

THE BRITISH COLUMBIA SOFTWOOD
LUMBER INDUSTRY AND ITS ECONOMIC
EFFECTS ON THE WESTERN UNITED
STATES LUMBER INDUSTRY

Thesis for the Degree of M. S.
MICHIGAN STATE UNIVERSITY

Roger Edward Bach

1963



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by

ROGER EDWARD BACH

AN ABSTRACT

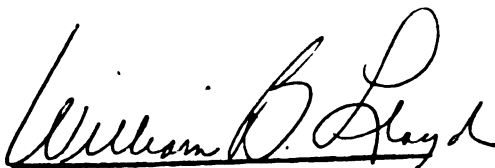
Submitted to the College of Agriculture
Michigan State University of Agriculture and
Applied Science in partial fulfillment of
the requirements for the degree of

MASTER OF SCIENCE

Department of Forest Products

1963

Approved

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ABSTRACT

THE BRITISH COLUMBIA SOFTWOOD LUMBER INDUSTRY AND ITS ECONOMIC EFFECTS ON THE WESTERN UNITED STATES LUMBER INDUSTRY

by Roger Edward Bach

British Columbia has a large and strong lumber industry and because of its exceptional size, the industry has turned to the United States as a market for its production. As a result, the imports of lumber from British Columbia have increased considerably the past five years and the increase of these imports has had an economic impact on the lumber manufacturers in the Western United States who are the natural competitors of British Columbia. The major economic effects were a decline in production, a cost-price squeeze, sawmill closures, and a decline in employment.

A study of the lumber supply and demand conditions of both producing regions enables the reader to more fully understand the basis for this problem. The volume of public sawtimber is the major factor determining the amount of

sawtimber available to lumber manufacturers. The stumpage price of public timber in the United States has been extremely high because of the bidding procedure used to sell the timber. This bidding procedure is rarely found in British Columbia with the result being a much lower stumpage price. The Western United States lumber manufacturers face another disadvantage when lumber cargo shipments are studied. The Western manufacturer must ship all lumber which is destined for U.S. ports in U.S. ships. British Columbia, on the other hand, does not have to comply with this law (the Jones Act) and it utilizes cheaper foreign vessels. For the time being, British Columbia also has an exchange rate advantage. All these factors have aided British Columbia in its attempt to increase lumber exports to the United States.

The lumber industry of the Western United States has been adversely affected by imports from British Columbia. However, a problem arises when an evaluation of the degree of damage is taken into consideration. Other factors which affect the Western United States industry are substitute materials, non-lumber forest products, and a lagging home building industry. The degree of damage directly attributable to British Columbia imports is not as serious as was first thought.

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cargo shipping conditions and forest service policies. These two problems make it impossible for the Western United States lumber manufacturer to compete with British Columbia on an equal basis.

Once the equality of competitive conditions is achieved, these two producing areas should combine their forces in the form of an association. This association would be responsible for the promotion, market development and technical advancements necessary to build a bigger and better lumber industry in the Western portion of North America.

This study involved the examination of two main sources of information. The first was the assembling and studying of technical, promotional and financial literature and reports. The second source of information was a series of interviews with retail lumber dealers, wholesale lumber dealers, trade association representatives and lumber manufacturers. The individuals interviewed were selected on the basis of recommendations by responsible persons and organizations.

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ACKNOWLEDGMENT

The author wishes to express his appreciation to Professor William B. Lloyd for his direction and guidance throughout the course of this study.

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CHAPTER I

INTRODUCTION TO THE STUDY

Purpose

The major purpose of initiating this study was to examine the British Columbia lumber industry and evaluate the impact its imports have had on the Western United States lumber industry.

This study is concerned with uncovering the principal problems which have resulted either directly or indirectly from the importation of British Columbia lumber products.

Importance of the Study

The importance of this study stems from the problems which have originated because of the increasing amount of lumber imports from the province of British Columbia.

Imports of Canadian softwood lumber have increased considerably in the last few years. Table XXVIII (Appendix) indicates that in a eight year average 1951-58, the Canadian softwood lumber imports averaged 8.8% of domestic consumption; however, since that time they have steadily increased their share of the market; in 1959 they had 10.9%; in 1960, 12.3%; in 1961, 13.7%; in 1962, 14%; and in the first three months of 1963,

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14.9%. This accelerated importation rate has brought words of concern from U.S. lumber manufacturers, particularly, the men of the Western producing region.

The lumbermen of the Northwest thought the danger was so great that in 1961 the Lumbermen's Economic Survival Committee was formed. This Committee has worked with the National Lumber Manufacturers Association in attempting to combat the increase of lumber imports.

Preview of the Study

Before actually previewing this study it will be necessary to define several terms which will be used throughout the study. These definitions are as follows:

| | |
|-----------------|--|
| allowable cut | the volume of live saw-timber and growing stock that can be cut during a given period while building up or maintaining sufficient growing stock to meet specified growth levels. |
| board foot | a unit of lumber measure one foot long, one foot wide, and one inch thick or its equivalent. |
| cargo shipments | water-borne shipments of lumber |
| cubic foot | a unit of measure one foot long, one foot wide, and one foot thick, or its equivalent. The cubic foot is the standard unit of measure used in British Columbia to determine the volume of standing saw timber. One cubic foot equals approximately six board feet. |

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| Douglas Fir Region | a region which includes all softwoods in Washington and Oregon west of the Cascades. |
| embargo | an edict of government prohibiting the departure or entry of ships of commerce at its ports. |
| English pound | the monetary unit of Great Britain which is currently equal to \$2.80. |
| FAS | free alongside ship--a price quotation which includes delivery of the goods free alongside, but not on board, the vessel at the port of export. |
| hackmatack | American larch (Western). |
| log grades | the basic three are No. 1, No. 2 and No. 3 and poorer with No. 1 being the highest quality log. |
| lumber | sawed wood which is not further manufactured than planed and tongued and grooved. |
| peeler log | a softwood log suitable for cutting into rotary veneer which is "peeled" from the log by a lathe. |
| sapling | a young tree which is not large enough to qualify as sawtimber. |
| softwood | one of the group of trees which has needle-like or scale-like leaves. |
| stumpage price | selling price of standing timber. |
| tariff | a system of duties imposed by a government on goods imported or exported. |

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| tenure | the act or right of holding real estate. |
| Western Region | the states of Oregon, Washington, California, Nevada, Idaho, Montana, Arizona, Colorado, New Mexico, South Dakota, Utah, and Wyoming. |

The material within this study has been subdivided into four main categories. Chapter II is concerned with an examination of the British Columbia lumber industry which consists of the history, natural resources, manufacturing, U. S. investment, production, and distribution of the product.

