still be necessary for North Side to maintain a Bureau scaler at its sawmill to scale private timber logs and Bureau of Land Management logs purchased by it. Since the Bureau scaler at North Side's mill is on a full-time basis, it will be necessary for North Side to continue to pay the Bureau the salary of this scaler and in addition to pay the scaling charge for all Forest Service logs purchased by it and scaled at the central scaling station. North Side has thus far been unable to make an accurate estimate of the increase in its log-scaling costs but other operators who are in a similar situation have estimated that this procedure will increase their scaling costs by 35 to 40 cents per thousand board feet.

(4) The central scaling station will create an undue traffic hazard on U.S. Highway 20 where it is located. Log trucks hauling to the North Side mill in order to reach the central scaling station will be required to pass through a Y intersection of two important highways and to proceed across a railroad spur track to the west city limits of Philomath. At this point they will pull into the scaling station which will be located on the loaded trucks' righthand side

of the highway. After scaling, it will be necessary for log trucks destined for the North Side mill to make a left turn across U.S. Highway 20, back across the railroad spur track, and through the Y intersection. Highway 20 carries an average of 5,000 vehicles per day. The presence of log trucks at the central scaling station and making left turns across the highway will add materially to the traffic hazard.

(5) The operation of the central scaling station could result in log haulers to North Side being deprived of one trip per day. Many Forest Service logs purchased by North Side come from a distance of 60 to 65 miles. During the summer months it is customary for these log truckers to operate from daylight until dark. If the central scaling station is not open early and late it will mean that these truckers are deprived of one load per day. If this occurs the log truckers will demand a higher rate per thousand on the logs hauled by them.

(6) The central scaling station will probably result in delays while truckers are waiting for truckloads of logs ahead of them to be scaled. We are advised that this condition often prevails at the Fort Hill central scaling station which is also in the Siuslaw National Forest. Waiting time for a log truck will cost North Side a minimum of $10 per hour. Any waiting will add to their cost of operation.

(7) Cost of construction of the new scaling station is to be paid by the Columbia River Log Scaling and Grading Bureau, however, the cost thereof will be amortized over a 3-year period and charged against the mills who use the scaling facilities. Since North Side has adequate log-scaling facilities at its mill this means that it will be required to pay a proportionate share of a log-scaling facility for which it has no use.

(8) Cost of scaling logs at the central scaling station by the Columbia River Log Scaling and Grading Bureau is to be paid by each mill using the station. However, the Forest Service has advised that each mill must negotiate its own contract with the bureau. This is unfair in that the forest supervisor has issued an order requiring the mills to use the central scaling station but has not worked out the allocation of scaling costs by the bureau among the users of the central scaling station.

(9) The forest supervisor is without legal authority to require North Side to haul its logs past its mill to a scaling station. If the forest supervisor has the legal power to require North Side to haul its logs 1.3 miles out of its way, then cannot the forest supervisor require North Side or some other operator to haul logs 5 or 10 or 50 miles out of the way to have them scaled? On the basis of a 1.3-mile additional haul North Side's hauling costs for Forest Service timber would be increased by several thousands dollars each year.

We have made inquiry of other mills in the Philomath area and have learned of only one mill operator who was contacted prior to the issuance of the May 3, 1962, letter ordering the establishment of a central scaling station at Philomath. This indicates that the action of the forest supervisor was arbitrary and was made without knowledge or consideration of all facts involved. All of the mill operators with whom we have discussed this matter have been opposed to the central scaling station and have advised that it will increase their operating and scaling costs.

The forest supervisor of Siuslaw National Forest has stated that central scaling is desirable from a standpoint of scaling costs, log accountability, uniform scale, and opportunity to check scale. It is our position that none of these so-called reasons is valid and that the establishment of a central scaling station will not accomplish these purposes, especially insofar as North Side Lumber Co. is concerned.

SCALING COSTS

While the establishment of a central scaling station may reduce the per thousand scaling costs for mills that do not employ a full-time bureau scaler, the effect of such a central station will be to increase the scaling costs for mills that do employ a full-time bureau scaler, such as the one employed by North Side Lumber Co.

LOG ACCOUNTABILITY

No complaints have been made to North Side about log accountability. This has never been a problem with North Side and North Side is willing to account for all logs removed by its loggers from Forest Service timber areas. Under the central scaling station proposal log accountability will be changed from an indi-

vidual log count to number of truckloads. It is submitted that this will not improve log accountability. In fact, if anything, it will increase the possibility of lost logs because individual logs will no longer be accounted for, but rather only truckloads.

UNIFORM SCALE

North Side Lumber Co. now has all of its logs scaled by a Columbia River Log Scaling and Grading Bureau scaler. At the central scaling station a bureau scaler will be employed. It is our position that a bureau scale is the same whether it is made at the central scaling station, at North Side's mill, in the woods, or at any other location.

OPPORTUNITY TO CHECK SCALE

There will be no greater opportunity to check scale at the central scaling station than there is at the North Side mill or at any other scaling station. It is a simple matter for a check scaler to go to any scaling point or to any mill and check scale logs. All that a central scaling station would do would be eliminate the travel time of the check scaler in going from one location to another to make his check scale.

Another matter which is of vital importance to North Side Lumber Co. and other mills in the Philomath area is the practice of the forest supervisor to permit certain mills which are buying Forest Service timber located in the Siuslaw National Forest to scale the logs by using a water scale, while mills in the Philomath area which buy timber from the Siuslaw National Forest are required to scale their logs by use of a truck scale. If a sawmill has adequate water storage facilities it is more economical for that mill to use a water-scale basis than a truck-scale basis. Substantial savings result from the fact that a truckload of logs can be dumped into the pond without any waiting for scaling. In addition, several truckloads of logs can be accumulated in the millpond and scaled at one time, instead of the scaler having to be present when each truckload arrives.

North Side Lumber Co. has adequate water-storage facilities to enable it to have its logs scaled on a water-scale basis. The forest supervisor of the Siuslaw National Forest has refused to permit North Side to use a water scale however, giving as a reason that all mills in the Philomath area must use a truck scale regardless of their water-storage facilities. However, the forest supervisor permits other mills, most of which are located in the coastal area, to use a water-scale basis. All of these mills bid on the same Forest Service timber sales. Since they are competitors for the same timber sales, it is arbitrary and unreasonable for the forest supervisor to permit some of the mills to use a water scale for logs while requiring the mills in the Philomath area to use a truck scale.

All mills should be granted the privilege of operating as economically as possible.

North Side Lumber Co. has made application to the forest supervisor for permission to use water scaling of Forest Service logs. This permission has been denied, simply on the ground that all sawmills in the Philomath area must use truck scale regardless of the facilities that they have. We submit that this action is arbitrary and discriminates against North Side Lumber Co., who in bidding on Forest Service timber must compete with other mills which are permitted to use a water-scale basis.

We urge that the practice of the Forest Service in adopting rules for the scaling of logs removed from Forest Service timber be further investigated. We submit that it is not unreasonable to require the Forest Service to hold a hearing or make adequate inquiry among the operators who will be affected by a proposed order before the order is adopted and put into effect.

Thanks very much for the opportunity to appear before your committee.

STATEMENT OF JOHN UNDERWOOD, TILLAMOOK VENEER CO., TILLAMOOK, OREG.

Mr. Chairman and members of the subcommittee, I am John Underwood, 1402 Fifth Street, Tillamook, Oreg. I'm in charge of the Timber Department for Tillamook Veneer Co. I appear on behalf of Tillamook Veneer Co., Tillamook,

Oreg., a small, privately owned, plywood industry, consisting of approximately 230 employees.

The Tillamook area is what might be referred to as an area of isolated communities, situated along the coast of Oregon, and consisting primarily of dairying and timber industries. There are two sawmills and two plywood plants operating at this time in the Tillamook area. A month ago, there were two sawmills and three plywood plants operating, but due to market conditions, labor costs, and excessive timber and log costs, one of the plywood plants closed its doors, laying off 265 working personnel.

Excessive timber and log costs, increased logging costs, increasing labor costs, and increasing manufacturing costs, along with market prices continually falling off due to more and more competition, it is a never-ending struggle for small industry to stay alive and survive.

The U.S. Forest Service informed us, the Tillamook wood industries, that they are going to install a truck platform scaling station in the Tillamook area. The Forest Service did not come to us, the Tillamook wood industries, and discuss this truck platform scaling station, they merely told us that that was what they were going to do.

There are primarily three methods of scaling logs:

1. Water scale: This is where the logs are dumped into the water, and then scaled.
2. Bay scale: This method of scale requires the logs to be unloaded on the ground and then scaled.
3. Truck scale: The logs are scaled on the truck.

We, the Tillamook wood industry group, do not favor the Forest Service forcing a truck platform scaling station (a stopping station where logs are scaled on the truck) upon our area. It is an additional cost to each and every industry in the area. It will increase each industry's scaling cost approximately 25 cents per thousand board feet for every thousand board feet of logs that go through this truck scaling station, as each mill would have to continue having a Bureau scaler at their log dump. It would cost our industry alone approximately $2,000 per year additional scaling cost.

A truck platform scaling station would detain or hold up log trucks, which happens at nearly every truck platform scaling station in the country. This increases log hauling costs.

It has been proven that when trucks accumulate at a truck platform scaling station, the scalers become rushed, their work becomes sloppy, their log count becomes incorrect, they misrepresent the specie of the log and they have been known to measure the butt end of a log rather than the top end of a log, along with overlooking the defect in logs. This is not condemning the scalers; it's just a result of the scalers being rushed during different periods of the day.

The scale of a log is important, because that is the net amount of wood in a particular log, or group of logs, that can be used to produce a particular product.

You would not care to pay the full price for a head of lettuce when a portion of it is spoiled.

Neither does industry care to pay the full price for a whole log when part of it is defective; but, industry is willing to pay the price for that portion of the log which can be utilized to develop a product. It is very important that a log is properly scaled. In order for a log to be properly scaled, it has to be scaled by an unbiased, well-trained, and experienced scaler. The scaler cannot be rushed when doing a proper job of scaling.

Each mill in the Tillamook area, presently, has a Columbia River Bureau scaler at its log dump. The scaler is an unbiased scaler, working for a nonprofit organization known as the Columbia River Log Grading & Scaling Bureau. This scaler is responsible for evaluating the net scale of the logs and for log accountability.

The Forest Service states that the reason a truck platform scaling station is being located in the Tillamook area is for log accountability. They, the Forest Service, claim that water scaling does not develop proper log accountability, therefore, not acceptable to the Forest Service.

Our company, Tillamook Veneer Co., has used water scale exclusively and my experience with this company, has been no lost logs, 100 percent log accountability, equitable scaling, and a satisfactory program for all parties involved, including the truckers, for the log trucks are dumped and the logs scaled afterward.

The scaler has plenty of time to roll the log in the water and look it over for defects. He is able to avoid errors by not being rushed. He can see the whole log; he can get the species correct and produce a proper net scale.

Tillamook Veneer Co. is presently setting up to use a Bay scale along with the water scale. The Bay scale will be used with the smaller logs, will be a practical and equitable method of scaling, because the scaler will not be rushed. I will prove 100 percent log accountability, will not hold up logging trucks, and will cost us no, and I repeat, no additional costs where scaling is involved. We tag each log scaled with a metal tag so that any log at any time may be checked. Tillamook Veneer Co.'s decision to Bay scale was for the purpose of becoming more efficient, to reduce our costs when handling small logs. This decision was also a result of our company having to spend additional moneys for improving the plant facilities—to become more efficient in manufacturing—to be able to compete on the open market, and most important—to be able to use and utilize the type of material that is available in our forests of today. The old growth type of Douglas-fir is disappearing.

The timber in the Tillamook coastal area has a wide variation of grades. It is heavily defective with shake, rot, and shallowness. It has a wide variance of grain structure, and a strong tendency for the timber to be one-sided—this is when the limbs grow on one side of the tree.

This type of timber deserves full consideration when being scaled: it should not be hidden within a truckload of logs. It should not be covered with mud and snow. A broken log or defectiveness cannot be noticed when within a truckload of logs. Can you spot a few defective match sticks when holding a hand full of wooden matches? No, because you can't see inside the pile. That is the same trouble a scaler has when he is scaling a truckload of small logs on the truck.

The Forest Service should never consider forcing a truck platform scaling station on the Tillamook area for truck scaling this type of timber. It would be vastly unfair to force such a practice upon the industry.

I firmly believe that the reason the Forest Service is forcing the truck platform scaling stations upon the industry today, is that they, the Forest Service, intend to scale all logs developed from Forest Service timber. Forest Service scalers have not proven themselves to be the most equitable of scalers in other areas. They have a tendency to favor the party they are most concerned with, their employer. Let's stay with the nonprofitable, unbiased scaling bureau scalers, they have proven to be fair to both buyer and seller when scaling logs.

I also believe that another reason the Forest Service is forcing truck platform scaling stations upon industry is that they, the Forest Service, want to gradually force gross log scale on industry, whether industry can or could utilize all of the log or not.

If there is a log accountability problem as far as the Forest Service is concerned, why doesn't the Forest Service work it out with industry on an equitable basis? Why must governmental agencies have a militant attitude toward industry?

We, the wood industries, have developed and supported several associations. The costs have developed into enormous figures for supporting these associations. The primary purpose of these associations has been solely for the purpose of presenting industry problems to these many governmental agencies. These associations have developed a multitude of figures and have tried to present them to the Forest Service and Bureau of Land Management agencies. They have presented these figures to the Government personnel, secretaries, and to Senate hearings. The associations have tried to reason and work out the problems between the wood industries and governmental agencies—all to little or no avail.

Here we are today—witnessing another Senate hearing and bringing forth complaints on matters that should have been looked into and had reasonable results by now; but instead of that, we are spending more time and money, bringing forth additional complaints toward the Government and governmental agencies. A solution to many of these complaints could have been found in the field, except for this governmental agency attitude.

We, the wood industries, are at the mercy of the governmental agencies as far as timber supply is concerned in the Tillamook area. The Government needs industry as well as the wood industry needs Government timber.

I firmly believe that for the wood industry to survive against foreign competition, the Government and governmental agencies should work with industry and not against it.

STATEMENT OF ROBERT C. WARREN, CASCADE MANUFACTURING CO., PORTLAND, OREG.

My name is Robert C. Warren. I am president of Cascade Manufacturing Co., whose main plant and headquarters are located here in Portland. Our firm manufactures hydraulic equipment primarily for the materials handling industries and as a consequence I am not an expert witness nor am I familiar with the relative importance or even the overall implication of many of the specific issues being discussed here today.

I asked for this privilege of appearing because of my great concern for the health and stability of the lumber industry which accounts for a major portion of the employment in the Northwest. If this industry continues to decline, most other segments of the Oregon and Washington economies will be seriously affected along with them. The decline in their payrolls and capital investment affects the retailer, the service industry and the equipment manufacturer alike.

The problem before you is "What action should the Government take to alleviate this industry's uncompetitive position?" My solution is more involved with the basic philosophy rather than the mechanics, and will require a very far-reaching decision on the part of you gentlemen and your associates in Congress.

Even a casual observer cannot help but recognize that much of the dilemma facing this industry is the result of Government intervention and regulation—be it the question of using foreign versus American vessels, whether or not lumber can be shipped by rail prior to sale, or how much the mills must pay for stumpage on the ever-increasing federally owned lands. They all involve Government regulation and policy.

In my opinion the solution lies much deeper than the expedient change in a few regulations to meet the immediate crisis. The real question is whether this industry, like agriculture and maritime before them, is to become increasingly dependent on Government direction and controls which lead inevitably to subsidy. Given freedom of action, and competitive access to our abundant timber resources, I believe that the lumber industry can resolve their problems more effectively than Government ever can.

Lincoln's statement to the effect "that no nation can endure half slave and half free" is just as true economically as it is socially.

Thank you.

STATEMENT OF JAMES H. WHITTY, AL PEIRCE LUMBER CO., COOS BAY, OREG.

I am president of the Al Peirce Lumber Co. of Coos Bay, Oreg. The mill owned by our company is a cargo mill, as are all the mills in the Coos Bay area. All of us have been very seriously hurt by the ever-increasing amounts of Canadian lumber being imported into the United States.

The Al Peirce Lumber Co. in 1957 sold and shipped 104 million feet of lumber. In June of that year we were employing 316 people. For the year 1961 we sold and shipped 57 million feet and by May of 1962 the number of our employees had decreased to 145.

We feel it is significant to note, by way of comparison, that for the calendar year 1957 there was 246,773,543 feet of lumber shipped from the port of Coos Bay to the Atlantic coast. For the year 1961 this figure had been reduced to 133,015,081 feet.