The common problems found in both the Western U. S. manufacturing area and British Columbia are the topics of Chapter III. The demand and supply factors present in the lumber industry today are the topics of discussion in this chapter. The study of demand is concerned with three primary markets: the U. S., Canadian, and British. This chapter acts as an introduction to Chapter IV, as the supply and demand analysis will indicate why British Columbia has turned to American markets.

The fourth chapter is concerned with imports from British Columbia and its economic effects. The chapter begins by studying the reasons for the first import of Canadian lumber and the resulting tariff legislation. The study of the present problem is broken down into two major areas; the reasons for the increase in imports and the resulting economic effects in the Western lumber

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industry due to increases of imports. The chapter concludes with a report of the action initiated by Western lumbermen since 1960, U. S. Tariff Commission hearings, and recent developments.

Solutions to the problem are discussed in Chapter V, and are divided into three main categories which are the National Lumber Manufacturers Association proposed foreign trade program, proposed legislation, and the author's conclusions and proposed solutions to the problem.

Limitations of the Study

The lumber manufacturers in the United States are divided into five geographic regions--the West, South, Northeast, Lake States, and Central Prairie States. Since 1939, the West has been the leading producing area and as recently as 1958 produced 9 billion board feet more than its nearest competitor, the South.¹ Imports of British Columbia lumber have had their economic repercussions on each of these five regions; however, this study will be limited to the Western region. British Columbia competes more directly with and has had more economic effects on this region than on any of the other four. The primary reason for this competition is the geographic

¹National Lumber Manufacturers Association, Lumber Industry Facts, 1960-61 (Washington: National Lumber Manufacturers Association, 1962), p. 22.

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location and the similarity of the timber species found within these two regions.

A limitation, with respect to the interviews, was that only a small number of interviews, approximately 50, could be conducted. The ideal situation would have been to approach everyone having anything to do with the British Columbia import problem. To accomplish this ideal, however, would have been impractical from the aspect of time as well as that of funds. However, the author feels that this shortcoming was substantially offset by: (1) an attempt to see or contact the major men in each of the problem areas and (2) the fact that most of the people contacted had an extensive knowledge of both the industry and their own particular areas of endeavor.

The third limitation is concerned with statistical data and its use in this study. On a few occasions, it was found that the only information available on a particular subject was lumped together into one figure, usually under the heading of Canada. Although British Columbia produces approximately 70% of all Canadian softwood lumber, it would not be correct to use British Columbia and Canadian statistics synonymously.²

²West Coast Lumbermen's Association, World Softwood Statistics, Vol. IV, (Portland, Oregon: West Coast Lumbermen's Association, 1962), p. 16.

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Along this same line, it should be noted that almost all the proposed solutions and proposed legislation are entitled in such a manner as to limit import from Canada. While this is directed almost entirely at British Columbia, it would be impossible to direct proposals and legislation at one particular segment of an entire nation.

Sources of Information

This study involves the examination of several sources of information which are described below:

(1) The assembling and studying of technical, promotional, and financial literature and reports obtained from a large number of public and private sources.

(2) Interviews were conducted with:

Retail lumber dealers
Wholesale lumber dealers
Trade association representatives
Lumber manufacturer representatives

The individuals interviewed were selected on the basis of recommendations by responsible persons and organizations.

There was no effort made or intended to take a statistical sample in any of the categories listed above.

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CHAPTER II

THE BRITISH COLUMBIA LUMBER INDUSTRY

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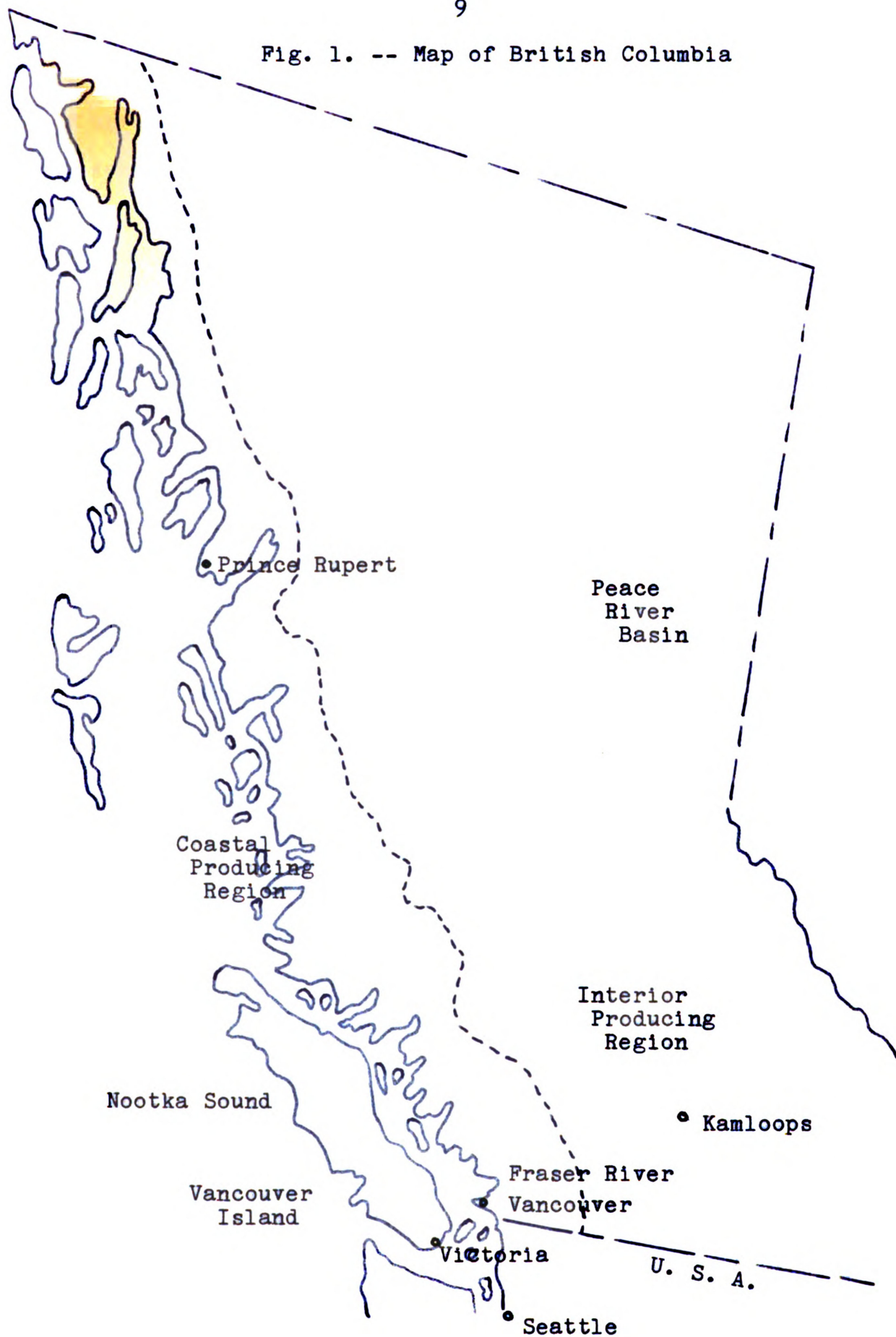
The history of the lumber industry in the United States is closely paralleled by that of Canada. During the early years in the history of North America, the lumber industry was migratory.

Stanley Horn vividly tells of the industry movement in This Fascinating Lumber Business. He describes the move of the industry from the New England area to the Lake States to the South and finally to the Far West where the last great stands of virgin timber remain.

A parallel movement occurred in Canada as the industry moved from the Maritimes through Quebec and Ontario and eventually to the Far West--the province of British Columbia.

British Columbia, Fig. 1, is the most westerly Province in Canada. It is bounded on the east by the Rocky Mountains from the 49th parallel which is the southerly boundary to the 54th parallel, where the easterly boundary follows longitude 120 degrees west to the Northwest Territories. The 60th parallel is the northern boundary and the westerly boundary is the Pacific Ocean and Alaskan Panhandle.

Fig. 1. -- Map of British Columbia



British Columbia has an area of 365,805 square miles. The predominant physical characteristic is a series of parallel mountain ranges running north and south with fertile river valleys in between. The coast is deeply indented by numerous deep-water inlets and many islands lie close to the main shore. Most of the coast islands are richly endowed with a variety of natural resources.¹

British Columbia has three major climactic regions--Coast, Interior and Northeast. These regions play an important role in the locations of timber species. The Coast Region is influenced by maritime conditions, insuring plentiful precipitation and moderate temperature. The Interior Region is influenced by both continental and modified maritime conditions, resulting in mixtures and changes of climactic characteristics. The Northeast Region is dominated by continental influences--cold winters and hot summers, with a frost free period adequate to allow effective agriculture in the favorable areas of the great Peace River basin.²

The present study will continually refer to the Coastal and Interior Regions mentioned above, for they

¹Province of British Columbia, Finance Department, An Economic Review of Resources, Production, and Governmental Finances, 18th ed., 1958, p. 9.

²Ibid.

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are the two major lumber producing areas in British Columbia.

Captain James Cook was the first white man, known to our history, to ever take advantage of the wonderful stands of timber in British Columbia. He visited Nootka Sound, on the West Coast of Vancouver Island in 1778 and replenished his vessel with new masts and spars. Ten years later, Captain John Meares launched a ship at Nootka, loaded it with furs and a deck load of spars, and sailed for China.³

In 1827-1828, the first plant that could be called a sawmill was erected in the Northwest, the builder being Dr. John McLoughlin, chief factor for Hudson Bay Company at Fort Vancouver. It had a capacity of 2,000 board feet per day, and in 1832 shipped the first cargo of lumber to the Chinese market.⁴

From 1827 until late in the century, the sawmill industry grew slowly on a small, but world wide, export trade and on local demand which was strengthened by the activity produced by a gold discovery on the Fraser

³W. A. Carrothers, Forest Industries of British Columbia, (Toronto: Ryerson Press, 1938), p. 254.

⁴Ibid.

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It has been noted that the history of Vancouver Island and British Columbia may be said to commence from the summer of 1858, when the discovery of gold on the lower Fraser induced a large influx of people from California, numbering at one time as many as 30,000 per month. Inevitably there followed an increase in demand for lumber. This demand was accompanied by a new surge in the number of sawmills.⁶

The first attempt at foreign market development is described in the Colonist of May 15, 1865, when Henry Pickett left for Australia to establish an agency for the Burrard Inlet Lumber Company. In the same year, Captain Stamp, representing the East Indian Company, complained to the British Government that a vessel was being loaded at Puget Sound for the British admiralty, but he in British territory could not get such business.⁷

By 1867 the industry had grown to a total of twelve major mills (7 on Vancouver Island and 5 on the

⁵John Davis, A. L. Best, P. E. Lachance, S. L. Pringle, J. M. Smith, and D. A. Wilson, The Outlook for the Canadian Forest Industries, A Report to the Royal Commission on Canada's Economic Prospects (Ottawa: Edmond Cloutier, Queen's Printer and Controller of Stationery, 1957), p. 16.

⁶W. A. Carrothers, loc. cit., p. 260.

⁷Ibid., p. 263.

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⁸ Ibid.

⁹ Ibid.

Mainland) with a total of 34 saws, a capacity of 329,000 board feet per day, and a total cost of \$376,500 for all 12 mills.⁸

The official record of British Columbia lumber exports, in places other than Vancouver Island, reports shipments to the United Kingdom, Australia, and Mexico. Other shipments went to the U. S., The Spanish Islands, Australia, and Mexico in 1866. In 1867 the total lumber exports increased 300%, Australia and South America being chiefly responsible for the increase. Exports gradually increased annually until 1870 when exports to all markets declined, and the total for the year was less than half of those of the previous years. From this point until 1882 there was little expansion of the lumber industry.⁹

Construction work on the transcontinental railroad began in 1880 and its completion gave an impetus to the settlement of the Canadian prairies which created a new market for British Columbia lumber. The capacity of the British Columbia mills more than doubled in the period 1880-1894. By 1900 the capacity had again doubled (see Table I). This increase in activity occurred in

⁸Ibid., p. 265.

⁹Ibid., pp. 267-69.

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spite the change in the tariff schedule in 1894 which permitted rough lumber and shingles to enter free from the United States.

Table I. British Columbia Timber Cut
From 1848 to 1930^a

| <u>Years</u> | <u>Million Board Feet</u> |
|------------------|---------------------------|
| 1848-1870 | 250 |
| 1871-1880 | 350 |
| 1881-1890 | 550 |
| 1891-1900 | 1,327 |
| 1901-1910 | 4,754 |
| Total, 1848-1910 | 7,231 |
| 1911-1920 | 13,493 |
| 1921-1930 | 24,081 |

^aW. A. Carrothers, *Forest Industries of British Columbia*, (Toronto: Ryerson Press, 1938), p. 270.

The years 1900-1910 continued to show increases in lumber production. Since the prairie in the Province itself absorbed the increase, cargo shipments did not expand. The Canadian prairies had become the most important, almost the only, outside market for British Columbia lumber.¹⁰

The early part of the 20th century saw the greatest growth of the British Columbia lumber industry. The industry reached its pre-war peak in 1910, when

¹⁰Ibid., p. 271.

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1,619,904,000 board feet of lumber, apart from shingles and laths, was produced at a value of \$24,823,441. The capital investment in the lumber industry increased from \$4,250,000 in 1905 to \$34,000,000 in 1917. The total number of operating mills also reached a new high in 1911 with 261.¹¹

From this point on, British Columbia lumber industry continued to show growth each year, with the exception of the 1930 depression, until it reached the position of importance it now holds in world lumber production.