It does not seem to us at this date, that enough emphasis has been placed on the tremendous potential of the Canadians to produce vast quantities of timber products. The best estimates obtainable indicate there is in excess of 1¾ trillion feet of timber in British Columbia alone.

The Canadian Government has proved that with the doctoring of their exchange rate, and with their trade promotion and advertising activities in our country, that they are out to completely dominate our markets. With unlimited amounts of raw material and aided by our own laws, such as the Jones Act, they are rapidly doing just that.

Our company does not feel it should suggest a solution to this problem. We think you gentlemen, as Members of the Senate, are in a much better position to know what action can and should be taken by our Government.

You have been holding hearings for several months now and we are sure you realize the problem is very serious. The announcement that the Canadians are going to eliminate the 15-day freehold on the 10th of June is of great help to the rail mills, but of no help to us. We cargo mills also need a remedy immediately, otherwise it will be too late for most of us.

STATEMENT OF WM. L. WIENERT, LINCOLN LUMBER SALES, INC., AND YAQUINA BAY DOCK & DREDGE CO., NEWPORT, OREG.

I am W. L. Wienert, representing two companies; Lincoln Lumber Sales, Inc., and Yaquina Bay Dock & Dredge Co., of Newport, Oreg.

I do not propose to come before you today with a solution for a problem that has such a vastly adverse effect on the major industry of the Northwest nor shall I attempt to speak for all of the Northwest. Instead I shall try to present a graphic economic picture of Yaquina Bay Harbor, Newport, Oreg.

Our mills produce in excess of 200,000 feet of lumber per day, and our public dock company handles approximately 15 million feet of lumber a month. All of this lumber is green and practically all of it is shipped to the east coast domestic market. As everyone here knows, our market is absolutely controlled by Canadian shippers. We feel that they have from an $8 to $14 overall market advantage mainly due to the fact they can ship on chartered vessels of any flag.

Other factors such as low-priced stumpage, cheaper stevedoring costs and a favorable monetary exchange also have a marked influence.

We feel that the unfavorable freight rate advantage enjoyed by the Canadian lumber producers is gradually destroying the Northwest lumber industry and in order to survive, a workable and mutually acceptable solution must be found.

STATEMENT OF DAVE WULLGER, WULLGER & WARILA LOGGING CO., ASTORIA, OREG.

My name is Dave Wullger. I am a partner in a logging firm located at Astoria, known as Wullger & Warila Logging Co.

Our logging firm sells its logs to the local mills which depend upon the Atlantic coast cargo market for an outlet for their sales. We only have four medium-sized mills left in our county, and one of these shut down in December, leaving three. We hear of the difficulty that these remaining mills are having to make ends meet, and we are vitally concerned that these mills continue to run, because without their market for our logs, we would be forced to shut down.

We started our company after the war—a partnership between two GI's—and have built the company up to where we log approximately 20 million feet per year, and employ 55 men with an annual payroll of $300,000. We have everything we have invested in the company and, in fact, a lot more too. Therefore, it is important to us and to a lot of others that we keep running.

We want something done which will help us get back the market Canada has taken away from the Northwest sawmills.

(The following letters and telegrams were subsequently received for the record:)

SEQUOIA FOREST INDUSTRIES, INC.,
Dinuba, Calif., June 27, 1962.

Senator MAGNUSON,
Chairman, Senate Commerce Committee, Washington, D.C.

DEAR SENATOR: I understand that the Commerce Committee is holding hearings on Forest Service scaling practices and I would appreciate having this letter included in the hearing record.

This company is entirely dependent on Forest Service timber purchasing 40 million board feet per year from the Sequoia and Sierra National Forests in California. Three problems that we are concerned with are:

1. Inexperienced scalers: The Forest Service has not been able to attract and hold qualified men for the scaling job. Periodically we are required to pay for logs on the scale of an inexperienced scaler, which quite often increases the cost of stumpage plus increasing the cost of logging through delays in log hauling. Although adequate salary ranges have been established for scalers, many scalers do not qualify for these rates for various administrative reasons.

2. Resolving problems: When is a difference of opinion on any of the various factors that enter into log scaling, we have been told repeatedly that the Forest Service scaler is correct, that his work has been checked, that the records are in order and that it is impossible to make any corrections or adjustments, regardless of how much evidence the company may have to the contrary. A more sympathetic and cooperative attitude in settling the occasional disputes that arise is necessary.

3. Scaling costs: A cooperative scaling agreement is required on most timber sales to provide for overtime scaling, scaling less than the minimum volume required per day and other services. We feel that as a timber seller the Government should bear the entire cost of selling the timber including the cost of scaling. The cooperative scaling charges quite often run into a considerable cost per thousand and this cost is not recognized by the Forest Service in appraising the value of Government stumpage.

Sincerely,

H. F. ANDERES, *Woods Manager.*

WARRENTON CHAMBER OF COMMERCE,
Warrenton, Oreg., May 24, 1962.

COMMITTEE, U.S. SENATE,
West Coast Lumber Investigation, Portland, Oreg.

GENTLEMEN: Warrenton, through its chamber of commerce, states that the plight of mill operators is serious and appears to be in part due to legislation that favors foreign competition.

If the investigation of June 4, 1962, proves this to be correct, we respectfully request that our Congress be petitioned to prepare at once to remedy the situation. The testimony should reveal whether the Jones Act is the chief culprit and in need of amendment. There may be other courses open. Chambers of commerce, including that of Warrenton, generally do not favor subsidy as a means of assistance.

In any event, when the record is in, the proper course of action should make itself evident and our request is for Congress to act immediately. Later may be too late.

Sincerely,

E. R. BALDWIN, *Manager.*

BEND, OREG., *May 29, 1962.*

Hon. WAYNE MORSE,
U.S. Senate, Washington, D.C.

DEAR WAYNE: For the past 21 years I have handled the sales for Brooks-Scanlon, Inc., a company with which I am sure you are familiar. During the past 6 years this company has expended over $6 million on plant improvements and equipment, making it one of the outstanding pine mills in the Nation. The attached brochure will verify this statement.

These accomplishments were made possible only through the confidence of stockholders who were determined that we should remain competitive and be here not only today, but also tomorrow.

We now find our markets being undermined by lumber imports from Canada, Mexico, and the Philippines. We welcome competition from within, but are helpless to compete with foreign imports produced with cheaper labor, cheaper currency, lower stumpage, and freeholding time on the railroads.

I presume you know that one Canadian Province, British Columbia, shipped more lumber to the Atlantic seaboard during the first quarter of this year than the States of Oregon and Washington combined.

Like most mills, we are not located on tidewater, and what happens to the Jones Act is of little concern to us.

Our major problems stem from the following:

1. Cheaper labor in adjoining countries;
2. Cheaper currency in neighboring countries which allows import advantages of 8 percent or more on the exchange;
3. Freeholds for 30 days by the Canadian railroads; and
4. Outdated Federal timber policies.

As our senior Senator from Oregon, I think you are the one to do something about these circumstances that jeopardize not only this company, but the largest industry of our State. I realize that it is not within our province to tell other countries how to run their business; but when they deliberately manipulate their currency and permit their carriers to operate in a manner to take unfair advantage at a time when we are trying to stabilize our currency and control our economy, I think we must do one of two things:

1. Either restrict the quantity they can ship into our country by the use of quotas, or
2. Place a tariff on those imports that throw our economy out of balance.

In closing, I want to thank you for the efforts you have already put forth in connection with the Federal timber sales and policies that are not in the best interests of many communities and the financial welfare of those employed in the lumber industries.

Sincerely,

LOYDE BLAKELY.

INDUSTRIAL FORESTRY ASSOCIATION,
Portland, Oreg., June 12, 1962.

HON. VANCE HARTKE,
Committee on Interstate and Foreign Commerce,
Senate Office Building, Washington, D.C.

DEAR SENATOR HARTKE: At the hearing of the Senate Committee on Interstate and Foreign Commerce held in Portland, Oreg., on June 4 you furnished Mr. Hagenstein of our association copies of the appraisal and bid summaries for two Forest Service sales and asked for our comments on these sales. As Mr. Hagenstein was scheduled to leave on an extended trip shortly after the hearing, he asked me to reply to your request.

Before commenting on the two sales or their appraisals I would like to point out that one of the major problems in Forest Service appraisals is the complexity of the method used. In the Douglas-fir region where a given log can be converted into many products including different types of lumber, plywood, pulp and paper, or a number of specialty products, it is difficult to use the end product method of appraisal. Analysis of appraisal and bids becomes even more complicated when you consider that the price paid for Forest Service stumpage is adjusted through escalation based on changes in indexes for lumber and plywood. Industry would like to see Forest Service appraisals understandable, responsive to current market conditions, and based on sound, up-to-date data on costs, recovery, and realization. Appraisals should allow the industry sufficient margin for profit and risk to encourage the industry to reinvest profits, when it starts making them again, in modernization of plants and improvements in utilization.

It is difficult to analyze these two sales on the basis of the appraisal sheets alone. The following items which are not covered in the appraisal summaries can greatly affect bidding:

1. Appraisals are based on the Forest Service "industry average" whereas the individual bidder considers his own costs and realizations which may differ from industry averages.
2. Appraisals include an average cost of production and delivery to a stated location or marketing area whereas individual bidders may use the logs at a different point at a lower transportation cost.
3. Appraisals assume that the logs will be manufactured into certain products while the bidder may be able to convert them to other products more profitably.
4. Forest Service cruises of volume, grade, and species distribution may be incorrect and the individual bidders may have their own information on these items which they feel is more accurate.
5. Conditions of sale contract and many cost factors are not given in the appraisal summary.

CUB CREEK SALE

In commenting on the Cub Creek sale purchased by Dwyer Lumber & Plywood Co., we would like to point out that the Mount Hood Forest is an area which has very strong competition for the Forest Service timber, so it is not surprising that the sale went above the appraised value.

Normally an integrated operator such as the purchaser needs to have approximately 3 years timber supply ahead. As this bidder, who is entirely dependent upon the Forest Service, has only about a year and a half's supply, it is not surprising that he was anxious to obtain this sale. The sale has a relatively large volume compared to the average sale and its expiration date is not until 1965. Both of these points are important to many operators. The time element gives some leeway to the operator so that he can work in his road construction when it is most convenient. He also can log the timber so as to get the best economic return from quality and species of timber in the sale.

The purchaser is a highly efficient integrated operator with both lumber and plywood manufacturing plants. It is possible that he may be able to obtain a higher realization from the timber in this sale than would be indicated in the Forest Service appraisal.

U. S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE

REPORT ON ADVERTISED SALE
(8 Species)

MAY 25 1962

PLACE OF BID	Portland, Oregon
METHOD OF BIDDING	[X] Auction [ ] Sealed
SALE UNIT	Cub Creek
BID DATE	May 22, 1962
UNIT SALE NUMBER	23
CONTRACT NO.	12-11-00651 44283
BASE INDEX PERIOD	Low Quartile 58 - 61
Acres: In Sale	195
To Be Cut Over	195±20 R/W
TERM. DATE	4/30/65
ACCELERATED ADMINISTRATION	[X] Yes [ ] No
SET-ASIDE SALE	[ ] Yes [X] No
FOREST (Administrative Unit)	Mt. Hood
WORKING CIRCLE	Clackamas - Sandy
LEGAL DESCRIPTION	Sections 30, T. 8S., R. 8E; Sections 6, 7, 8, T. 9S., R. 8E., W.M., Unsurveyed

Unit of Measure and Species	M Bd Ft DF&MP	M Bd Ft WH&O	Average	Total Volume and Value
Volume	6,600	7,500		14,100
Required cut at bid prices				
Lump sum amount of K-V				$11,047
Required slash deposits	0.20	0.20		$ 2,820
Advertised stumpage prices including K-V	17.00	6.50	$ 11.41	$160,950
Names of Bidders	**Prices Bid**			
2 Buyer Lumber & Plywood Co.	24.80	24.80	$24.80	$349,680
2 Simpson Redwood Co.	41.30	9.50	$24.39	$343,830
2 Multnomah Plywood Corp.	17.00	6.50	$11.41	$160,950
1 Freres Veneer Co.	17.00	6.50	$11.41	$160,950
1 Young & Morgan, Inc.	17.00	6.50	$11.41	$160,950
			$	$
			$	$

Instructions: 1. Prepare in quintuplicate for each advertised sale. Distribution: Original and one copy to R.O. (R.O. forward one copy to W.O); one copy to R.O. of S.B.A

2. For lump-sum sales show appraised value for each species and product and determine high bid rate for each by increasing the appraised rate by the percentage increase over the total appraised value.

3. List the name of all bidders with the high bidder first and the high bid of each for stumpage including K-V but not including slash deposits.

4. For dual price sales the total value bid should be determined by multiplying the bid price times the required cut at bid prices plus the value of the remaining volume determined by multiplying this volume by the advertised stumpage price including K-V.

5. Forests will number all advertised sales consecutively at time of offering, beginning with 1 each January 1. If not sold, report subsequent action as follows: (a) If sold under S-12, retain number and add "S-12"; (b) If readvertised with no change, add after number "Reoffered"; if readvertised on different terms, renumber and report disposition of original number by informal memo attached to new form 2400-17.

6. If a SBA set-aside sale indicate by asterisk all bidders who have certified small-business status (FSH 2432.59). In open sales place a number before the name of each bidder: 1-small; 2-large; 3-classification doubtful. (FSH 2445.2)

SIGNATURE

TITLE: Acting Forest Supervisor

GRADE	DF&MP	WH&O
1P	1	
2P	3	
3P	23	
SP,P	5	1
2S	51	72
3S	17	27

(Blank space above reserved for timber quality entry)

2400-17 (REV. 3/60)

U.S. GOVERNMENT PRINTING OFFICE

APPRAISAL SUMMARY

SALE UNIT Cub Creek

Log Haul: Truck 46 miles Lumber Haul: Truck _____ miles Summary checked: WW

Rail _____ miles 58 - 61

Appraised to Lyons Appraisal base period CY 1960 Adjusted to Low Quartile

Road Construction miles: Mainline 3.8 Secondary - Temporary spurs .1

Line No.	Item	Values per Unit of Measure by Species							Total or average
	Unit	M Bd Ft		M Bd Ft					
	Species	DF&WP		WH&O					
	% by	47		53					T 100
1	Volume	6,600		7,500					T 14,100
2	Selling price Lux L.S.	122.25		89.91					A 105.05
3	Adjustment Factor	0.9791		0.9639					
4	Adj. Selling Value	119.69		86.66					
5									
6	Overrun % factor								
7	Selling price L.S.	119.69		86.66					A 102.12
	DEVELOPMENT								
8	Main & Sec. rds. (10%)	9.64		3.62			(80%)		T 72,610
9	Spur roads	.02		.02					T 300
10									T
11	Subtotal	9.66		3.64					T 72,910
	LOG MAKING TO TRUCK								
12	Felling & bucking	3.69							
13	Skidding ~~Bdrawing~~	5.63							
14	Loading	1.73							
15	Subtotal	11.05		11.05					A 11.05
	TRANSPORTATION								
16	Hauling & unloading	12.75							
17	Road maintenance	1.69							
18	Subtotal	14.44		14.44					A 14.44
	ADMINISTRATION								
19	General Logging	2.92							
20									
21									
22	Logging depreciation	1.30							
23	Subtotal	4.22		4.22					A 4.22
	CONTRACTUAL								
24	Slash	0.90		0.90					
25	Erosion	0.13		0.13					
26	Snag disposal								
27	Fire Protection	0.26		0.26					
28	Subtotal	1.29		1.29					A 1.29
29	Total logging cost	40.66		34.64					A 37.46
30	Manuf. cost L.T.								A
31									
32									
33	Manuf. cost L.S.	51.16		36.94					A 43.59
34	Total Prod. Cost L.S.	91.82		71.58					A 81.05
35	Conversion	27.87		15.08					A 21.07
36	Appraisal profit margin	10.89		8.58					A 9.66
37	Appraisal STPG. & K.V.	16.98		6.50					A 11.41
38	Appraisal profit ratio %	10.0		11.0			T 160,950		A 10.4
39	Advertised STPG. & K.V.	17.00		6.50					A 11.41
40	Advertised profit margin	10.87		8.58					A 9.65
41	Advertised profit ratio	10.0		11.0					A 10.4
42	Base rate	10.70		2.55					xxxxx
43	Minimum Acceptable Bid	17.20		6.70			T 163,770		11.61
44	Base index	110.96(D)		89.54(A)					xxxxx

Because of the escalation clause which applies to this sale the purchaser may not pay the bid price for any of the timber in the sale. Based on the current index if the operator were to cut timber immediately he would pay $22.84 for the Douglas-fir and $24.03 for the hemlock and other species. Changes in the index either up or down from the levels used in the appraisal would affect the actual price paid for the timber by the purchaser.