New markets were opened for export in 1915 when the Panama Canal was completed. But cutting the water distance from British Columbia ports to the United Kingdom and Europe by more than 50%, it meant a savings in voyage time from 17 to 23 days, and thus lower freight charges. The opening of the great pass really marked the birth of heavy lumber export trade from the Province.¹²

¹¹Ibid., p. 272.

¹²Fred H. Goodchild, British Columbia--Its History, People, and Industry (London: George Allen and Unwin Ltd., 1951), p. 108.

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Natural Resources

The coastal areas of British Columbia are well suited to the growth of large softwood trees due to the favorable conditions of climate and soil. There are also large stands in the drier Interior regions, but these lack the high quality and accessibility of the Coastal timber. The Interior forests consist mainly of spruce, lodgepole pine, Western hemlock, balsam and Douglas fir. The same species appear in the Coast forests with the addition of Western red cedar which ranks second in volume to Western hemlock.¹³ Table II gives a comprehensive account of the natural forest resources in British Columbia.

British Columbia's competitive strength in Eastern Canada, the United States, and Overseas markets is dependent on three main species--red cedar, Western spruce, and Douglas fir. The fact that the Province contains 80 percent of all red cedar sawtimber on the Pacific Slope gives it a strong position in sales of this species. Containing 75 percent of all Western spruce sawtimber, the province also enjoys an excellent United States market for species of that group. Douglas fir,

¹³Province of British Columbia, Finance Department, An Economic Review of Resources, Production, and Governmental Finances, 22nd ed., 1962, p. 63.

Table II. In
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Table II. Inventory of Sound-Wood Timber in Accessible
Mature Forests Growing on Productive
Sites in British Columbia^a

(Volumes in thousands of cubic feet)

| <u>Species</u> | <u>Coast</u> | <u>Interior</u> | <u>Province</u> |
|-------------------|--------------|-----------------|-----------------|
| Douglas fir | 5,592,760 | 6,548,185 | 12,140,945 |
| Western red cedar | 12,643,976 | 5,417,577 | 18,061,553 |
| Western hemlock | 21,606,761 | 15,763,045 | 37,369,806 |
| Balsam species | 8,524,374 | 14,283,587 | 22,807,961 |
| Spruce species | 4,016,064 | 48,601,080 | 52,617,144 |
| Yellow cedar | 1,518,119 | ----- | 1,518,119 |
| White pine | 166,271 | 398,058 | 564,329 |
| Lodgepole pine | 138,135 | 17,866,302 | 18,004,437 |
| Yellow pine | 1,567 | 382,803 | 384,370 |
| Western larch | ----- | 618,149 | 618,149 |
| All Species | 54,626,077 | 115,117,229 | 169,743,306 |
| Acres | 7,457,283 | 36,658,022 | 44,115,305 |

^aProvince of British Columbia Finance Department,
An Economic Review of Resources, Production and Govern-
ment Finances, Twenty-Second Edition, 1962, p. 63.

long a main-stay in Provincial lumbering activity, continues to compete strongly in the East and Overseas where large markets have always existed for the species.¹⁴

Covering a period of almost twenty years (Table III), the shares of all timber represented by both Douglas fir and Western red cedar have declined measurably while those of hemlock, balsam, fir, and lodgepole pine have

¹⁴George R. Armstrong and John A. Guthrie,
Western Forest Industry--An Economic Outlook (Baltimore:
John Hopkins Press, 1961), p. 63.

Table III. Percentage Distribution of Net Sawtimber Volume in Selected Years
and of Timber Harvested in 1955 for British Columbia
by Region and Species Groups^a

| | 1920 | 1955 | Per Cent of Harvest |
|--|------|------|------------------------|
|--|------|------|------------------------|

Table III. Percentage Distribution of Net Sawtimber Volume in Selected Years
and of Timber Harvested in 1955 for British Columbia
by Region and Species Groups^a

| Species | 1937 | | | 1955 | | | Per Cent of Harvest - 1955 | | |
|-------------------------|------|----|----|------|-----|-----|-------------------------------|------|-----|
| | | | | | | | | | |
| | C | I | P | C | I | P | C | I | P |
| Douglas-fir | 24 | 12 | 19 | 13 | 9 | 11 | 47.5 | 44.9 | 46 |
| Red cedar | 26 | 9 | 19 | 23 | 6 | 13 | 17.0 | 9.6 | 10 |
| Spruces | 6 | 40 | 20 | 6 | 38 | 25 | 2.0 | 37.1 | 17 |
| Western hemlock | 30 | 11 | 22 | 38 | 13 | 23 | 30.6 | 2.4 | 18 |
| True firs | 11 | 14 | 12 | 15 | 17 | 16 | 1.3 | 0.7 | 1 |
| Yellow pine | -- | 1 | 1 | -- | 0.6 | 0.3 | neg. | 2.0 | 1 |
| White pine | 1 | 1 | 1 | 0.5 | 0.4 | 0.4 | 1.0 | 2.0 | 1.5 |
| Lodgepole and jack pine | -- | 1 | 4 | 0.2 | 13 | 8 | neg. | 3.6 | 1.5 |

C = Coast. I = Interior. P = Province.
neg. = negligible.

^aGeorge R. Armstrong and John A. Guthrie, Western Forest Industry--
An Economic Outlook (Baltimore: John Hopkins Press, 1961) Table 19, from the Re-
port of the Commissioner Relating to the Forest Resources of British Columbia
(1957), pp. 198, 201, 204, 213, 330-31.

tended to rise.¹⁵ Douglas fir continues to be the most popular species and its percentage of total sawtimber volume will undoubtedly drop more in future years.

The Crown owns approximately 95 per cent of forest lands in British Columbia. During 1961, 83 per cent of the total scale of forest production came from Crown land tenures, but only 64 per cent came from tenure on which stumpage was collected. The seventy-eight public managed units accounted for 39 per cent of the Provincial scale while 25 per cent came from tree-farm licenses.¹⁶

The 6,569 active timber sales in existence at the close of the year comprised a total area of 3,651,000 acres. Ninety-two per cent of the sales made during the year were non-competitive, and these accounted for 91 per cent of the total volume sold.¹⁷

Forest Service

The lumber industry in North America was a giant which swept through the country leaving a path of barren wasteland. At least, this was the picture up until the turn of the century when the first reforestation policies were put into effect. Today both public and private

¹⁵Ibid.

¹⁶Province of British Columbia, Department of Lands and Forests, Report of the Forest Service, December 1961, p. 14.

¹⁷Ibid.

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forces are at work to replenish our forest resources. This is especially true when we look at the Province of British Columbia and its Forest Service Department.

Definite progress has been made in the implementation of the province's sustained-yield program, and, as of December 31, 1961, almost 54,000,000 acres of productive forest (mature and immature) land, with a total annual allowable cut of 860,000,000 cubic feet, were under regulation of cut. This volume represents the equivalent of 65 percent of the total cut for the Province in 1961. The cut from seventy-eight public sustained-yield units amounted to 454,000,000 cubic feet and the recorded cut from thirty-six tree-farm licenses under regulation amounted to 263,000,000 cubic feet.¹⁸

Table IV illustrates the strength of the reforestation program. Noting the total columns of this table, it can be seen that the majority of the reforestation has taken place in the Coastal region. The total number of trees planted was 148,984,800 and of this total, 144,252,400 were placed in the Coastal region. Approximately thirty-two percent of the planting was on private land and the remainder on Crown Land.

The Coastal region has had many more logging

¹⁸Ibid.

Table IV. Summary of British Columbia Timber Planting,
1959-61^a

(Trees in thousands)

| Year | Forest Service on Crown Land | Company and Private | Total |
|---------------------|---------------------------------|------------------------|-----------|
| <u>Coast</u> | | | |
| 1961 | 893.3 | 6,279.0 | 7,172.3 |
| 1960 | 1,398.8 | 5,241.3 | 6,640.1 |
| 1959 | 2,431.7 | 5,012.6 | 7,444.3 |
| Previously Planted | 94,994.4 | 28,001.3 | 122,995.7 |
| Totals to Date | 99,718.2 | 44,534.2 | 144,252.4 |
| <u>Interior</u> | | | |
| 1961 | 371.0 | 241.8 | 612.8 |
| 1960 | 198.4 | 187.8 | 386.2 |
| 1959 | 777.5 | 92.1 | 869.6 |
| Previously Planted | 2,249.2 | 614.6 | 2,863.8 |
| Totals to Date | 3,596.1 | 1,136.3 | 4,732.4 |
| All Planted to Date | 103,314.3 | 45,670.5 | 148,984.4 |

^aProvince of British Columbia, Department of Lands and Forests, Report of the Forest Service (Victoria, B.C.: December 31, 1961), p. 89.

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operations than the Interior, which explains the higher rate of reforestation in that area. The Coastal region also has more accessible land than the Interior, which is one reason for the higher logging rate.

During 1961 the Forest Service Department employed 1,766 permanent personnel. These people were used as foresters, rangers, engineers--mechanical and radio, clerks, stenographers, messengers, cruisers, compassmen, and silviculture crewmen. In addition to the continuous personnel, 1,039 seasonal personnel were hired in 1961. The majority of these people were employed as lookoutmen, fire-suppression crewmen, reforestation--snag-fallers, planters, etc., student and survey assistants and engineering assistants.¹⁹

Another important division of the Forest Service is the Engineering Department. The principal function of the Engineering Department is the development and construction of forest roads. In addition to the road location and construction work, continued emphasis has been placed on development engineering, and extensive field and office investigation were undertaken to provide the engineering data essential to the management of the

¹⁹Province of British Columbia, Department of Lands and Forests, Report of the Forest Service, 1961, p. 88.

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During the 1961 field season, 305 miles of road were laid out under the forest-development road program. Also, a reconstruction survey was run on an additional 38 miles of substandard road scheduled for improvement during the year.²¹

Under a cost-sharing agreement with the Federal Government, increased funds were made available for forest-development road construction. The construction of 179 miles was completed in 1961. The mileage of road completed was two and one-half times greater than the 1960 figure. The proportionately greater increase in road mileage can be attributed to construction of a larger percentage of single-lane road, requiring less material per mile.²²

The importance of forest-development roads can be seen in Figure 2. One of the major problems of the British Columbia lumber industry today is ~~the~~ inaccessibility of large timber stands. Thanks to the Forest Service, many new areas are now being opened for harvest.

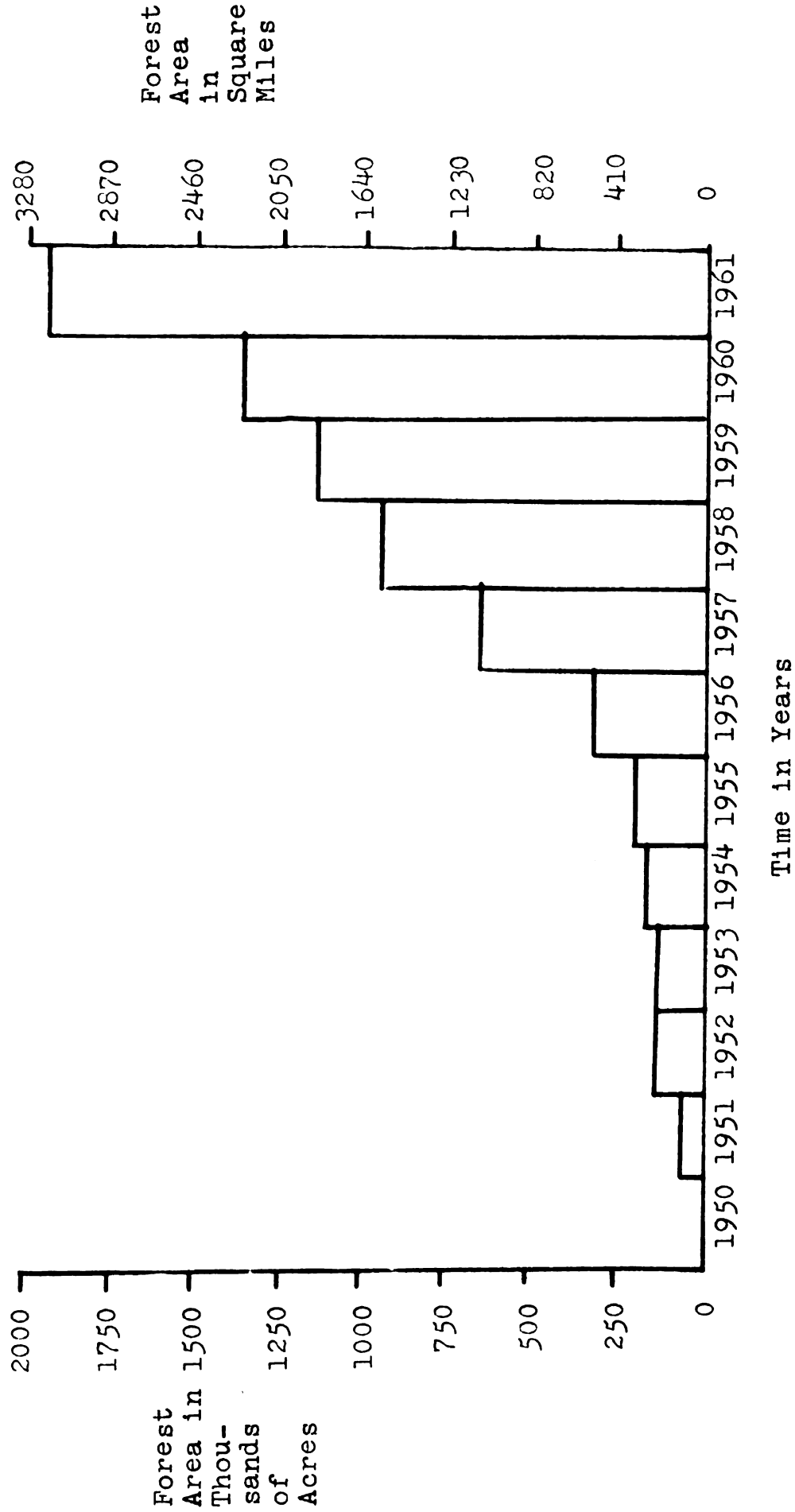
Other work connected with the day-to-day