As indicated on the appraisal summary the profit margin for the sale as a whole is $9.66 per thousand. If the operator to stay alive were willing to sacrifice his chance for profit, as many of them have to, the Forest Service appraisal would indicate he could bid an average of $21.07. If because of special circumstances he could either realize more from the timber or have costs which were less than the average, it is easy to see that he might be able to break even on the sale or even make a small profit.

KING OWL SALE

This sale is entirely different from the previous Cub Creek sale in that it is a small one which must be logged almost immediately. It is primarily Douglas-

APPRAISAL SUMMARY

SALE UNIT King Owl

Log Haul: Truck 48.5 miles Lumber Haul: Truck _____ miles Summary checked: 00

Rail _____ miles

Appraised to Springfield Appraisal base period 1960 Adjusted to 1/60

Road Construction miles: Mainline _____ Secondary _____ Temporary spurs _____

Line No.	Item	Values per Unit of Measure by Species							Total or average
	Unit	Mbf	Mbf	Mbf	Mbf	Mbf(G.S.)			
	Species	DF	P	BRO	C	Util.*			
	% by	83	--	10	7	--			T 100
1	Volume	500	Unest.	60	40	(Unest.)			T 600
2	Selling price bf. L.S.	109.37	109.37	88.00	80.67				A 105.32
3	Adjust. Factor	.9747	.9747	.9639	.9639				
4	Adjst. Value L.S.	106.60	106.60	84.82	77.76				
5									
6	Overrun % factor								
7	Selling price L.S.	106.60	106.60	84.82	77.76	(25.00)			A 102.50
	DEVELOPMENT								
8	Main & Sec. rds. (10b)								T
9	Spur roads								T
10									T
11	Subtotal								T
	LOG MAKING TRUCK								
12	Falling & [illegible]	3.88				(1.55)			
13	Shidding & Loading	1.75				(1.75)			
14	Yarding	7.43				(4.46)			
15	Subtotal	13.06	13.06	13.06	13.06	(7.76)			A 13.06
	TRANSPORTATION								
16	Hauling & unloading	12.06				(10.40)			
17	Road maintenance	0.15				(0.15)			
18	Subtotal	12.21	12.21	12.21	12.21	(10.55)			A 12.21
	ADMINISTRATION								
19	General Logging	2.92				(1.46)			
20									
21									
22	Logging depreciation	1.53				(0.77)			
23	Subtotal	4.45	4.45	4.45	4.45	(2.23)			A 4.45
	CONTRACTUAL								
24	Slash F.S. Coop. 2.80	2.80							
25	Erosion								
26	Snag disposal								
27	Protection	0.26							
28	Subtotal	3.06	3.06	3.06	3.06				A 3.06
29	Total logging cost	32.78	32.78	32.78	32.78	(20.54)			A 32.78
30	Manuf. cost L.T.								A
31									
32									
33	Manuf. cost L.S.	42.50	42.50	38.04	32.00				A 41.35
34	Total Prod. Cost L.S.	75.28	75.28	70.82	64.78	(20.54)			A 74.13
35	Conversion	31.32	31.32	14.00	12.58	(4.46)			A 28.37
36	Appraisal profit margin	11.42	11.42	9.75	8.93	(2.66)			A 11.00
37	Appraisal STPG. & K.V.	19.90	19.90	4.25	4.05	(1.80)			A 17.28
38	Appraisal profit ratio %	12	12	13	13	(12)			A
39	Advertised STPG. & K.V.	19.90	19.90	4.25	4.05	(1.80)	T10,367		A 17.28
40	Normal profit margin	11.42	11.42	9.75	8.93				A 11.00
41	Normal profit ratio	12	12	13	13				A
42	Base rate	14.60	---	9.00	---				xxxxx
43	Min. Accept. Bid	22.70	22.70	7.05	6.85		T12,047		
44	Base index	103.32(c)	---	89.54(c)	---				xxxxx

*Not included in totals [illegible]

fir and is a salvage sale of blowdown timber. No road construction is involved. In going over the sale you can note that the sale was appraised to Springfield, Oreg., which is the primary market in this area. The purchaser, Blue River Veneer, Inc., has a plant at Blue River which is much closer to the sale area and so could cut the transportation costs possibly up to $8 per thousand. The bidder is desperate for timber as he has approximately 1 year's supply of timber under contract, most of which was purchased at prices higher than the sale price in this sale. In looking at the appraisal summary it is apparent that if the operator were willing to sacrifice his profit as indicated in the appraisal he could bid up to $28.37. If the approximate $8 transportation differential were added to this it is evident he could bid up to $36, which is a little over $2 more than the actual bid price for all species.

These comments do not cover all the points which affect the bid and appraisal relationship on these sales but they do indicate the complexity of such analysis and some of the factors which may have influenced the bids. Copies of the two appraisal summaries are enclosed.

U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE

REPORT ON ADVERTISED SALE
(8 Species)

PLACE OF BID: Eugene, Oregon
METHOD OF BIDDING: [X] Auction [ ] Sealed
BID DATE: 5/24/62
UNIT SALE NUMBER: 44
CONTRACT NO.: 12-11-0186;4448
SALE INDEX PERIOD: 1960

FOREST (Administrative Unit): Willamette
WORKING CIRCLE: McKenzie
SALE UNIT: King Cwl
Acres: In Sale 122
To Be Cut Over 222400B/4
TERM. DATE: 11-30-62
ACCELERATED AMORTIZATION: [ ] Yes [X] No
SET-ASIDE SALE: [ ] Yes [X] No

LEGAL DESCRIPTION
Sec. 19 & 30, T16S,R6E, W.M., Sec. 24 & 25, T16S, R5E, W.M.

	Unit of Measure and Species										Average	Total Volume and Value
Unit →	Mbf	Mbf	Mbf	Mbf								
Species →	DF	Pine	Hem	C								
Volume	600	Unest.	60	40								600
Required cut at bid prices												
Lump sum amount of K-V												$
Required slash deposits	2.80	2.80	2.80	2.80								$ 1,680
Advertised stumpage prices including K-V	17.90	19.90	4.25	4.05							$17.28	$10,367
Names of Bidders	Prices Bid											
(1) Blue River Veneer, Inc.	39.70	19.90	4.25	4.05							$33.78	$20,267
(1) Dierker & Snyder	39.20	19.90	4.25	4.05							$33.36	$20,017
(1) R. M. Jorgensen	19.95	19.90	4.25	4.05							$17.52	$10,392
(1) Mt. June Lbr. Co.	19.90	19.90	4.25	4.05							$17.28	$10,367
											$	$
											$	$

SIGNATURE
TITLE: Acting Forest Supervisor

Instructions: (FSH 2645.2) 1. Prepare in quintuplicate for each advertised sale. Distribution: Original and one copy to R.O. (R.O. forward one copy to W.O.); one copy to R.O. of S.B.A.

2. For lump-sum sales show appraised value for each species and product and determine high bid rate for each by increasing the appraised rate by the percentage increase over the total appraised value.

3. List the name of all bidders with the high bidder first and the high bid of each for stumpage including K-V but not including slash deposits.

4. For dual price sales the total value bid should be determined by multiplying the bid price times the required cut at bid prices plus the value of the remaining volume determined by multiplying this volume by the advertised stumpage price including K-V.

5. Forests will number all advertised sales consecutively at time of offering, beginning with 1 each January 1. If not sold, report subsequent action as follows: (a) If sold under 6-12, retain number and add "S-12"; (b) If readvertised with no change, add after number "Reoffered"; (c) If readvertised on different terms, renumber and report disposition of original number by informal memo attached to new form 2400-17.

6. If a SBA set-aside sale indicate by asterisk all bidders who have certified small-business status (FSH 2431.59). In open sales place a number before the name of each bidder: 1-small; 2-large; 3-classification doubtful.

+ TIMBER QUALITY ESTIMATES IN %

Species	DF&P	Hem	C
1P			
2P	4		
3P	15		
SP	3		
2S	67	74	78
3S	11	26	22

(Blank space above reserved for timber quality entry)

2400-17 (REV. 6-61)

At the hearing of the Senate Committee on Interstate and Foreign Commerce at Olympia, Wash., on April 20, 1962, Mr. W. D. Hagenstein submitted a supplemental statement concerning bidding on national forests which is appropriate. A copy is attached.

If you have any further questions we would be glad to try to answer them for you.

Very truly yours,

N. E. BJORKLUND, *Chief Forester.*

SUPPLEMENTAL STATEMENT OF W. D. HAGENSTEIN, EXECUTIVE VICE PRESIDENT, INDUSTRIAL FORESTRY ASSOCIATION

Mr. Chairman and members of the committee, as an afterthought to my main statement I prepared a brief one on the matter of overbidding.

The standard reaction when anyone suggests that national forest timber appraisals do not reflect current costs and returns, is that "what difference does an appraisal make when the industry always bids the timber up so much more anyway." Overbidding merely reflects the competitive situation. There's so much timber on the market and so much demand. To the extent the allowable cut has not been offered, overbidding reflects it. The main significance of an appraisal is that is that if it doesn't reflect current costs of producing forest products and the prices received for them, then the competitive bidding starts at too high a level.

As the attached chart (fig. 2) shows, there has been a definite relationship between the average appraised and average bid price on all the west side national forests in Oregon and Washington during the past 5 years. The curves are nearly parallel. Therefore, if the appraisal starts too high, and is geared to something other than the "average" operator, the competitive bidding will result in too high a plateau and thus seriously hurt all operators dependent upon Government timber. This has been one of the most significant features in the cost-price squeeze on our industry during the past 2½ years since the market went to pot in August 1959. You can't continually appraise timber based upon the theory that the market "can't get any worse" and expect an industry which must buy or die to continue to pay top rices for timber, sale in and sale out, and not have an average timber cost which will allow it to make a return on its investment and thus encourage it to try to stay in business.

The artificial scarcity of timber caused by failure of the Government over a long period to sell its allowable cut and with the consequent overcutting of private forests to meet the needs of the people of the United States for forest products has had a direct result in creating spirited bidding in most areas in the Douglas-fir region which accounts for the average overbid. Every operator, who must have timber, thinks himself in a position to pay more than his competitor because of his greater efficiency, better merchandising, or some attribute he thinks he has which his competitor doesn't. In short, what makes people pay the prices they do basically is that they must have the timber.

J. H. BAXTER & CO.,
Portland, Oreg., June 4, 1962.

Senator VANCE HARTKE,
Chairman, Senate Foreign and Interstate Commerce Committee,
Portland, Oreg.:

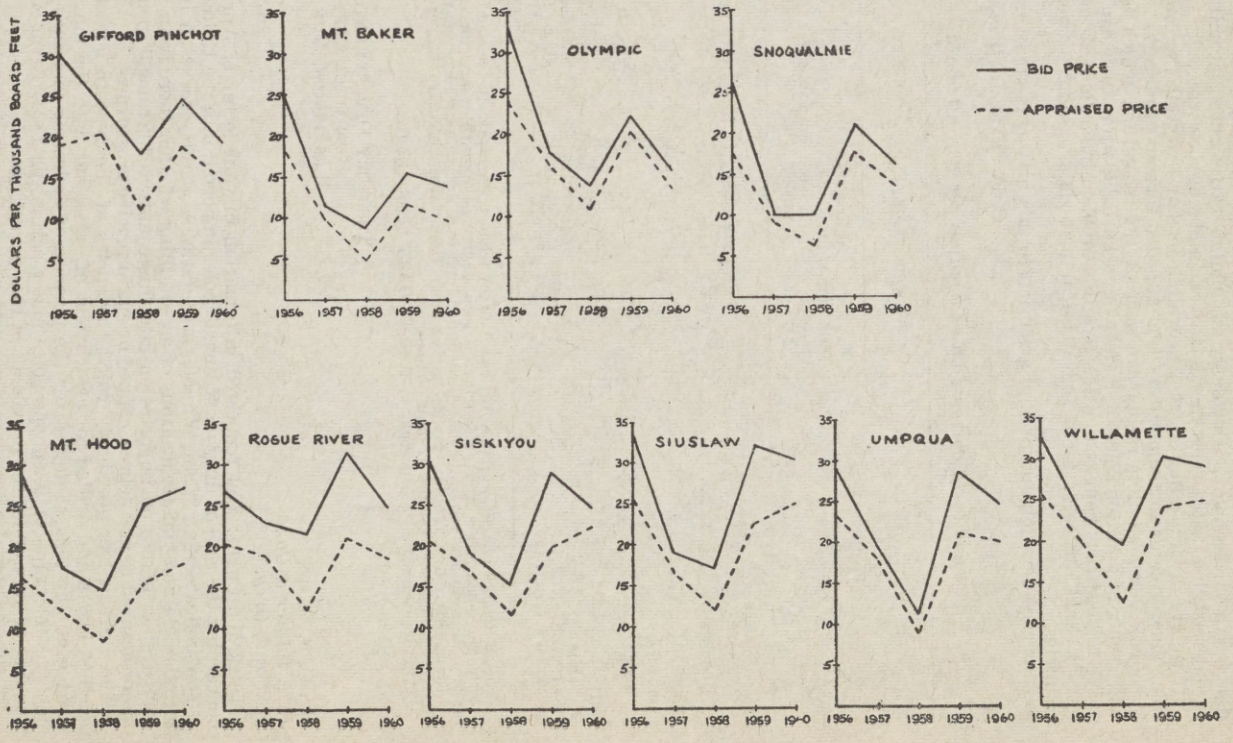
We would like to see the discussion of the lumbermen's problem expanded to encompass all forest products produced in the Northwest. As producers, manufacturers, and processors of preservatively treated wood products, our problems include those mentioned today, plus additional inequities which materially affect the economy of this area.

We are particularly concerned over import duties on telephone, telegraph, transmission, and distribution poles. When these products are shipped into Canada they assess 20 percent duty. However when the Canadians ship like materials into the United States, they have been moving duty free as indicated in the attached letter dated May 10, signed by Mr. W. E. Higman, Deputy Commissioner, Treasury Department. The description of these items or applicable tariffs are not clearly spelled out in the regulations. Canadian merchandise moving into our markets duty free is based on an administrative ruling of the Customs Bureau.

This tariff differential effectively precludes our participation in the Canadian markets but allows them to compete and take over our midwestern and eastern accounts. With their numerous cost advantages, most of which have already

FIGURE 2

COMPARISON OF BID AND APPRAISED TIMBER PRICES ON NATIONAL FORESTS IN WESTERN WASHINGTON AND WESTERN OREGON, 1956 - 1960



been publicized, such as monetary exchange rates, stumpage, labor, and production costs, they are able to disrupt our marketing procedures. The obvious result is decreased sales which is reflected by unemployment with resulting damage to our economy. Obviously an administrative ruling permitting foreign suppliers such a distinct advantage is wrong and must be corrected.

If we are to maintain a market providing jobs and payroll, the import regulations must give us the same protection afforded foreign producers. Only action by our Federal administration can correct this situation, which is continued will result in additional unemployment and hardships for American workers.

We request that your committee give this problem immediate attention, insisting on equal duties or tariff for identical materials passing between the two countries.

Your consideration and prompt attention to this matter is appreciated.

C. F. CRAIG, *District Manager.*

Tax and tariff comparison—Canadian versus United States

Product	Canadian import duty [1] [2] [3]		United States import duty and tax	
	Tariff number	Most-favorable-nation tariff (percent)	Tariff or duty number	Duty
Poles (telephone, telegraph, and power):				
Framed	506	20 percent	1804	Free.
Unframed	500, 503	Free	1804	Do.
Piling	503, 500	do	1804	Do.
Lumber:				
Rough	503	do	4551, 1803	$1 per thousand.
S4S	5056	7½ percent [4]	4551, 1803	Do.
Fabricated	506	20 percent	412	16⅔ percent.
Crossarms	506	do	412	Do.
Railroad ties	503	Free	1804	Free.

[1] No additional charges, tariffs, duties, or taxes when preservatively treated.
[2] Products manufactured or fabricated to a degree beyond that described in a specific tariff paragraph are generally classified under item 506, dutiable at 20 percent ad valorem.
[3] In addition to Canadian tariff charges some items are subject to 11 percent Federal sales tax unless sold for tax exempt purposes.
[4] Canada concession to 5 percent in 1960–61 GATT negotiations.

TREASURY DEPARTMENT,
BUREAU OF CUSTOMS,
Washington, May 10, 1962.

Mr. C. F. CRAIG,
J. H. Baxter & Co.,
Portland, Oreg.

DEAR MR. CRAIG: You requested information in your letter of April 10, 1962, concerning the rate of duty on "framed" poles imported into the United States.

You indicate that "framed" poles are dutiable at 20 percent on importation into Canada and you are desirous of ascertaining whether there is an assessment comparable thereto on importation into this country of "framed" poles or poles manufactured to any degree, capped or cut to receive crossarms.

The Bureau has previously ruled that poles of the type in question having notched insets and drilled for attachment of crossarms with the tops capped by sawing off the tops at angles for the purpose of deflecting moisture are classifiable as telegraph or telephone poles under paragraph 1804, Tariff Act of 1930, and free of duty under the provisions of that paragraph.

If this communication does not answer your inquiry in entirely, it will be appreciated if you will furnish exact information as to the description of the poles which you refer to as "framed."

A decision has been circulated previously through our Customs Information Exchange pertaining to the tariff classification of the articles as described by the Bureau above.

Sincerely yours,

W. E. HIGMAN, *Deputy Commissioner.*

WESTERN LUMBER MANUFACTURERS, INC.,
San Francisco, Calif., June 22, 1962.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR MAGNUSON: Scaling problems were partly covered in your committee session with the Forest Service on Monday. I want to assure you that there is room for improvement in California. Although the local people have recently made a real effort to do a better job and have had some success, there are some scaling questions which are beyond their control because of Washington office policies.

For example, for at least 2 years the Washington office has known that it should shift to a maximum log length of 20 feet for scaling. It will not do so before next year. It could just as well do it immediately in new sale offerings.

Secondly, the Forest Service insists on using the important scaling position as a training assignment for professional foresters just entering the Service. These men are usually promoted to other positions within a year and must be replaced with other inexperienced men. These inexperienced men make errors while learning and their absence would permit hiring more career-type scalers. There is no more reason for this practice than there is to require fire control people to serve as mechanics on fire equipment for a year. The frequent transfer of Forest Service people generally means that they often administer sales in different timber types than the one in which they learned to scale.

Further, there are many operators who favor the use of a scaling bureau, but this is generally contrary to Washington policy. Mr. Cliff said that as the seller, the Forest Service wants to employ and control the scaler just as a chainstore has its checkers to total up the cost of groceries. However, that has major differences from the scaling situation. The grocery buyer can watch the scales and the cash register, and object when mistakes are made. The scales are checked by an independent Government Bureau of Weights and Measures. The Forest Service does not permit its customers to even question the scalers regarding their work.

We hope that your committee may find ways to resolve these general problems. Will you please make this letter a part of the hearing record?

Sincerely,

GEORGE A. CRAIG,
Secretary-Manager.

THE DALLES, OREG., *June 4, 1962.*

Senator WARREN G. MAGNUSON,
Interstate and Foreign Commerce Committee, Portland, Oreg.:

The Dalles Chamber of Commerce recognizes with concern that the depressed forest products industry in Oregon and the Pacific Northwest justifies exploration for suitable remedies to alleviate the continued worsening economic situation and assure recovery to its former prosperous economic position. The first step in this direction should be removal of restrictive provisions of the Jones Act and for adoption of such other procedures for removal of other prevailing obstacles with the view to creating a favorable and sound business atmosphere in the industry.

Respectfully submitted.

WM. S. BRUNT,
Chairman, Trade and Industrial Bureau.
GEO. STADLEMAN,
President, The Dalles Chamber of Commerce.

J. U. DICKSON SAWMILLS,
Sturgis, S. Dak., June 27, 1962.

Senator WARREN G. MAGNUSON,
Senate Commerce Committee Chairman, Washington, D.C.

DEAR SENATOR MAGNUSON: This is in regard to scaling methods used by the Forest Service in scaling timber. I would like to have this included in the Senate Commerce Committee hearing record.

The scaling of timber in the Black Hills National Forest of South Dakota is done by a sampling method. The trees are marked for cutting by a man who carries nine white marbles and one black marble in one pocket. Every time a tree is marked he transfers one marble to another pocket. When the black marble comes up, the tree that he is about to mark is the tree taken as a sample.

This sample tree is numbered and then measured to find the diameter breast high. This diameter, along with a number of the tree, is entered into a scale book. The marker or scaler then steps way from the tree a distance of 2 chains. He then, with use of a cruising stick, sights at the bottom of the tree at stump height above the ground and also at a point in the top of the tree that he thinks is 8 inches in diameter. The crusing stick then gives him the number of logs in 16-foot lengths that are in the tree. This number of logs is then entered in the scale book along with the tree number and the diameter breast high.

These are all the measurements that are taken by the marker or scaler. Then using a volume table that has been previously prepared to cover all of the timber in this forest, he arrives at the net volume of timber that is in the tree. The amount of footage in the sample trees is multiplied ten times, and the result is the amount of timber in the tract or sale.

This volume table has been prepared from samples of logs throughout the forest, and the table shows the average net scale for each size tree with all of the allowances for rot, crook, and other defects taken out. It also compensates for the form of the tree as some trees taper more from top to bottom than other trees.

For a time the Forest Service here used a quality cruise table which gave not only the net volume in the standing tree, but also the grade of lumber that should be sawed from the tree and the amount of overrun. This quality cruise method proved to be unreliable, and after protest by operators at the Washington level, it was discontinued last year. However, mill studies are now underway so that a new table can be set up to predetermine the grade and value of the lumber, the amount of overrun, and the net scale by only measuring 1 standing tree out of 5 or 10 trees at breast height and estimating the number and grade of logs in it.

I am sure that you can easily see that this is a method of scaling that requires considerable training and much experience in order for it to be accurate. In the past some of this work has been done by inexperienced crews, and the policy of the Forest Service in moving personnel to other locations and type jobs hinders this scaling from being done accurately. This year in this forest nearly every ranger district has had the ranger or district ranger transferred as well as the staff officer in charge of timber management for the forest.

There is no recourse if the sale does not saw out the lumber and grade that the Forest Service charges for, as the sales are sold as a definite amount of timber.

Any check scaling is done by the Forest Service, and often times by the same men who marked and scaled the timber in the first place. There is absolutely no consideration given to the log scale or lumber tally by an operator or a third party.

I understand that there is only one other forest, and that is in the South, where this system of scaling and grading in the tree has been tried.

While this system, if administered by competent personnel, might work out on an average for a whole forest, it can be disastrous for a single small operator where the average tables do not fit his particular tract of timber if the tract or sale should happen to have more defect or different form than the average of the whole forest.

Thank you for giving this your consideration.

Yours very truly,

JAMES U. DICKSON.

SALEM AREA CHAMBER OF COMMERCE,
Salem, Oreg., June 1, 1962.

SENATE COMMERCE COMMITTEE,
Washington, D.C.

GENTLEMEN: The board of directors of the Salem Area Chamber of Commerce, on the recommendation of its national affairs committee, desires to make the following statement in favor of amending the "Jones law," now under consideration by your committee for the following reasons:

1. Lumber and lumber products, representing one of the principal factors in our State's economy, faces a depressed market at this time due to foreign competition.

2. Under the present Jones law, Northwest lumber shipments are precluded from using foreign bottoms and thus placed at a disadvantage in reaching the eastern markets of our country on a competitive basis with other countries.

3. As a result of the present situation, many thousands of jobs are in jeopardy in the Pacific Northwest forest industries, and a proper amendment to this law would greatly stimulate employment throughout our area.

The Salem Area Chamber of Commerce strongly urges remedial action to reestablish equality in transportation and in the tariffs for forest products between the United States and other countries.

Respectfully submitted.

JOSEPH A. H. DODD, *President.*

WEST COAST LUMBERMEN'S ASSOCIATION,
Portland, Oreg., June 13, 1962.

Hon. WAYNE MORSE,
U.S. Senate, Washington, D.C.

DEAR SENATOR MORSE: During the Senate Commerce Committee hearing at Portland on June 4, 1962, you asked several representatives of the industry for information on the volume of softwood lumber production in Canada that is American controlled. We have been able to develop an approximate estimate as follows:

	British Columbia production	American controlled
	Billion feet	*Percent*
Coast region	2.9	35
Southern interior	1.1	10
Northern interior	.8	10
Cariboo (PGE)	.5	25
Total	5.3	25

There is an additional 2.5 billion feet of softwood lumber produced in other Canadian Provinces, but the extent of American investment is insignificant. We would guess, therefore, that the total U.S. investment in the Canadian softwood lumber industry is less than 20 percent.

The foregoing data has been obtained from reliable sources, but it should be recognized that the percentage figures are only approximations. It is my personal opinion that they are on the high side, particularly in the British Columbia coast region.

One additional significant factor is that a company representative of the largest American-controlled sawmill in Canada is on our board of trustees where our import-export policies have been unanimously approved.

Very truly yours,

G. CLEVELAND EDGETT,
Executive Vice President.

COQUILLE, OREG., *June 11, 1962.*

LETTER TO THE EDITOR:

In an effort to try to present the public side on the BLM management of Government timber, I would like to offer some of the following facts:

1. BLM in the sales of their timber are working for Mr. and Mrs. Coos County; 75 percent of the sale price of the timber is returned to the counties. One-third of this 75 percent is returned to the Federal Government to build access roads, not alone to provide access for the timber to come out, but public access for you to enjoy huning, fishing, recreation, and camping in the great forests of our country and State.

These roads are built to a standard that makes them permanent roads for log hauls the year around.

2. Have reduced the loss by fires in the ability to get fire patrol equipment to the danger areas without delay, plus the insistence of proper firetools when logging operations start.

3. Reduced the stream clearance costs by insisting on a more efficient logging practice and better cleanup of debris on completion.

Coos County share going into the general fund of county to defray expense, 50 percent of total sales. In 1961 amounted to $849,000; in 1962 the estimate is $940,000 from BLM alone. Taxwise, this is in excess of 10 mills on the total assessed valuation of the entire county.

To Wylie Smith's statement in a public meeting at the BLM Coos Bay district office on Wednesday, March 28, 1962, I attended this meeting and challenged Mr. Smith's figures at the time. His statements, he had purchased 11 sales over the past 2 years, 2 of them at the BLM-appraised price. One sale he bid 65 percent above the appraised price. Claims his recovery on this sale was only 77 percent of the volume cruised. Coos Bay Pulp bid within $1,100 of the Smith bid, 55 percent above appraisal. Cook & Walker, small operators in our area, bid $59,507.80, which was 48 percent above the appraised price on this sale. Another sale, 5,852,000-feet cruise, Smith bid $128,754.35, 18 percent above the appraised price. Douglas Fir Plywood bid $286.60 less and would have been happy to have acquired this tract. Smith claims his recovery on this sale only 67 percent of volume.

Douglas Fir Plywood purchased the Textron plant at Coquille. They have improved and expanded this plant to one of the most permanent looking plants in the area, a great credit to the communtiy. They knew when they came to this area and are now dependent on BLM timber to operate.

Douglas Fir has purchased 80 million feet of BLM timber in the past 2 years, and it looks like a real healthy operation. Why does Mr. Smith continue to outbid these operators and then claim the volume is not there?

If the public does not try to protect their interest and make some effort to present their side of this story, all efforts of the Government agencies to provide sustained yield for continual employment in our area will go the way of the private timber in southern Coos and northern Curry Counties in the last 6 years.

What has happened to our small loggers, independent truckers, small sawmills? Who will benefit if we sit back and let the big boys, who are behind these figures, set their own price and use their own scale stick? Should we not try to make an honest effort to help the Department that is doing a real good job for us?

When a man bids the above prices to obtain the tracts of timber and then makes a statement before a congressional committee that he is recovering down to 65 percent of the volume he has purchased, we believe the figures should not go unchallenged.

December 25, 1956–October 24, 1958: 9 major purchasers, 59 individual sales, reported scale of 341,695 thousand board measure compared to our cruise of 345,719 thousand board measure or an underrun of 0.0125 percent. No difference calculated between long log-short log which would have resulted in an overrun of about 7 percent.

October 25, 1958–November 25, 1959: 27 purchasers, 54 sales, reported scale of 147,829 thousand board measure compared to our cruise of 151,964 thousand board measure (adjusted to difference between long logs-short logs) resulted in an underrun of 2.7 percent.

Coos Head Timber Co. contracts

Sale date	Contract No.	Volume cruised [1]	Volume scaled [1]	Percent difference [1]	Total appraised price	DF bid price		Total bid price	Other bidders and total bid price
						Appraised	Operator		
July 24, 1959	14-11-001(8)-258	3,181	2,602	18	$158,377.70	$29.75	$45.00	$236,259.45	Douglas Fir Plywood Co., $234,982.70; Sun Studs, Inc., $210,724.45.
Dec. 17, 1959	281	5,103	4,338	15	157,947.05	32.15	32.15	157,947.05	None.
June 17, 1960	14-11-0001(8)-8	3,773	2,890	23	82,339.15	23.70	23.95	83,164.15	Coos Bay Timber Co., $82,999.15.
July 15, 1960	319	1,556	1,175	24	39,994.90	27.20	43.00	63,384.10	Coos Bay Pulp Corp., $62,201.50; Cook & Walker, $59,507.80; Ingram Bros., $41,834.50.
Do	320	3,404	2,931	14	83,782.75	25.30	30.50	100,521.55	Cook & Walker, $100,199.65; Coos Bay Timber Co., $58,450.30.
Feb. 17, 1961	359	5,852	3,922	33	108,978.95	18.85	22.30	128,754.35	Douglas Fir Plywood Co., $128,467.75.
June 23, 1961	390	6,134	4,011	35	117,762.90	23.00	26.50	134,359.90	Elkside Lumber Co., $132,226.

[1] These figures and information were released by Mr. C. Wylie Smith, vice president of Coos Head Timber Co., at a public meeting held at the Bureau of Land Management, Coos Bay district office, on Wednesday, Mar. 28, 1962.

November 27, 1959–January 15, 1961: 27 purchasers, 56 individual sales, reported scale (adjusted to difference between long log-short log) of 229,636 thousand board measure compared to our cruise of 239,942 thousand, resulted in an underrun of 1.8 percent.

January 14, 1961–January 4, 1962: 25 purchasers, 45 individual sales, reported scale (adjusted to difference between long log-short log) of 157,106 thousand board measure compared to our cruise of 160,195 thousand board measure, resulted in an underrun of 1.9 percent.

Above all figures run to check scale on the cruise volume. This has been calculated 16-foot logs to 32-foot logs. Many companies are delivering logs to mills in 45- to 60-foot lengths which could make the difference in the underrun.

J.J. GEANEY.

CITY OF WARRENTON,
Warrenton, Oreg., May 24, 1962.

SENATE INVESTIGATING COMMITTEE,
West Coast Lumber,
Portland, Oreg.

GENTLEMEN: The city of Warrenton urges that your committee report to the full body of Congress the need for corrective legislation for immediate aid to the seriously depressed lumber situation, which, it is believed, is apparent to everyone.

Warrenton, a small city of less than 2,000 population, depends heavily on the payroll of the Warrenton Lumber Co. This payroll is approximately 10 percent of the city total payroll and the employment also provides a living for about the same percent of its citizens. Were this mill to close, it would very seriously and adversely affect the city's already depressed economy. It is almost needless to add that in addition to loss of payroll, the closing of a major industry throws additional taxes on other taxpayers. Even more serious is the psychological reaction to the depressing event.

Multiply Warrenton's problem by the number of other west coast cities in the same situation and you have a problem large enough to merit correction.

Sincerely,

HAROLD GRAMSON, *Mayor.*

GREATER VANCOUVER CHAMBER OF COMMERCE, INC.,
Vancouver, Wash., May 31, 1962.

SENATE INTERSTATE AND FOREIGN COMMERCE COMMITTEE,
Washington, D.C.

GENTLEMEN: Fifteen years ago 5 major producers of dimensioned lumber in Vancouver, Wash., employed over 300 people and produced more than 100 million board feet of lumber annually. These firms were DuBois-Matlack Co., DuBois Lumber Co., Stebco, Columbia River Paper Co., and the Amber Lumber Co. Today these mills no longer exist, due primarily to their unfavorable position in national markets. Numerous smaller producers have also been forced out of business during this time, while others continue to struggle along with little or no margin of profit.

There has been a serious, steady decline of the lumber and forest products industry during the past 15 years in the Northwest in general, and in our community in particular. Realizing this, the Greater Vancouver Chamber of Commerce strongly urges the Congress of the United States to act immediately to establish equality in transportation and tariffs for forest products as between the United States and other countries.

Yours very truly,

L. D. JONES, *President.*

INTERMOUNTAIN LUMBER CO.,
Missoula, Mont., June 29, 1962.

Hon. WARREN G. MAGNUSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: As a lumberman, it becomes proper that I write to you on the "scaling" problem, as that problem was discussed before the Senate Commerce Committee during its hearings in Portland, Oreg., on June 18.