²⁰Ibid., p. 52.

²¹Ibid., p. 53.

²²Ibid., p. 54.

Fig. 2 -- New Areas of British Columbia Timber Wealth Made Available by Forest Development Roads^a



^aProvince of British Columbia, Department of Lands and Forests, Report of the Forest Service (Victoria, B. C.: December 31, 1961), p. 55.

operations of the Service include the operation of marine and highway transport units, assistance to the districts in the location of fire access roads, and the provision of professional engineering services on various construction problems.²³

One of the major functions of the Forest Service is the selling of Crown timber. Since 1912, timber sales have been the major method of disposing of this timber. A timber sale is a license to cut Crown timber which is sold by public competition and subject to terms and conditions as stated in the timber sale contract.²⁴

The price of timber (stumpage costs) is determined by the Forest Service. The basic stumpage appraisal policy of the British Columbia Forest Service is to evolve a system which will result in fixing fair or reasonable stumpage rates for Crown timber, in keeping with its actual market value in price in all cases where this level is not fixed by freely competitive actual bidding. The basic formula for analytical stumpage appraisal starts with net selling price (logs or lumber) and a shipping point, from which is subtracted the cost of operation to that point plus a margin for profit and risk, to arrive at the

²³Ibid., p. 53.

²⁴U. S., Department of Agriculture, Forest Service, Stumpage Prices and Pricing Policies in British Columbia (Washington, 1962), p. 7.

residual value, stumpage.²⁵

In the coastal portions of British Columbia, appraisals are based on log selling values, which consist of log market prices that are reported at the British Columbia Loggers Association. In interior British Columbia, selling values for appraisals are based upon average prices of lumber compiled by public employees from shipping invoices of timber purchasers. The average price for the most recent three months is used to determine the appraisal.²⁶

The Forest Service also provides provisions for interim stumpage rate adjustment (escalation). Escalation is calculated by means of a formula which results in reflecting a variable per cent--as high as 90 per cent under certain circumstances--of the price change in lumber or logs. No change in stumpage price occurs unless there is at least a 15 per cent change in selling price of lumber or logs.²⁷

Labor

The census population of British Columbia was 1,165,210 in 1951 and 1,398,464 in 1956. This was an

²⁵Ibid., pp. 11-2.

²⁶Ibid., p. 12.

²⁷Ibid., p. 15.

increase of 20 per cent in five years as compared to a national increase of 14.8 per cent over the same period of time. The June 1961 census indicated 1,629,082 British Columbians, or an increase of 16.5 per cent in 1956, while national growth was 13.5 per cent.²⁸

The labor force has grown with the population and has increased from 437,000 in 1949 to the 1961 figure of 586,000.²⁹ Table V indicates that 37,387 people are employed in the wood industries, which includes the plywood and particle board manufacturers. However, they constitute a very small percentage of the total wood industries.

The importance of the wood industries in British Columbia can be seen (Table V) by recognizing that approximately thirty-seven per cent of all manufacturing employment is found in the wood industries.

The average weekly wages in British Columbia are higher than any other province in Canada and in 1961 were \$7.09 higher than the Canadian average. In 1961 the British Columbia average weekly wage was \$85.20 and the average weekly wage for all of Canada was \$78.11.³⁰

The average hourly earnings in British Columbia sawmills and planing mills have increased substantially

²⁸Province of British Columbia, Finance Department, An Economic Review of Resources, Production, and Government Finances, 22nd ed., July, 1962, p. 12.

²⁹Ibid., p. 86.

³⁰Ibid., p. 82.

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Table V. Principal Statistics of the Manufacturing Industries of British Columbia by Major Groups, 1960^a

| Industrial Group | Establishments | Employees | Salaries & Wages | Selling Value of Factory Shipments | |
|---------------------------|----------------|--------------|------------------|------------------------------------|-------------|
| | | | | \$000 Value | Per Cent |
| Wood Industries | 1,938 | 37,387 | 153,111 | 555,853 | 28.7 |
| Food & Beverage | 710 | 16,448 | 61,887 | 393,071 | 20.3 |
| Paper & Allied Industries | 46 | 10,409 | 56,512 | 294,084 | 15.2 |
| Primary Metal Industries | <u>44</u> | <u>6,652</u> | <u>35,257</u> | <u>196,730</u> | <u>10.2</u> |
| *Totals, 1960 | 3,995 | 100,507 | 439,369 | 1,936,918 | 100.0 |

* Totals include all industrial groups in British Columbia.

^a A Province of British Columbia, Finance Department, An Economic Review of Resources, Production and Government Finances, July, 1962, p. 69.

over the past ten years. The average hourly wage on the British Columbia Coast in 1950 was \$1.35. This has increased to \$2.15 in 1961 and up to \$2.23 for the first six months of 1962. The wages in the British Columbia Interior, although generally lower, have had substantial increases also. The 1950 wage was \$1.26; this has increased to \$1.95 in 1961 and \$2.03 for the first six months of 1962.³¹

³¹ H. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, a Report before the United States Tariff Commission on behalf of the West Coast Lumbermen's Association, (Washington, 1962), Table 5.

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A large share of the credit for these wage increases goes to the International Wood Workers of America, a labor organization affiliated with the AFL-CIO, which has its headquarters in Portland, Oregon. It is a comparatively young union on the labor scene, being founded in 1937.

In addition to higher wages, the I. W. A. has also negotiated for many "fringe" items. In British Columbia, there are nine paid holidays, three weeks' vacation after five years' service, and four weeks' vacation are provided after 20 years' service.³²

Manufacturing

British Columbia manufacturing is divided into resource-based and market-based industries. Resource-based industries account for approximately 70 per cent of the net value added to primarily those of the forest; i.e., sawmills, pulp and paper mills, veneer and plywood mills, etc.³³

Table V indicates 1,938 wood industry establishments with annual salaries and wages amounting to

³²A. F. Hartung, Concerning Softwood Lumber, a Statement on behalf of the International Woodworkers of America, before the United States Tariff Commission, (Portland, Oregon, 1962), p. 10.

³³Province of British Columbia, Finance Department, An Economic Review of Resources, Production, and Government Finances, 22nd ed., July, 1962, p. 69.

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\$153,111,000 in 1960. The selling value of factory shipments was \$555,853,000 which accounted for 28.7 per cent of all manufacturing.

In general, the British Columbia forest products industry is healthy and expanding. The following paragraph which appeared in the 1962 issue of An Economic Review of Resources, Production and Government Finances indicates plans for expansion.

Highlighting the 1962 capital investment programme in British Columbia is the activity in the forest-products industries. A number of projects are at present under way. At Port Mellon the pulp-mill is undergoing an expansion to convert to production of bleached kraft pulp at a cost of \$12,000,000-capital improvements to the MacMillan, Bloedel and Powell River are expected to cost \$7,000,000. On Vancouver Island, projects under way include a \$24,000,000 news print mill expansion at Port Alberni, a \$40,000,000 kraft-pulp mill expansion at Harmac, and a \$35,000,000 expansion of the newsprint and pulp mill at Elk Falls by Crown Zellerbach. Also, on the Island, construction of the \$25,000,000 newsprint-mill by British Columbia Forest Products at Crafton has commenced.³⁴

Special attention should be given to the preceding paragraph--noting that every one of the expansion plans concerns the pulp and paper industry.

The lumber industry had no large plans for expansion in 1962. In fact, the number of lumber mills in operation have dropped considerably over the last five years. Table VI indicates a drop of 657 mills between

³⁴Ibid., p. 12.

Table VI.

| | Number Operati Sawmill |
|---------|------------------------------|
| 1956 | 2,45 |
| 1957 | 2,25 |
| 1958 | 2,01 |
| 1959 | 2,00 |
| 1960 | 1,93 |
| 1961 | 1,77 |
| Change: | |
| 1956-61 | -65 |

^a Reports of the
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Table VI. Number and Capacity of Operating Sawmills
in British Columbia, 1956-1961^a

| | Number of Operating Sawmills | Estimated 8-hr. Daily Capacity (Thousand bd. ft.) | Average Daily Capacity (Thousand bd. ft.) |
|---------|------------------------------------|---|---|
| 1956 | 2,435 | 29,080 | 11.9 |
| 1957 | 2,255 | 26,752 | 11.9 |
| 1958 | 2,010 | 27,752 | 13.8 |
| 1959 | 2,005 | 28,280 | 14.1 |
| 1960 | 1,938 | 29,429 | 15.2 |
| 1961 | 1,778 | 29,025 | 16.4 |
| Change: | | | |
| 1956-61 | -657 | -55 | +4.5 |

^aReports of the British Columbia Forest Service for the years indicated.

1956 and 1961. However, the average daily capacity per sawmill has increased 4,500 board feet over the same period of time. These figures are indicative of a distinct shift in the composition of the lumber industry over the entire forest area toward fewer but larger mills.³⁵

U. S. Investment in the British Columbia Lumber Industry

U. S. investment in Canada has been a controversial subject for many years. The Royal Commission on Canada's Economic Prospects said:

³⁵Sperry Lea, The U. S. Softwood Lumber Situation in a Canadian-American Perspective, A report of the Canadian - American Committee sponsored by the National Planning Association (U. S. A.) and the Private Planning Association of Canada, (Washington, 1962), p. 7.

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At the root of Canadian concern about foreign investment is undoubtedly a basic, traditional sense of insecurity vis-a-vis our friendly, albeit our much larger and more powerful neighbour, the United States. There is concern that as the position of American capital in the dynamic resource and manufacturing sectors becomes ever more dominant, our economy will inevitably become more and more integrated with that of the United States. Behind this is the fear that continuing integration might lead to economic domination by the United States and eventually to the loss of our political independence. This fear of domination by the United States affects to some extent the political climate of life in Canada today. Therefore it is a factor which has some bearing upon the probable economic development of Canada and the problems to which such development appears likely to give rise.³⁶

At the same time the Canadians have realized the importance of foreign capital investments as without it the rate of growth would necessarily have been much slower.

One of the principal determinants of growth of the Canadian economy has been the development of the resource industries including the forest products, mining, smelting and refining, oil, gas, and hydro-electric power. These industries have all required larger amounts of capital than Canadians have been able to provide. "Even today when Canadians are enjoying the highest standard of living in their history and when the volume of savings is also very high, Canada just does not have enough large pools of capital available to finance large projects on

³⁶Canada, Royal Commission on Canada's Economic Prospects, Final Report, A Report to His Excellency the Governor General in Council (Ottawa: Edmond Cloutier, Queen's Printer and Controller of Stationery, 1957), p. 390.



which, in some cases, no return may be expected for some considerable time."³⁷

The amount of U. S. investment in the British Columbia lumber industry is a subject on which little current information is available. The most recent available study on this subject was published in 1938 by W. A. Carrothers in a book entitled Forest Industries of British Columbia.

Mr. Carrothers pointed out at that time the extreme difficulty in estimating with accuracy the amount of capital invested in the forest industries of British Columbia because of the lack of complete pertinent data. According to Carrothers, as of December 31, 1935, the total reported value of shares issued was \$81,654,906 (Table VII). Of this total value \$45,619,675, or the controlling stock, is reported as being held in the United States, \$29,535,193 in Canada, and \$4,610,508 in the United Kingdom. This would indicate that 55.87 per cent is controlled from the United States, 36.16 per cent from Canada, and 5.65 per cent from the United Kingdom.

The breakdown of U. S. investment into regions (Table VII) indicates a strong concentration of investment in the Eastern sector and on the West Coast.

It would be difficult to assume that this 1935

³⁷Ibid., p. 385.

Table
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Table VII. Total Reported Value of Shares Issued in
Timber, Logging, Sawmill, and Shingle Mill Companies,
December 31, 1935^a

| | No. of Companies | Reported Value of Shares Issued | % of Total |
|------------------|---------------------|------------------------------------|---------------|
| United States | 68 | \$45,619,675 | 55.87 |
| Eastern | 20 | 17,583,828 | |
| Middlewest | 12 | 11,140,125 | |
| West Coast | 21 | 14,727,515 | |
| Not classified | 15 | 2,168,207 | |
| British Columbia | 209 | 24,319,116 | 29.77 |
| Rest of Canada | 8 | 5,216,077 | 6.39 |
| United Kingdom | 4 | 4,610,508 | 5.65 |
| Other | 11 | 1,889,530 | 2.32 |
| Total | 300 | 81,654,906 | 100.00 |

^aW. A. Carrothers, Forest Industries of British Columbia (Toronto: The Ryerson Press), 1938, Table 43, p. 338.

investment picture could be projected directly into 1963. For one thing, the number of mills in 1961 was 1,778 (Table VI) as compared to the 300 in the 1935 study. It is impossible for the author to determine where the majority of new investment came from, but in all probability, the largest share of the increase has come from within British Columbia.