Scaling has always posed a problem. The problem arises because scaling can never be exact; it largely involves human judgment. It is impossible to exactly measure a log, calculate its taper, sweep, crook, and defects while operating a forest products industry; to so do would be prohibitively costly and time consuming. Therefore, one must rely on human judgment and strive to achieve experienced, skillful, accurate, and unprejudiced results.

No honest lumberman wishes any other scale than an accurate one; he expects to pay for the usable wood which he purchases, but cannot afford to pay for wood he cannot use or wood which is unsound. Below are listed several of the problems encountered; I hope they may explain why scaling is a matter of concern:

1. *Variation in areas of the Northwest.*—West of the Cascade Range, it is customary to scale logs up to 40 feet in length as one log; east of the Cascades, logs are not scaled in increments longer than 16 feet; the result is a difference in taper allowance which, according to most authorities, results in 1,000 board feet west of the Cascade Mountains, representing about 15 percent more wood than in the western pine area, east of the Cascades.

2. *Scaling personnel.*—The majority of the scaling problems result from human differences among the scalers—their difference in judgment. It is a very difficult task to get uniformity among scalers, and this can only be accomplished by classing scalers as skilled career personnel of high importance. Most wood industries have arrived at this point. The Forest Service has recently made scaling a career job; all of this should help. Nevertheless, there are too many variations in results between different scalers, or groups of scalers. Any company who operates sawmills in various locations has noted that in one area the measurement will be markedly different than in another area, though the general quality of the timber is much the same. This can only be a human difference, and should not exist. Some of the points where scalers judgment differ are:

(*a*) Estimation of rot.

(*b*) Estimates of sweep and crook—this is particularly important in the Rocky Mountain area where Douglas fir and other species are subject to sweep and crook to a degree not found in other areas of the United States. Therefore, this most serious defect in the log is often not given proper consideration.

(*c*) Estimates of check or shake.

(*d*) Estimates of "roughness," resulting in unmerchantable lumber.

(*e*) Estimates of taper.

To bring about more accurate scaling, so that everyone is talking about the same unit of measurement, scalers must be guided by proper policy. If men work for a Government agency, wherein the talk is always about getting the high dollar and that forest users are making too much money from Government timber, they will inevitably "tighten up" the scale and the unit will become improperly small; conversely, if the scalers are employed by an industry which is constantly putting pressure on them to increase the unit of measure because of the hard time the industry is having, or for other reasons, inevitably their judgment of the unit will become larger. Finally, the problem will only be resolved if both the industry and the agencies assume a strong policy, backing only fair measurement for both buyer and seller.

The scaling problem remains difficult. Probably it will always involve human judgment. It is, therefore, subject to error. We must constantly strive to minimize those errors, so that competitive organizations can operate under uniform standards of measurement.

Yours most sincerely,

HORACE H. KOESSLER, *President.*

SPRINGFIELD CHAMBER OF COMMERCE,
Springfield, Oreg., June 4, 1962.

U.S. SENATE COMMERCE COMMITTEE,
Portland, Oreg.

GENTLEMEN: The board of directors of the Springfield, Oreg., Chamber of Commerce, after due factfinding and discussion, did unanimously resolve on June 1, 1962, to ask your honorable body to recommend that steps be taken by the Government of the United States of America to assist the American lumber industry to obtain in domestic and world markets equitable treatment with lumber produced in other countries, Canada in particular.

The Senate Commerce Committee, we feel, has received and will receive a great volume of testimony by lumber and transportation experts that will point up the seriousness of the problem.

We of the chamber of commerce in Springfield, Oreg., realize that the timber industry is our community's main source of revenue. We are dependent upon the forest products industry in the same way that the forest products industry is dependent upon its markets. Therefore, inroads made by foreign competition are of paramount importance to not only our lumber mill owners and their employees, but also to the retailers, the wholesalers, the city officials, the school administrators, and the service trades of our community.

We do not profess to have the answer. We know that our community has been hurt financially. We see in our own community and elsewhere in Oregon the results of the gradual curtailment of lumber orders. We do not want to see this trend continue in our community.

We believe it is imperative that the U.S. Government act quickly to unshackle the American lumber industry from punitive regulations and from laws that no longer benefit but instead handicap. This action is imperative so that the American lumber industry may compete equally in its own land with foreigners. It also is imperative in order to restore the prosperity and confidence of its citizens.

J. M. Maitland, President; Richard W. McDuffie, Frank B. Price, B. J. Rogers, Martin C. Edberg, Alvin C. Reed, Frank R. Smiley, Walter A. Commons, Lowell C. Edwards, Arthur P. West, Directors.

SPOKANE, WASH., *June 9, 1962.*

HON. WARREN G. MAGNUSON,
Chairman, Senate Committee on Commerce,
Washington, D.C.

SENATOR MAGNUSON AND MEMBERS OF THE COMMITTEE: At the Portland hearings Senator Wayne Morse asked that we explain our position more clearly on the export of logs into British Columbia.

As we pointed out in our testimony we have head-rig capacity that exceeds our allowable cut. Therefore we need all available timber for our own use. The competitive bidding for timber in our area is quite fierce amongst the mills that are already in this area and it seems quite inconceivable that we need more competition. Particularly when that competition buys all of the timber in its own area at appraised price and has a protective wall to hide behind.

It is certainly a known fact that the British Columbia Government restricts the movement of logs from British Columbia for primary manufacture. We think this is very sensible because it keeps American lumber operators from going up there and bidding on their timber sales. This is just another example that shows the Forest Service in British Columbia is interested in selling their timber at fair market values.

We feel that the solution to the problem could be handled very easily through our trade agreements on a reciprocal basis. Where one Province restricts the movement of logs then our Forest Service should have the same right to restrict the movement of logs into that Province.

For the record as of this date there have been no Forest Service timber sales sold to Canadian mills in our area. However last fall an American logger bid on two timber sales on the Curlew district of the Colville National Forest. Both of these sales were bid 'way over the appraised price and if the American operator hadn't bid high on these sales the timber would be going into Canada today. This same logger did buy a Bureau of Land Management sale and it is going into Canada. The mill that is buying these logs did, however, purchase a State of Washington timber sale in their own name. When we protested this sale of timber to the Canadians our State officials said this "The competitive bidding on this sale was good because it brought money into the State treasury." They didn't mention the fact that many people were put out of work and that Ferry County was a depressed area, and the only reason that we are depressed in Ferry, Stevens, and Pend Oreille Counties is because of the attitude of the people in government, both State and Federal toward the lumber industry.

We would like to add two more points to our original testimony. The effect of the Small Business Administration and the sustained yield unit system that is being used in British Columbia.

First we will take the SBA and the effect it has had on the lumber industry in our area. We feel that the purpose of establishing the SBA was very good as it afforded small business a source of capital that was needed in order to compete with larger operations, and to establish new businesses where they were needed.

We don't think, however, that the purpose of the law was to kill already established businesses by making loans to sawmills to double head-rig capacity in areas where the allowable cut could not take care of the present head-rig capacity. To make loans to mills to put in equipment to modernize the plant so they can upgrade the product and be more competitive is all right.

Small business loans have been made and are still being made to operators who have consistently gone broke, because they run the price of the stumpage up to where no profit could be made by anyone. They get two, three, and now after four loans, still an unstable operation. One operator stated recently he has applied for another SBA loan but he has to have more timber to get it. Now what price do you think this operator will pay for a timber sale? There will be no limit as the SBA is not concerned with the price that is paid for the timber or whether a profit can be made.

Another operator using SBA loans to finance his lumber operation has a record of bankruptcies stretching from the United States to Canada and also a record of bidding timber sales clear out of proportion, seem to never run out of SBA loans, and never seems to hit a place where the price of the timber is too high.

If these operations were running steady and employing people and were making a good payroll in their communities that would be one thing, but where this one operation had a mill in Canada and closed down just before Christmas nearly 2 years ago those workers are still waiting for their paychecks and the history of the same operator here in the United States is about the same, that is something, too.

Our position is simply this, before a loan is made it should be thoroughly investigated not only from the financial statement of the applicant but also what effect will it have on the economic stability of the community and the existing businesses. If it is a sawmill that is asking for this loan and if the loan increases head-rig capacity then the allowable cut should be taken into consideration.

On the sustained yield unit system that is being used in British Columbia, all we ask, is a study of this system by our Government. Each mill in the unit has an established quota in a working circle and this is put up for sale each year for that mill. Any other operator can bid on them but the mill that the timber was put up for only has to meet his competitor's bid and he has 30 days to do it in. This system certainly hasn't eliminated free enterprise but it has virtually eliminated competitive bidding which is what the British Columbia Government was after.

I was in the chief forester's office in Nelson, British Columbia, 2 weeks ago and I asked Mr. Percy Young, the chief forester, what their policy was toward their lumber industry. He said it was simply this, "We want our lumber industry to make money and to operate to as near full capacity as our allowable will allow. This is the only way we can have the desired economic stability that our communities need."

I would say that if our Forest Service took that same attitude and if the other people with the responsibility in our Government would take the same attitude toward the lumber industry as the British Columbia Government has taken, then 90 percent of the problems of the lumber industry in the United States would be cured.

We do not need tariffs; we do not need restrictive quotas; what we need is to be competitive.

Respectfully submitted.

LESTER M. MERRITT.

STATEMENT OF NEWPORT CHAMBER OF COMMERCE, NEWPORT, OREG.

To have an industry you must have a stable and constant market. Our primary industry (at least 90 percent) is solely dependent on forest products, and this is something that lumbermen of this area have not had for 5 years.

Many things can be considered contributory to this, but, primarily it is the transportation rate disparity which favors Canadian producers that can shoulder the majority of cause and effect. Any time one area enjoys a $10 to $12 freight rate advantage over an adjacent area in even a more geographically favorable position, it is little wonder the Newport, Oreg., area and all of Lincoln County has been declared a depressed area of great labor surplus. The lack of market has meant fewer vessels and less tonnage. This small yearly tonnage figure has acted as a hindrance to the development of one of the safest, most natural, and most easily accessible harbors on the west coast. A harbor that could and shall be predominant in worldwide shipping.

Doing away with or altering of the Jones Act will meet with much resistance on behalf of several groups. Subsidization of lumber shippers by the United States is looked at with disfavor by even themselves, but, a solution that is acceptable to all must be found. Possibly, a controlled subsidization of lumber by the Department of Defense might alleviate international freight rate inequality on one hand and still protect and maintain an adequate intercoastal merchant marine fleet.

MEDFORD CORP.,
Medford, Oreg., May 29, 1962.

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

DEAR SENATOR MORSE: During recent months, you have recognized the depressed and low profit condition of the lumber industry with its unemployment and mill shutdowns by your public discussions of our problems and suggestions for legislation or administration action to help alleviate this condition.

At the seat of our difficulty, as you already know, is the increasing volume of Canadian softwood lumber imports. The action that you have publicly presented and discussed would undoubtedly help to alleviate a part of our problem but it appears that the surest and quickest assistance to our industry would be to impose a temporary quota on shipments of Canadian lumber into the United States until Congress determines what action it will take on the President's foreign trade bill and while industry and government study and argue other means to solve the many problems that are plaguing us.

There is enclosed a copy of a May 9 telegram from Arthur Temple, Jr., president of National Lumber Manufacturers Association, to President Kennedy in which Mr. Temple expressed the feeling of the national lumber industry that it is imperative that immediate action be taken by our Government to impose a temporary quota on the importation of Canadian lumber.

I do not hesitate to ask you to give serious consideration to your support of the quota proposal and to so advise the President and agencies of the Government involved.

My kindest best wishes.

Sincerely,

B. L. NUTTING, *Senior Vice President.*

[Telegram] LOS ANGELES, CALIF., *May 9, 1962.*

Hon. JOHN F. KENNEDY,
The White House,
Washington, D.C.:

Representatives of the lumber industry throughout the United States have been meeting here in Los Angeles the past week in an effort to find answers to the many problems with which it is confronted. Intensive consideration has been given to plans and programs designed to improve our products, expand our markets, both at home and abroad, increase the value of our services to our customers, and to provide full employment and economic stability for the thousands of communities in our country dependent upon a healthy and prosperous forest products industry.

Our industry ranks fourth among American manufacturing industries in the number of people employed. The forest products industries employ over 3 million employees in the United States.

Many of the conditions that have brought about the present unemployment of 200,000 persons formerly employed in our industry, the increasing rate of mill shutdowns, and the resulting problems to our Nation's forest based communities are, we believe, the direct or indirect result of Government policies and actions.

These conditions cannot be remedied by the private action of our industry, its employees, or the citizens in the communities dependent upon the lumber industry. Remedies can only come through a change in the policies and actions of our Government.

On February 21 of this year, we met with the Secretary of Agriculture and presented a four-point program to modify the timber management and sale policies and procedures of the U.S. Forest Service so as to improve the utilization of our Nation's major renewable natural resource—trees. Implementation of this program is well within the authority of the Secretary of Agriculture. As yet, we have no response from the Secretary on our proposals.

On March 22 of this year, we requested the Secretary of Commerce to arrange an early conference between representatives of the United States and Canadian softwood lumber industries to work out a mutually acceptable solution to the very serious problem arising from sharp increases, during the last several years, of exports of Canadian softwood lumber to the United States. Increasing imports from Canada are undermining the economic security of our forest based communities. As yet, we have no formal reply to our proposal.

Representatives of the Department of State have advised us that more study of the problem is needed. They have stated that a high level interdepartmental task force will be formed to study the problem over the next few months. We are very grateful for this action, but we believe prompt action is imperative. The action last week of the Canadian Government in further reducing the value of the Canadian dollar to 92.3 cents, as compared to the U.S. dollar, gives Canadian softwood lumber an advantage of approximately $85 per thousand board feet over U.S. lumber in our country. We hope this further manipulation of exchange is not an indication of the attitude of the Canadian Government toward the reasonable offer of our industry to work toward an amicable solution. However, we believe it makes it imperative that immediate action be taken by the U.S. Government to impose a temporary quota on the flood of softwood lumber from Canada on a quarterly basis to remain in effect while a long-term solution is being explored by the several agencies of government involved.

Mr. President, the lumber industry is firmly committed to a course of action that will bring about changes in Government policies and programs that will permit our continued existence as a vital force in our national economy. We are determined to take all necessary action to achieve this essential goal.

It is within your powers to direct policy changes within the various affected Government agencies which will immediately afford an opportunity for the millions of American people directly involved in our industry to achieve both community stability and full employment.

We earnestly request that you exercise those powers to serve the needs of our industry, our employees, and our neighbors in forest-based communities.

ARTHUR TEMPLE, Jr.,
President, National Lumber Manufacturers Association, Washington, D.C.

TIMBER PRODUCTS CO.,
DIVISION OF CYPRUS MINES CORP.,
Medford, Oreg., May 28, 1962.

Hon. WAYNE MORSE,
Senate Office Building, Wasington, D.C.

DEAR SENATOR MORSE: You are thoroughly familiar with the condition of the forest products industry of the United States as a result of the heavy importations of lumber from Canada during the past several months.

During the spring meeting of the National Lumber Manufacturers Association in Los Angeles early this month, Mr. Arthur Temple, Jr., president of the association, sent a telegram, a copy of which is enclosed, to President Kennedy proposing temporary quotas until a permanent solution can be worked out.

We urge that you support Mr. Temple's plan and advise President Kennedy of your support for it.

Sincerely,

T. K. OLIVER,
General Manager.

(See telegram above.)

BANDON PUBLIC SCHOOL DISTRICT 54,
Bandon, Oreg., June 1, 1962.

Senate Committee on Interstate and Foreign Commerce,
Portland, Oreg.

DEAR SIRS: For a number of years following World War II there was a steady increase of population in our Bandon area. This growth percentage was around 5 percent. Our area is largely dependent on the lumber industry. In the last 2 years this growth has stopped and our population has begun to go downhill despite a general increase of growth in most west coast areas. We have seen the following small mills close in the last few years:

1. Ford Douglas Fir Plywood at Bullards Bridge.
2. Wisby Bros. Lumber Co.
3. Oberg Lumber Co.
4. Elk Lumber Co.
5. Adrian White Lumber Co.
6. Waggoner Lumber Co.
7. Karl Bowman Lumber Co.
8. B. E. Fish Lumber Co.
9. Cox Lumber Mill.
10. Dahl & Olinger Lumber Co.
11. Chet Raines Lumber Co.
12. C. L. & G. Lumber Co.

I cannot tell the exact reason why these mills closed in the heart of the great stand of timber in southwest Oregon. Some say that they could not compete in the purchase of logs with the large firms. There were other reasons, no doubt, common to the lumber industry. The most frequently mentioned reason seems to be the Canadian competition.

We have three well-organized and efficient mills left in our area; namely, the Moore Mill & Lumber Co., the Rogge Lumber Co., and the Perry Bros. Lumber Co. We must preserve these mills and they must have a way to get timber with which to operate. All of our mills have a heavy investment in land, buildings, and machinery.

Our school population this year in Bandon was some 100 students fewer than last year. We have cut down our teaching staff. Our school population is shifting, and it is not good for children to have to become migratory. We need a stable economy for the best interests of both children and adults.

Our Government, which is "we the people," must do something to remedy the illness in the lumber industry. I am sure that most lumbermen oppose subsidies or any kind of a handout. It would appear that Uncle Sam must play the part of a doctor to help cure the ailments of the lumber industry by attacking this problem with a strong determination to bring about a solution to the problems of one of our bread and butter industries.

We are taught in our mathematics course that the whole is equal to the sum of its parts. Our great Nation is strong only when its component parts are strong. A challenge is advanced in this hearing that demands the learned action and wisdom of you men who have been assigned to your position because you are best fitted to bring about remedies and solutions. I am sure that most of the people here have the utmost of confidence in your ability and your intentions. We thank you most heartily for your consideration of our problems.

Sincerely yours,

ROLAND L. PARKS,
Superintendent of Schools,
Immediate Past President,
Bandon Chamber of Commerce.

MYRTLE POINT CHAMBER OF COMMERCE,
Myrtle Point, Oreg., June 1, 1962.

Senate Committee on Interstate and Foreign Commerce,
Portland, Oreg.

GENTLEMEN: Myrtle Point is a town of 3,000 located 40 miles south and east of Coos Bay. It is primarily dependent on the timber industry. Two lumber mills and two veneer plants are located in the immediate area. During the past several years four lumber mills have discontinued operations. These mills had a combined employment of approximately 180 persons and an annual payroll of

over $800,000. It is estimated that each job in a mill resulted in the employment of 1½ persons in service occupations.

The effect of the closures is reflected in the several vacancies in our retail shopping area and in the fact that retail sales are generally below levels prevailing previously. Several retail and service businesses have closed or expect to soon close their doors.

It is difficult to evaluate the impact of Canadian lumber imports on our local economy but we do feel they have definitely been a major factor contributing to Myrtle Point's problems. We respectfully urge that your committee devise some form of relief for the lumber industry on the Oregon coast so it may again become competitive. This would be a most constructive step toward returning our economy to the relatively prosperous state existing several years ago.

Very truly yours,

C. L. POEHLITZ,
Chairman, Business Development Committee.

ROGGE LUMBER SALES,
Bandon, Oreg., June 13, 1962.

Senate Committee on Interstate and Foreign Commerce,
Portland, Oreg.

GENTLEMEN: First, a sincere "thank you" for coming to Portland for a first-hand look at the depressed situation in which we lumbermen now find ourselves. There is no question that your swift, accurate assessment of the situation is imperative at this time, so that effective remedial action can be taken by the Federal Government before it is too late.

To help you get both facts and a grassroots viewpoint, we offer this look at our own company: Rogge Lumber Sales, Bandon, Coos County, Oreg., has been in business 10 years, with a capital investment of $404,000. Our gross sales in 1961 were $1,185,000, practically all of which went into the economy of our local community and adjoining area through our 37 regular employees plus perhaps twice that number engaged in supplying logs, rough-sawn lumber, transportation, and allied activities dependent upon our operation.

The ideas we had for future expansion are nullified at present, since we may be out of business at any time under the existing conditions of competition from Canadian imports. Survival is our No. 1 issue.

During a recent hearing in Washington, D.C., a Government committee member was reported to have suggested that we raise the efficiency of our plants and get our manufacturing costs on a competitive basis with the Canadians. Our present total manufacturing costs at Rogge Lumber Sales are $18.53 per thousand board feet. The Canadian advantages are: Cheaper freight of $10 per thousand board feet, favorable currency exchange rate of $8.08 per thousand board feet, and a cheaper labor cost of $1.50, making a total of $19.58 per thousand board feet. So you can see by this comparison that to compete with the Canadians as far as manufacturing costs are concerned, regardless of efficiency, is humanly impossible. If our costs were zero, they would still have an advantage of $1.55 per thousand board feet.

We conclude with the thought that whereas Federal expenditures are being planned and made for the purpose of reducing unemployment in many areas of distressed economic conditions, here in the Pacific Northwest the remedy need not involve great expenditures. Instead, we ask—just put us on an equal basis with Canadian producers and we will be able to take care of our own economic problems.

Very truly yours,

KEN ROGGE.

RESOLUTION OF BANDON, OREG., CHAMBER OF COMMERCE

Whereas the major industry of this area is lumbering; and

Whereas there is a surplus of unsold lumber here, thus contributing to unemployment: Now, therefore, be it

Resolved, That the Bandon Chamber of Commerce strongly urges the Federal Government to take immediate steps to establish equality in transportation and tariffs for forest products as between the United States and other countries, thus protecting the jobs of many thousands of workers in Northwest forest industries; be it further

Resolved, That copies of this resolution be sent to the U.S. Senate hearing to be held in Portland, Oreg., June 4, 1962.

Unanimously passed by the Bandon Chamber of Commerce board of directors in special session assembled this 2d day of June 1962.

Attest:

L. A. REICHLEIN, *President.*
MERRITT J. SENTEE, *Secretary.*

ROUND PRAIRIE LUMBER CO.,
Dillard, Oreg., May 28, 1962.

Hon. WAYNE MORSE,
U.S. Senate, Washington, D.C.

DEAR MR. MORSE: You are, undoubtedly, well aware of the effort on the part of the National Lumber Manufacturers Association to effect, at least temporarily, a reduction of import of Canadian softwood products. We are confident, as well, that you are well acquainted with the terrific impact that source of competition has had on the economy of our immediate area. Since the lumber industry provides a major source of income in our State its continuance makes it imperative to propose and adopt protective measures which will not only preserve the industry but all interrelated industries as well.

We are certain that by this time you have had the opportunity to read the text of the telegram sent to the Honorable Mr. Kennedy by Mr. Arthur Temple, president of the Lumber Manufacturers Association, and have had at your disposal all the facts comprising the context of the message. A copy of the telegram is attached herewith, for purpose of providing you with the means of a review of the matter which holds our interest.

Needless to say we wholeheartedly approve of Mr. Temple's approach on this important subject and urge that you give this your fullest attention for prompt action and, in conclusion, trust that you, too, are in accord with our industry's method of effecting a stoppage of the situation which is threatening the economy of so many depending on it.

Very truly yours,

RALPH W. SANDSTEDE,
Secretary-Treasurer.

(See telegram on p. 862.)

FIRST PACIFIC LUMBER CORP.,
Newport, Oreg., June 1, 1962.

Hon. WAYNE L. MORSE,
U.S. Senator,
Washington, D.C.

DEAR SENATOR MORSE: We regret that a representative of our firm will be unable to personally testify before the Senate Commerce Committee hearing in Portland, Oreg., on Monday, June 4, 1962, said hearing being concerned with the various difficulties encountered by the Northwest softwood lumber industry of today. We have, therefore, taken the liberty of setting our views on paper, with the understanding that they will be included in the records of this hearing.

We are a small business concern located on Yaquina Bay immediately south of Newport, Oreg. Our annual production on a single-shift basis is 25 million board feet of west coast softwood lumber. We rely on private log purchases to produce 60 percent of our product, and on U.S. Forest Service timber sales to produce 40 percent of our product. Since we are a cargo mill, with no facilities for rail loading, our prime market has been the Atlantic coast in past years. In addition, we undertake any export business on which we are able to compete with foreign producers. That a large percentage of these markets has been lost to foreign producers, particularly the Canadians, is a well publicized fact.

During the last calendar quarter of 1961, we were forced to close because of our inability to compete with Canadian mills under existing conditions and laws. We employ a crew of 59 people, and our payroll amounts to approximately $290,000 annually. This particular shutdown cost our crew and the Lincoln County area $72,500 in direct wages and a loss of approximately 30,600 man-hours. We were also forced to shut down our contract loggers, with an estimated crew of 40 men, and further loss of payroll to this area during the last calendar quarter of 1961.

We believe ourselves to be an efficient mill, with modern equipment, able to compete with any of the domestic mills in the cargo lumber industry. Despite the cheaper stumpage rates and lower labor costs of the Canadian mills, we feel that we can compete in our own domestic markets, if given an even break in waterborne transportation costs to these same markets. We earnestly urge that the Senate Commerce Committee give all possible consideration to amendment of the Jones Act in such a manner that we may once again be on competitive ground with our Canadian friends.

This company has been a purchaser of U.S. Forest Service timber in the Waldport Ranger District of the Siuslaw National Forest for the past several years. We believe that certain decisions made by the Forest Service, relative to the administration of this forest during the past few months can be classed as "arbitrary." We feel that these decisions have been made without proper hearing or regard for the welfare of mill operators such as ourselves, and that said decisions will add to our mill costs, further limiting our ability to meet the challenge of foreign competition. Two of the decisions which have been made, or on which decision is pending, merit your attention in particular:

1. *The decision to put central truck scaling stations into effect on the Siuslaw as rapidly as possible.*—The writer attended a meeting with eight other mill operators from the Willamette Valley and the Oregon coast in the regional office of region 6, U.S. Forest Service, on May 28, 1962, during which a concerted effort was made to point out to Forest Service officials present the financial disadvantages to the operators of having this decision go into immediate effect. Construction of such a scaling station is already underway at Philomath, and we understand that scaling of Forest Service logs going into the valley from the Siuslaw will be required at this point as of July 1, 1962. Such stations are in the planning stage at several locations on the coast, notably Beaver Creek, Cutler City, and Tillamook. It will also be required to scale Forest Service logs at these points. We would like to point out that many operators, ourselves included, have contracts with the Columbia River Log Scaling & Grading Bureau, under which resident, independent scalers, on the bureau payroll, are maintained at our mills. We are required to do so because of private timber contracts which require bureau scale, and because of the financial problems involved in warehousing large cold decks of logs. We know that resident scaling is more practical since central scaling stations are noted for holding up trucks during peak periods thus increasing truck costs, since backhauls are elimininated, and since the scaler is able to take care of scaling problems at once as they arise in the mills. It will be necessary for our mill to maintain a bureau scaler even though central scaling ramps go into effect. We believe that this will increase our scaling cost at least $0.25 per thousand, and that trucking costs could increase reasonably by $1 per thousand.

2. *Increase of the allowable annual cut on the Siuslaw National Forest.*—We understand that recent decisions at regional and national levels within the Forest Service have reduced the rotation age on timber in various national forests of Oregon, thereby increasing the allowable annual cut on these forests without interfering with good forestry practices. This practice has already been put into effect on several national forests in this State. Our understanding is that approval has been given to region 6 to reduce the Siuslaw rotation age from 100 years 80 years. We are told by several private concerns who are expert in this field that this would have the practical effect of increasing the allowable cut on the Siuslaw from 327 million feet annually to some 400 million feet annually. The Waldport Ranger District could gain an increase of some 20 to 25 million feet annually by putting this policy into effect. A mill such as ours would like to buy 8 to 10 million feet of Forest Service timber annually, and an increase such as that noted above could take care of the requirements of two or three mills o four type and size. In the present circumstances facing the Northwest softwood lumber industry, such increases in allowable cut are needed now, not 3 years from now, in order to acquire timber by reasonable competitive bidding. This would tend to eliminate some of the desperation bidding for timber which can be readily seen at some of the Forest Service sales. We have reason to believe that the decision to reduce rotation age of timber on the Siuslaw has been pigeonholed indefinitely, and that increase in allowable cut which would help the situation of relatively stable mills such as ours is not to be looked for in the near future.

We hope that the views of one small mill operator will be helpful to the Senate Commerce Committee in formulating legislation which is needed to help the Northwest softwood lumber industry as a whole.

Very truly yours,

ERNEST P. TAYLOR,
Executive Vice President.

CITY OF BANDON,
Bandon, Oreg., June 1, 1962.

The Senate Committee on Interstate and Foreign Commerce,
Portland, Oreg.

DEAR SIRS: The city of Bandon is in an economic depression primarily due to the loss of over 10 woodworking plants who were forced to discontinue their business due to competition with Canadian lumber markets and also with the competitive market of bidding on Government timber.

Our unemployment has been increasing each year and our population has been decreasing. For example, there were 1,073 electrical customers on city of Bandon electric system in 1957 while the 1961 total shows 1,029.

We strongly recommend that consideration be given to allow our woodworking people to be on an equal basis with the Canadian market and on our Government timber.

Thanking you, I am,

Very truly yours,

CLAUDE E. WALDROP, *Mayor.*

FERN RIDGE TIMBER CO.,
Stayton, Oreg., June 4, 1962.

Hon. VANCE HARTKE.

DEAR MR. HARTKE: I would like you to introduce a proposal in these hearings that would give the lumber and logging industry a "quota" or "franchise" whichever word applies or fits the best to apply against the substained yield cut of the national and BLM forests. As I see it this is the only way to protect the small business from being frozen out of the industry by larger businesses who have private holdings to offset the losses they get from bidding timber sales beyond the reach of small business. In demonstrating the need for this "quota" or "franchise," let me give you a comparison of the way Forest Service and BLM sales are controlled:

> During World War II, our food supply was limited. We used the ration system so everybody received their fair share of food. What would have happened if the Government would have said they were only going to let a limited amount of food be sold to the public, and that it would be auctioned off to the highest bidder? I think this is a fair comparison of the way the Forest Service and the BLM ration out their timber. And to the people in the logging and lumbering industry this is more important than just a matter of food because this timber is their whole means of livelihood. I think this also demonstrates the need of controls a little bit further than it is.

In regard to setting up a fair quota for the logging and lumbering business, I think it could be set up according to the amount of investment each logging company has in actual logging equipment. This should be exclusive of logging trucks and roadbuilding equipment. Sawmills and plywood mills should be figured on the volume of production in an 8-hour period. These figures on the logging equipment should be taken from the depreciation schedules in 5 consecutive years, say from 1956 through 1960. By averaging them you would get a figure to use in determining a quota. Loggers and sawmills having merchantable timber land should be set up on a sustained yield basis. This allowable cut should be deducted from national and BLM quotas.

Some sawmills have logging equipment also and this would be taken care of with the logging quota. I think the sawmill and plywood quota should be figured on the actual potential or production of the headrig or lathe in an 8-hour day, 40-hour week, 12-month period.

This gives you just a few of the ideas I have concerning this matter.

With kindest regards.

HARRY WELTER, *President.*

A STATEMENT BY THE SOUTHERN PINE INDUSTRY COMMITTEE, NEW ORLEANS, LA.

The Southern Pine Industry Committee is an organization authorized to speak on matters of national legislation for producers of southern pine and hardwood lumber in the 12 States of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Oklahoma, Tennessee, Texas, and Virginia.

The lumber manufacturing establishments in these 12 Southern States amount to more than 16,000 units of production, employing approximately 250,000 part-time and full-time workers. It is significant to note that the number of producing units referred to above, reflects a reduction of some 8,000 lumber operations in the 12 Southern States since 1955, according to estimates of the U.S. Bureau of the Census.

The reasons for the substantial decline in lumber manufacturing plants in the South are varied. A major cause has been the increased costs of raw materials, maintenance, and operating supplies including a 25-percent increase in the mandatory Federal minimum wage from 75 cents to $1 per hour in 1956; another 15-percent increase in the Federal minimum from $1 to $1.15 an hour in 1961, and preparation for a further increase to $1.25 per hour in 1963 under the Federal wage-hour law.

Another cause for plant shutdown and serious disemployment in the South has been the vigorous competition from other species of lumber manufactured in the United States. The intensity of this competition during the past 2 years has been compounded by the influx of an abnormally high volume of Canadian lumber into our domestic markets by rail and via waterborne shipments. The importation of Canadian lumber penetrates deeply into the 12 Southern States which normally consume 75 percent of the southern pine production, as well as hardwood lumber products. This condition is exerting strong pressures on the mills in our region to survive.

An analysis of lumber distribution and consumption reveals an imbalance in the ratio of Canadian lumber imports to total domestic consumption. On April 16, 1962, a statement was filed with the Senate Commerce Committee urging a careful appraisal of what the ultimate impact will be on domestic producers unless remedial measures are taken. We reemphasize here the need for such consideration.

The economy of the southern lumber industry is suffering from the impact of Canadian lumber, particularly in the southeastern area of the continental United States. The record will show that in 1961, nearly 50 million board feet of Canadian lumber was received through ports in the State of Florida for delivery throughout a State which produces lumber in sufficient volume to satisfy local demand. When supplemented by production from the adjacent States of Georgia and Alabama, and by other Southeastern States, the total volume of southern lumber is more than adequate to service the construction markets of the southeastern area.

It follows then that the natural law of supply and demand is greatly disturbed by the increasing volume of Canadian lumber, with the result that the prices for southern lumber have been forced downward in order to remain competitive. Many mills have been unsuccessful in doing so, and are now numbered among the 8,000 that have gone out of business within the last 5 years.

According to the Wholesale Price Index for lumber compiled by the Bureau of Labor Statistics, U.S. Department of Labor (using 1957–59 as 100) the southern pine prices in 1961 were approximately 5 percent below the base period. This subnormal rate is for total southern pine production. In the Southeastern States, it is reported, the average price reveals a much more serious depression.

The manufacture of lumber in the 12 Southern States referred to above represents a major industry, furnishing employment to approximately a quarter of a million part-time and full-time workers. The growth and progress of this industry and the advancement of those whose livelihood is dependent upon it, are faced with further losses if the unprecedented volume of Canadian lumber being shipped into ports on the gulf and Atlantic shores is not reduced to well-balanced proportions.

Favorable economic conditions made possible by the Canadian Government in the cost of raw materials, freight rates, and other considerations responsible for the competitive advantages enjoyed by Canadian shippers to domestic markets, require an awareness by the U.S. Government of the need for decisive and

constructive legislation that would be mutually and satisfactorily acceptable to the interests of the American lumber industry and its neighbor to the immediate north.

To this end, we suggest earnest consideration of proper governmental action to develop an export-import formula that would regulate the flow of Canadian lumber which has contributed substantially to the serious imbalance between domestic and imported lumber during the past 2 years.

Since the Federal Government itself represents the largest single purchaser of lumber, it seems appropriate to recommend that on all federally financed or insured buildings where lumber is specified, materials of domestic manufacture should be required, or at least given first preference.

Respectfully submitted.

W. SCOTT SHEPHERD,
Member, SPIC Advisory Committee.

STATEMENT BY THE SOUTHEASTERN LUMBER MANUFACTURERS ASSOCIATION, CAROLINA-GEORGIA LUMBERMEN'S ASSOCIATION, FLORIDA-GEORGIA QUALITY PINE PRODUCERS, GEORGIA FORESTRY ASSOCIATION, INC., SOUTHERN GOVERNORS' CONFERENCE, SOUTHEASTERN ASSOCIATION OF RAILROAD AND UTILITIES COMMISSIONERS

This statement has reference to the several hearings held in the West within the past several months by the Senate Interstate and Foreign Commerce Committee, dealing with lumber import problems from Canada.

It is noted that Senator Magnuson, chairman of the committee, in opening the Washington hearings stated, "If the Northwest is hurt today, it won't be long before southern pine producers find themselves in a similar situation."

We want to state to you that the conditions that prevail in the southern pine industry are more serious and have had more severe effect on our industry than is now prevailing in the West. This has been brought on by undue advantages enjoyed by Canadian shippers, as well as identical undue advantages enjoyed by shippers of west coast lumber. This situation was brought about by lumber manufacturers in the West and subsequently taken over and used by Canadian lumber manufacturers to such an extent that the western region of the United States is now feeling a competitive situation which they brought upon themselves. This situation, since its inception, has been extremely detrimental to the southern pine lumber manufacturers. Our industry began to feel the pinch of competition from the western region and Canada approximately 10 years ago.

First we want to impress on the committee that southern yellow pine lumber in all grades and sizes produced up to 2 inches in thickness is only permitted to be grademarked and branded provided its moisture content does not exceed 19 percent. The Southern Pine Inspection Bureau which administers the grading of southern yellow pine maintains constant inspection at destination with a view of enforcing all grademarking and grading provisions of its grades. All southern pine grademarked lumber when bearing the emblem of Southern Pine Inspection Bureau conforms 100 percent with all Federal Housing Administration rules and specifications, with all Federal Government requirements, with all State laws and with each and every building code within the United States. That statement cannot be made by the manufacturers of construction lumber in the western region of the United States nor Canada.

Our industry delivers to the public lumber properly seasoned and dressed to full American lumber standard sizes, giving the public full value in measurement and completely seasoned lumber; these conditions being applicable at point of use and not merely at point of manufacture. Our industry maintains strict adherence for the manufacture of high quality lumber and because of this our production costs far exceed other regions and due to our competitive position compared with western and Canadian manufacturers, we have been practically eliminated from almost our entire markets. Each and every item that has created these unfair competitive conditions has received the sanction of some department of the Federal Government in spite of the fact that we have conferred with each and every department for the past 5 years, and at no time has a single Federal agency found a statement we have made to be untrue or unfair. Yet, there has bene what appears to be a deliberate method of delay and stalling with each and every Government department.

The southern pine manufacturer has been a long suffering individual who has not made a study of his competitive position and is working against great

odds. Approximately 80 percent of southern pine mills are family-owned and operated units, and these people rely on their timber supply by local purchases at current market prices. We do have some large units whose supply of timber is from large tracts which were purchased by past generations which results in their timber costs being only a fraction of the smaller operators. Due to the fact that the large units cutting timber from their holdings and combined with other very large operations whose owners have far more financial interest in the western region; the serious condition of the South has not been brought to the attention of the public nor any Senate committee such as yours. We feel sure that your committee noted that when the hearings you have just concluded were announced, that the South did not immediately ask for a hearing. This most certainly occurred to your chairman by reason of statement he made and which is quoted on the first page of this statement.

It is noted that the southern pine industry received no consideration in the report of your proceedings except in one instance. Mr. Mortimer Doyle, executive vice president of the National Lumber Manufacturers Association did state that the conditions within the South were very unfavorable, but he did not describe the adverse conditions in the South as he did in the case of the western region. It is also noted that the conditions within the west coast industry as to methods of production, terms of and conditions of sales, as well as freight rate concessions completely denied the southern pine industry were not brought out in the hearings.

West coast manufacturers have in the past and continue to ship lumber from that area completely unseasoned, yet offered as conforming to American lumber standard sizes and so invoiced. This green lumber is grademarked and branded the same as seasoned or dry lumber, and by the time it reaches the buyer a shrinkage from 4 percent to as high as 8 percent under American lumber standard sizes has taken place. For your reference, a shrinkage table is attached to this statement. The Canadian shippers enjoy identical freight rates to destination as is granted the west coast mills in the United States in grouping of points of origin and destination. This green or unseasoned lumber is loaded immediately after manufacture into railroad boxcars and is placed in transit for sale. They are privileged to divert such shipments to any point east of the Mississippi River and in addition they are privileged to use circuitous routes whereby the railroads will delay shipments reaching diverting points and destination by as much as 6 weeks. By acting as warehousemen for this lumber the railroads of the United States are losing untold millions of dollars in revenue, without compensation from the shippers. The Canadian lumber shippers enjoy the same terms of sales and conditions as the western region of the United States, however, not one single advantage of this kind is permitted to southern pine manufacturers. As an example of how circuitous routing is being used by the western and Canadian shippers, the following circuitous route was quoted in testimony under oath on August 9, 1961, before Interstate Commerce Commission Examiner Kassel: "Southern Pacific-C.R.I. & P. to Kansas City; K.C.S. to Baxter Springs; K.O.G. to Dennison, Tex.; T. & N.O. to Beaumont; K.C.S. to Shreveport; S.S.W. to St. Louis; L. & N. to Birmingham; S.A.L. to Atlanta; G.A. R.R. to August; G. & F. to Valdosta; Southern to Madison, Fla., and S.A.L. to Jacksonville, Fla. Note this route permits a car to be routed out of Kansas City to Texas and back to St. Louis—also, that within the South it moves completely out of route. Such routings are done on through rates. The Canadian shippers are privileged to divert their shipments to any point east of the Mississippi River from Maine to Florida on through rates. Carloads of southern pine lumber put in transit such as to Potomac yards for diversion cannot be diverted except straight up the east coast.

In the event it would be more advantageous for a southern shipper to sell such a shipment in the Ohio-Illinois area, it cannot be diverted except upon payment of rate to Potomac yards plus the rate from that point beyond, which makes such a sale prohibitive. Such conditions prevail to any destination for shippers of southern pine lumber. The west coast and Canadian shippers enjoy blanket rates to destination. These blanket rates break at Chicago; however, a shipper may divert a shipment beyond the Indiana line eastward for a total cost of 7 cents per hundredweight to any point in the entire official territory which encompasses the area east of Chicago to Maine and on the south by the Ohio River extending through Roanoke to Norfolk, Va. Conversely, shippers of southern pine lumber are heavily penalized to ship into the official territory.

For example, from Richmond, Va. to Washington, D.C. an added rate of 14 cents per hundredweight is imposed. If the car is destined to Boston the rate from Richmond (gateway to official territory) is 44 cents per hundredweight. Moreover, Western and Canadian shippers maintain blanket rates into the South. Their rates into Miami, Fla., are only 2 cents per hundredweight higher than their Atlanta, Ga. rate.

It is argued that the blanket rates granted the entire western region and Canada are water-compelled rates which are granted to the entire producing territory, including the inland mills. This in spite of the fact that there is not one single water-borne carrier operating from that territory of the United States. The preponderance of lumber produced in that area can be and is being purchased from inland mills by rail delivered to Miami, Fla. at a lower price than it can be landed from tidewater mills by ship. There is being operated out of Savannah, Ga. to the New York area a waterborne common carrier known as Seatrain. The use of this service is prohibitive from points outside of the immediate vicinity of Savannah since the cost of reaching port is too great. The cost of reaching port from inland mills in the Pacific territory including Canada is identical with that in the South, therefore, we feel that if the inland mills in those areas are granted a water-compelled rate there is no sound reason for denying the same privilege to the South. Yet we are denied even a consideration of any kind on the matter of water-compelled rates.

Another factor that the Canadian shipper has and is enjoying is the matter of weights per thousand board feet of lumber as arbitrarily set up by the West Coast Lumber Association. To cite this, let us refer you to testimony under oath in ICC hearing in Washington on September 27, 1962, that one company taking simply a sample of 76 carload shipped them all sold at delivered price on which the freight calculated at weights set up by West Coast Lumber Association were $11,565.98 in excess of freight charges collected by the railroads. On shipments of red cedar, completely unseasoned, a great deal of which comes from Canada, using the association weights these shippers on an average calculate the freight charge at approximately $1,200 per car and charge the receiver accordingly; however, the freight assessed by the railroads are less than $900, which is almost 33 percent in excess of freight charges.

In that same hearing, this shipper testified that his company has never been able to purchase any lumber in the western region or Canada on f.o.b. mill basis at prices offered by the shipper. This in spite of the fact that West Coast Lumber Association is under a permanent consent decree forever restraining them to refuse to sell on f.o.b. mill basis. The original consent decree also restrains them from using average or association weights, although this portion was modified in 1949 to permit them to use weights approved by the courts or the Department of Justice. We can find no record of such approval of the weights now being used. In the case of Canadian lumber, we know that there is a small duty imposed on such shipments, but we cannot understand why this country does not impose increased duty which would absorb a portion of their freight rate profits made in this country. To impose heavier duty this country would be rendering its own lumber industry a great service. Allow us to cite you to testimony before ICC Examiner Kassel in I. & S. Case No. 7558 by Mr. Ferdinand D. Hammes, Edward Hines Lumber Co., page 3066, stating that he would sell lumber they produce f.o.b. mill, but not at the same base price he offers his lumber, but at a price which would compensate him for what he would gain by selling it delivered.

In the I. & S. Case No. 7558 hearing in Washington, D.C., the west coast people stated that the shipment of roller or transit cars had been stopped; however, one wholesale dealer put in the record at the ICC's Atlanta hearing the offers of 1 day's mail, and this company receives only a very small percentage of such offers. The offering amounted to 740 cars in transit unsold. The reason for our injecting this item is that in the statements to your committee they complained bitterly that the free hold time granted Canadian shippers should be granted them. It is not understandable that they want this free hold time for transit shipments in face of their testimony before the ICC that this practice had been stopped.

In statement presented to your committee, Mr. Doyle of the National Lumber Manufacturers Association, stated, "At present most lumber manufactured in the United States and Canada bears a brand name or grademark. Federal Housing Administration minimum construction standards require the grademarking of lumber used in FHA insured housing." This statement is not entirely true

in that the requirement of grademark and emblem of the grading agency recognized by ALS is required only on framing and sheating lumber as a direct result of a directive issued in 1960 by the then Federal Housing Administration Commissioner, Mr. Zimmerman. Let us emphasize that this requirement is not incorporated in the minimum construction requirements of FHA. Mr. Zimmerman made this requirement applicable to only the framing of the building and the sheathing stating that his inspectors were not lumber graders, and he did not care to have them enter into arguments with builders. The items referred to are by no means the entire lumber items entering into FHA construction; therefore, it must be inferred that his inspectors are lumber graders in respect to items such as siding, flooring, facia boards and a great many items required in construction. In answer to a question from Senator Sparkman, Mr. Zimmerman testified that "FHA does not intend that even as a practical matter it would be necessary on the part of any dealer or manufacturer, in order to comply with FHA requirements, to join or associate himself with any other group." Since Mr. Zimmerman's grademarking directive in April of 1960, we as manufacturers of lumber are compelled to associate with a grademarking agency in order to sell our products. In the event we did not comply with this matter of using the emblem of a bureau or agency answerable to American Lumber Standards Committee, we would be completely embargoed from our markets.

Federal Housing Administration requirements on 2-inch framing lumber and 1-inch sheathing lumber as incorporated in FHA minimum requirements No. 300, general revision No. 1, page 57, states and we quote item 705.1: "Softwood framing lumber shall comply with American lumber standards, SPR–16, and with specific requirement of the association recognized as covered the particular species used and under whose grading rules it is produced. See appendix C for list of associations issuing grading rules for particular species."

Item 705–1.2—lumber dimensions: (A) Nominal sizes are given in these minimum standards unless otherwise noted. (B) Minimum dressed dimensions shall comply with the American lumber standards.

Item 705–1.3—moisture content: Moisture content of framing lumber shall not exceed 19 percent at time of installation.

Our reason for quoting the above FHA specifications is that Mr. Zimmerman in issuing the directive requiring a grademark, made the grademark and the emblem of the grading agency a standard of quality for FHA construction. Mr. Zimmerman included in his directive the grademarking and brands of West Coast Lumber Inspection Bureau and the Canadian Inspection Bureau, despite the fact that neither of these grading agencies grademarking and branding requirements meet the FHA specifications. The specifications quoted above require that the sizes of framing lumber conform with American lumber standard sizes and shall not exceed 19 percent moisture content at the time of installation. The West Coast Lumber Association has placed in the records of I. & S. Case No. 7558 before the ICC that 70 percent of their production is shipped completely unseasoned. The moisture content of unseasoned lumber is far greater than 19 percent, yet shipments from west coast regions and Canada carry identical grademarks and brands on unseasoned or green lumber as is used on their seasoned or dry lumber. Green or unseasoned lumber from the above regions cannot be detected by any builder, including FHA inspectors, unless each and every piece is tested by use of a moisture meter.

Mr. Neal Hardy, FHA Commissioner appointed by President Kennedy, has stated during a conference with eight southern Senators that when his inspectors detect unseasoned lumber placed in FHA-insured construction they require the builder to allow the building to stand without closing it in until the lumber reaches the required moisture content. This is completely contrary to FHA minimum requirements as set forth above in that FHA requires not over 19 percent moisture content at the time of installation. The U.S. Department of Agriculture's Forest Products Laboratory states that any lumber incorporated into a home containing more than 20 percent moisture content will develop fungi and rot, regardless of specie. They also state that nailing lumber unseasoned into a building will dry out and in so doing the wood shrinks away from the nail and creates a dangerous condition.

There is on record a court case at Columbus, Ga., granting the defendant damages of $30,000 for permanent personal injury due to a falling ceiling on absolute proof that this was caused by use of unseasoned lumber.

Prior to 1956, the West Coast Lumber Association's conditions of sale stipulated that the buyer must accept shipments of green or unseasoned lumber provided

the shrinkage did not exceed 4 percent. The current identical requirement effective March 15, 1956, is as follows:

"Standard grading and dressing rules, No. 15: Page 11, 2–G: Sizes referred to in these rules are sizes applicable to the piece at the time of manufacture.

"All lumber swells and shrinks within narrow limits with changes in moisture content much as most other materials swell or shrink with changes in temperature. Natural shrinkage in width and thickness under usual changes in moisture content may average approximately 4 percent. Individual pieces may have more or less shrinkage."

You will note that the lumber must be accepted either dry or green when shrinkage takes place of an average of approximately 4 percent. This is an ambiguous statement in that there is no interpretation of an average of 4 percent. If a buyer receives a large shipment of lumber, he would be compelled to measure each piece and calculate the shrinkage before he could question the size. Note the last sentence, "Individual pieces may have more or less shrinkage." Note that this does not limit the amount such as 1 percent or 5 percent, but is all inclusive. It cannot be denied that every piece of lumber shipped is an individual piece, therefore, the buyer has no redress of any kind.

Again referring to WCLA dressing rules, page 11, paragraph (bb)—seasoned boards and dimension: "Boards and dimension 2 inches or less in thickness are dried as closely as practicable to an average moisture content of 19 percent or less, but no portion of a shipment is over 25 percent." Shipments of air dried lumber are and will continue to be made in large quantities with an exceedingly large amount in excess of 20 percent moisture content. If such lumber is placed in a home, then according to the Forest Products Laboratory it will develop fungi and rot, entailing costly replacement.

We now refer you to SPR–16–53 incorporating the American lumber standard sizes as well as grademarking requirements. This is issued by the Department of Commerce. Paragraph VI—standards for grademarking, subparagraph 2: "The grade as marked shall signify that the lumber conforms to the size and grade specifications of the rules under which it is graded. Lumber of a size not conforming to American lumber standards may be grademarked if the mark clearly indicates the size of the piece or its deviation from sizes listed in the rules." The western region and Canadian shippers completely ignore this provision and grademark their undersize lumber the same as that conforming to American lumber standard sizes.

At the conference with Commissioner Hardy in July 1961, held with eight southern Senators or their representatives in Senator Holland's office we discussed with Commissioner Hardy the fact that FHA has and is now recognizing the grademarks and brands of West Coast Lumber Association and Canadian agencies even though such brands do not conform to FHA specifications. Commissioner Hardy and his staff frankly admitted they had no authority to permit lumber over 19 percent moisture content or undersized to be placed in their insured houses. They also admitted that they could not police the use of nonconforming lumber; therefore, in a spirit of being helpful to FHA, we suggested that he withdraw recognition of any brands and grademarks that did not conform to FHA specifications. Mr. Hardy agreed to withdraw such recognition at which point Senator Holland addressing himself to Mr. Hardy asked, "Can you issue such an order?" Mr. Hardy replied, "Yes." Senator Holland then asked him, "Will you issue such an order?" Mr. Hardy again replied in the affirmative. The Senators, a few days later, sent to Mr. Hardy a suggested directive to accomplish the above, but this letter was completely ignored by him. He did issue a letter to his field offices stating that it had been "alleged that some lumber was going into FHA construction that did not conform with FHA specifications urging them to be diligent in finding this lumber." In addition, he sent copies of this letter to the grademarking bureaus and agencies. Mr. Hardy has been traced a great many times to fulfill his pledge; however, he has denied completely that he made the promise as outlined above and witnessed by the Senators in addition to other people in and out of Government who right at this time are willing to make sworn statements as to the correctness of his promise as outlined above.

During the month of April 1961 we contacted the Department of Commerce and obtained a conference with members of that Department. Mr. Eugene P. Foley, Assistant Deputy Secretary attended this meeting with some 10 or 12 members of his staff including his legal counsel and his technical director. We asked these gentlemen if the sizes set forth under their supervision in SPR

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16 as issued by their Department were for the benefit of the user of lumber exactly as measurements of other commodities such as pounds, feet, inches, etc. Their reply was that this was exactly what these sizes were intended for and published for that reply. We then cited the condition set forth in WCLA dressing rule 15 as outlined above which has the approval of the Board of Review of the American Lumber Standards Committee under the jurisdiction of the Department of Commerce. Mr. Foley as well as his staff including his legal adviser were amazed that this method of sales requirements could be in effect and advised that they would immediately take necessary steps to correct this. We also discussed with them the various items referred to in this statement as to identically grademarking green and dry lumber, as well as ignoring the regulation set forth in SPR—16 requiring lumber undersized to be so marked.

We traced Mr. Foley some 3 months later, and at that time he advised he could do nothing until he received some technical information from the Department of Agriculture's Forest Products Laboratory and that he had not received a reply. It was very noticeable that the identical information asked for by us was received in a matter of 5 days from the Forest Products Laboratory. Nine months later, Mr. Foley advised that he still did not have the reply and that he had gone direct to Secretary of Agriculture asking him to secure a reply for him. Up to this date nothing further has been done with result the conditions remain. Mr. Foley attended the meeting between ourselves, the Senators, and FHA Commissioner Hardy and made the following statement direct to Senator Holland, "Senator, our Department is directly responsible for this mess and since this matter is directly under my charge I take full responsibility without passing the fault to anyone under me and I assure you that we will take necessary steps to correct it." Nothing has been accomplished.

During the past 12 months an attempt has been made to unify the grades of construction lumber and the sizes. Several meetings were held, resulting in a final 2-day meeting in New Orleans during April of this year where it was agreed that the American lumber standard sizes would be established at 19 percent moisture content. Also green or unseasoned lumber would continue to be shipped with the proviso that green or unseasoned lumber in 1 inch thickness would be dressed one thirty-second inch thicker than dry, that 2-inch lumber would be dressed one-eighth-inch thicker than dry. This was to be accomplished by reducing the thickness of dry lumber and permitting green lumber to be the same size as present ALS sizes. The reason for the additional thickness for green lumber was that at 19 percent moisture content, when green lumber reaches that point, its thickness would be same as dry size; however, on matter of widths there was no change to be made. We refer you to the table of shrinkage once more, showing that lumber dry and green dressed identical will result in the green lumber being considerably less in width at 4 percent and 8 percent shrinkage.

We in the South are required to furnish a 12-inch width finished to 11½ inches. Our competitors from the western region and Canada produce that board the same size, but when it became 19 percent moisture content it would be 11$^{3}/_{64}$ inches wide or more than one-fourth-inch less. If it shrank 8 percent the width would be 10$^{37}/_{64}$ inches or almost 1 inch less than we are furnishing. Yet the producer would be paid for the full 12-inch size.

In order to produce that 12-inch piece of lumber and then season it, it is necessary for our industry to produce that from the log 12½ inches to 12⅝ inches wide so that the shrinkage taking place would still leave a sufficient width to produce a finished piece 11½ inches. But our competitors would produce that board from the log not more than 11¾ inches wide and get paid for 12 inches.

We call your attention to the resolution of a special lumber group subcommittee transmitted to the American Lumber Standards Committee stating that the ALS sizes shall be at 19 percent moisture content; however, this resolution does not mention that during the meeting in New Orleans an agreement was entered into between Southern Pine Inspection Bureau, WCLA, and WPA that the sizes shall be met in the west coast region on basis of 19 percent moisture content permitting as much as 10 percent of any shipment from the western region to contain as high as 25 percent moisture content in shipments of dry lumber. Here we once more have a condition permitting a percentage of dry lumber to exceed 20 percent moisture content, creating a dangerous

condition in home construction and a source of additional expense of replacement on part of the homeowner.

During the New Orleans meeting the representatives from the West agreed that they would identify their green lumber and their dry lumber; however, they refused to brand their lumber in plain English so that the layman and user would know exactly what he is purchasing. The marking they agreed on would be a code of some kind which would be known to them and possibly the wholesaler and retail lumber dealer, thus enabling the dealer to continue the sale of green or dry lumber on an identical basis without the knowledge of the public as to its condition.

It has only recently come to our attention that the method of branding lumber from west coast and Canada by a "code" brand was suggested to American Lumber Standards Committee in a statement by Mr. William H. Furculow of the Commodity Standards Division, Department of Commerce, before the American Lumber Standards Committee annual meeting on November 9, 1961, quoted below:

"1. Purpose: The basic purpose of the lumber standardization movement as outlined at the time of the lumber conferences in May 1922 with Secretary of Commerce Hoover is to demonstrate the ability and the purpose of the lumber industry to conduct its business efficiently, honestly, without preventable waste, and with due regard to the interest of the public whose needs it serves; in this manner effectively to discourage the constant agitation for Government regulation; to promote greater convenience and economy in the use of lumber; to add to the permanent lumber demand; and thus to bring saving and satisfaction to lumber users, more stable profit to the industry and a higher place for it in public consideration and esteem.

"In view of the demands upon all industry for the adoption of business practices which will promote greater economy in the production, distribution, and utilization of essential commodities, in the interest of sound public policy, the lumbermen of the United States have themselves assumed the responsibility of establishing and maintaining the lumber trade upon a high plane of efficiency and of ethical practice. To accomplish this the lumber industry has established the Central Committee on Lumber Standards, now American Lumber Standards Committee, representing the entire organized lumber trade from producer to consumer.

"2. Principle (as stated in R16–53): (A) The principle of responsibility of the entire lumber industry for the maintenance, in the public interest, of agreed upon and published size, grade, and inspection standards is recognized. For the suitable discharge of such responsibility, an American Lumber Standards Committee shall be constituted, in the manner and with the functions and duties as herein set forth.

"(B) The American lumber standards are not intended for use either as grading rules or as purchase specifications, but provide a standardized working basis for the coordination of the grades of the various species, and for the preparation of grading rules applicable to each species.

"(C) Lumber conforming to the basic minimum size and grade provisions of the American lumber standards, when graded under rules approved by the Board of Review of the American Lumber Standards Committee, as hereinafter provided, may be designated as American standard lumber.

"3. Problem: R–16–53 is essentially a listing of the standard lumber sizes, and it permits lumber of varying moisture content to be certified and grade marked as complying with these standard sizes depending upon the specifications given in each grading association's grading rules.

"However, because this trade practice results in some unseasoned lumber which is marked as complying with the standard sizes when actually it is somewhat undersized as it reaches the consumer, the Department has been criticized for seemingly to condone such practices. Some manufacturers as well as other agencies of the Federal Government have asked us to explain our position in this matter, and we have found it increasingly difficult to refrain from taking some action to clarify it. Therefore, the Department wishes to request this committee to give serious consideration to the establishment of some mark or other system of identification which would show clearly the two ways in which R–16 sizes can be met commercially. Several methods could be used, such as an 'A' and a 'B' or a color code, etc., used in conjunction with the grade mark on each piece of ALS lumber, the 'A' meaning the piece was dressed to conform to the standard size after it was dried to a certain moisture

content and the 'B' meaning it was dressed to comply with the standard sizes when it was in a green or unseasoned condition.

"It is the belief of the Department, according to the official records of this committee, that the original intent all along was that R–16 sizes were to apply to dry lumber. To support this belief I will read a statement from the May 3, 1928, minutes of this committee. This is a statement and a unanimously adopted resolution made by the incumbent representative of the West Coast Lumbermen's Association. The statement followed the presentation of a report by representatives of the Forest Products Laboratory which outlined the results of a nationwide sampling of the moisture content of thousands of pieces of lumber, which was supplemented by practical information obtained from the industry. Specific recommendations for moisture limits by specific product were made.

"Mr. W. B. GREELEY (West Coast Lumbermens Association) then spoke as follows:

" 'On the other hand, my own view has always been strongly in favor of the inclusion of a definite moisture content specification in American lumber standards, just as soon as we could be reasonably sure that a moisture content specification has been developed, which will serve the purpose.

" 'I think I can say in all propriety that that is exactly the viewpoint of all the manufacturing associations represented here, and certainly of all the manufacturers who participated in the conference this noon. We all believe thoroughly in the principle of incorporating moisture content specifications in American lumber standards. I believe in it as a measure of protection for the consumer and as a measure for holding the market for lumber.

" 'Our whole question is that of being sure that the specifications which may be adopted shall be specifications practically attainable in the mills and also specifications that really represent the protection to the consumer which he wants. The mills do not want to assume a specification which they cannot deliver, and they do not want to assume a specification which might sound reasonably well on paper, but which does not actually represent to the consumer the dried lumber that he thinks he is buying.

" 'Approaching the problem from that standpoint, a considerable number of the associations represented here have encountered more or less difficulty. For one thing, the time within which the mills had an opportunity to consider these recommendations was very short—not more than a month in several instances—altogether too short to give these specifications the study that they merited before the mills should be in a position to decide whether or not they were ready to proceed on a basis of producing lumber that would stand up under those specifications.'

"Mr. Greeley continued:

" 'I move the proposals now before the conference dealing with lumber dryness and moisture content specifications be deferred; that the Central Committee on American Lumber Standards be authorized to adopt and incorporate in the American lumber standards specifications dealing with lumber dryness and moisture content through the regular procedure including the consulting committee; and that all the regional lumber manufacturers associations be requested to submit their recommendations and proposals in full on this question to the central committee not later than November 1, 1928.'

"This resolution was passed unanimously, but November 1, 1928, came—went, and today, 32 years later, there is still no relationship between standard sizes and moisture condition given in R–16.

"We mention this only to illustrate the difficult position in which the Department finds itself, and not to open debate to the relative merits of green or dry lumber.

"If the committee is ready to develop quality specifications for lumber the Department has a similar service at their disposal. This is our procedure for establishment of commercial standards which are essentially industry specifications and include quality requirements and test methods. We work with the industry and the Forest Products Laboratory, and after the standard is promulgated a standing committee is appointed by the industry to maintain it.

"I repeat that this is mentioned only for the purpose of informing the committee of our other service which is available at their request."

Here is a statement from a Department of the Federal Government that has the power and the duty to see that the standards under its jurisdiction are fair to the public and the industry lending itself to such a suggestion. It is also noted

that the Department is pleading with that committee to take action instead of issuing an order or directive in the public interest as well as protection of the entire lumber industry.

The resolution as to sizes and grades proposed by the recent industry meetings was completely nullified inasmuch as the shippers in western region refused to accept any more of the changes, insisting that if dry lumber sizes were to be reduced they would reduce their unseasoned lumber to identical sizes. They further refused to brand their lumber by identifying it as "green" or "unseasoned." As a member of the American Lumber Standards Committee, the southern pine industry has only one vote, but has historically stood up for a unified standard on dryness and sizes of quality lumber only to be defeated in its efforts by those members who are reaping large benefits from the sale of green or unseasoned lumber to the detriment of the general public.

W are indebted to your committee for allowing us to set forth the many problems which beset the southeastern lumber industry, and we hope that your committee will take action to resolve these problems.

Tables showing effect of shrinkage in drying on size, stiffness, and strength of representative sizes of dimension lumber when dressed green to American lumber standard sizes

Nominal size (inches)	Actual size S4S (inches)	Area of section (square inches)	Percent reduction	Stiffness		Strength	
				Moment of inertia ($I=bd^3/12$ inches [4])	Percent reduction	Section modulus ($S=bd^2/6$ inches [3])	Percent reduction
2 x 4:							
(1) ALS dry	1⅝ x 3⅝	5.89		6.45		3.56	
(2) 4 percent less	1⁹⁄₁₆ x 3½	5.47	7.1	5.58	13.5	3.19	10.4
(3) 8 percent less	1½ x 3⅜	5.06	14.1	4.81	25.4	2.85	19.9
2 x 8:							
(1) ALS dry	1⅝ x 7½	12.19		57.13		15.23	
(2) 4 percent less	1⁹⁄₁₆ x 7⁵⁄₁₆	11.23	7.9	48.35	15.4	13.45	11.7
(3) 8 percent less	1½ x 6⅞	10.31	15.4	40.62	28.9	11.82	22.4
2 x 10:							
(1) ALS dry	1⅝ x 9¼	15.44		116.10		24.44	
(2) 4 percent less	1⁹⁄₁₆ x 9⅛	14.26	7.6	98.93	14.8	21.68	11.3
(3) 8 percent less	1½ x 8¾	13.13	15.0	83.74	27.9	19.14	21.7

(1) Dimensions when dressed dry to American lumber standard sizes.
(2) Dimensions after allowing 4 percent shrinkage in width and thickness when dressed green to American lumber standard sizes.
(3) Dimensions after allowing 8 percent shrinkage in width and thickness when dressed green to American lumber standard sizes.

NOTE.—"Percent reduction" columns show percentage of loss in stiffness and strength resulting from shrinkage to dry stage (19 percent moisture content) when dressed green to ALS sizes.

Source: Southeastern Pine Marketing Institute, October 1958.

[In inches]

Nominal size	ALS size dressed dry	Dressed green to ALS size			
		Dry (4 percent shrinkage)		Dry (8 percent shrinkage)	
		Loss	Size	Loss	Size
1 inch	25⁄32	1⁄32	24⁄32	1⁄16	23⁄32
2 inches	1⅝	1⁄16	1⁹⁄₁₆	⅛	1½
3 inches	2⅝	3⁄32	2¹⁷⁄₃₂	7⁄32	2¹³⁄₃₂
4 inches	3⅝	⅛	3½	¼	3⅜
6 inches	5½	3⁄16	5⁵⁄₁₆	7⁄16	5¹⁄₁₆
8 inches	7½	5⁄16	7⁷⁄₁₆	⅝	6⅞
10 inches	9½	⅜	9⅛	¾	8¾
12 inches	11½	29⁄64	11³⁄₆₄	59⁄64	10³⁷⁄₆₄

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