It has been estimated by several large manufacturing representatives that approximately one-third of the British Columbia lumber industry is U. S. owned today. This would be a drop from the 1935 percentage of 56.

The most recent study, 1955, was concerned with

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Canada as a whole and investigated the imports from direct investment companies in Canada (Table XXIX, Appendix).

The lumber industry (sawmill products) has by far the smallest percentage of imports from U. S. direct investment companies. The age of the lumber industry in Canada is probably the reason for its low percentage of U. S. investment as high investment has been in the pulp and paper, nickel, aluminum, and iron industries which are relatively young when compared to the lumber industry. One of the major reasons for their tremendous growth was the advanced technology found in the United States. However, the lumber industry started several hundred years ago when the requirements for technology and capital were relatively small.

When considering all industries, it is interesting to note that British Columbia has a small percentage of United States direct-investment companies.

A survey of the larger United States direct-investment companies shows the geographical concentration of these concerns. In 1953, Ontario and Quebec accounted for 50 per cent and 30 per cent respectively of the selling value of all Canadian factory shipments. Those selected United States direct-investment companies which are covered in the survey accounted for 40 per cent of the value of total factory shipments in Ontario, 25 per cent of the total in Quebec, 21 per cent in the Prairie

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Provinces, 12 per cent in British Columbia and 9 per cent in the Atlantic Provinces.³⁸

Although the Canadians realize the importance of American capital, they have tried various means to gain larger Canadian control of companies. A recent Wall Street Journal article read as follows:

U.S. Plywood Corporation is considering the merger of its Canadian subsidiaries and then offering shares in the new company to Canadians, said John Bene, president of Western Plywood, Ltd., a U.S. Plywood subsidiary.

It's a long-term plan, but I would expect that within the next 12 months participation would be offered to Canadians, he stated.

Mr. Bene said the Canadian participation in the new company may exceed 25% of total equity because of a proposal by the Canadian government to reduce withholding taxes on foreign-controlled companies to 10% from 20% of income if 25% or more of the subsidiary's shares are Canadian-owned by January 1, 1965.³⁹

Production

British Columbia leads all Provinces in both quantity and value of sawmill products and produced 60 per cent of Canadian cut lumber in 1961. The importance of the industry is further illustrated when its position in the export trade of the Province is considered. Overseas shipments of lumber were up 114,000,000 board feet to a total of 1,789,115,000 board feet.⁴⁰

³⁸Ibid., p. 106.

³⁹Wall Street Journal (Chicago), July 9, 1963, p. 8.

⁴⁰Province of British Columbia, Finance Department, An Economic Review of Resources, Production and Government Finances, 22nd ed., 1962, p. 63.

A new high (Table VIII) of \$685,000,000 for the total of forest products produced was reached in 1961, an increase of \$10,000,000 over 1960. The lumber industry accounted for \$359,000,000 of this total.⁴¹

Table VIII. British Columbia Forest Products Industry Value of Production^a

| | |
|------|---------------|
| 1949 | \$302,084,000 |
| 1952 | 491,449,000 |
| 1960 | 675,000,000 |
| 1961 | 685,000,000 |

^aProvince of British Columbia, Finance Department, An Economic Review of Resources, Production and Government Finances, 22nd ed., 1962, p. 63.

The total harvest in 1961 was 1,167,000,000 cubic feet. Principal species cut, by volume, were Douglas fir (31 per cent), hemlock (21 per cent), spruce (16 per cent), and red cedar (13 per cent). Douglas fir was the leading species cut in the Interior and hemlock on the Coast.⁴²

The volume of production is closely divided between the Coast and Interior regions. Table X indicates the tremendous growth of the Interior region to the position it holds today.

There has been a steady increase in lumber

⁴¹Ibid.

⁴²Ibid., p. 64.

production in British Columbia since 1935. The substantial increases in production that have been recorded have been made despite several developments adverse to expansion. The major changes that have taken place are:

1. A trend toward the use of lower-quality resources.
2. A reduction in the average size of logs cut and the average of timber being cut for sawlogs.
3. A decrease in the quality of the operable timber now being logged. The growing shortage of high-quality and easily accessible timber is indicated by the marked rise in stumpage prices in recent years.⁴³

The Royal Commission explains one reason for greater production by saying that, "In general, it may be said that an increase in lumber prices should bring forth greater production." Please note Table IX. "This can occur by making it profitable to operate areas that could not be economically operated for lumber at lower prices."⁴⁴

The future production prospects in British Columbia

⁴³John Davis, A. L. Best, P. E. Lanchance, S. L. Pringle, J. M. Smith, and D. A. Wilson, The Outlook for the Canadian Forest Industries, A Report to the Royal Commission on Canada's Economic Prospects, (Ottawa, 1957), p. 63.

⁴⁴Ibid., p. 67.

Table IX. Canadian Wholesale Lumber Prices^a
 By Chief Component Materials
 (1935-39 equals 100)

| | 1960 | 1959 | 1956 |
|-------------------|-------|-------|-------|
| Lumber and timber | 430.8 | 442.3 | 419.8 |
| Spruce | 396.2 | 395.8 | 395.7 |
| Hardwoods | 333.2 | 328.8 | 340.2 |
| Hemlock | 395.3 | 395.3 | 381.2 |
| Fir | 511.9 | 522.5 | 484.0 |
| Cedar | 410.5 | 463.7 | 410.1 |

^aB. M. Hamilton (ed.), Survey of Markets and Business Yearbook, (Montreal: Maclean-Hunter Limited, 1961), 37th ed., p. 205.

are promising. In a brief submitted to the Royal Commission on Canada's Economic Prospects from the Province of British Columbia, it was indicated, by 1975, British Columbia lumber production will have increased about 85 per cent over 1955 levels to reach a total of 7.5 billion board feet. On the demand side, Canada, the United States, and the United Kingdom are given recognition for future developments. On the supply side, it is indicated that virtually all of the expected increase in production will come from interior forests. While coastal operations level off at about 3 billion board feet.⁴⁵

At first glance, this would appear a drastic

⁴⁵Armstrong and Guthrie, loc. cit., p. 189.

modification of present trends, but there are logical grounds for assuming something like this will happen. Since 1947, when the Coastal Region produced over 75 per cent of all British Columbia lumber, the Interior has represented an increasingly larger share of total production. In 1959 the Coastal area produced only 51 per cent of all British Columbia lumber, and the trend percentage wise was strongly downward. One of the things that seems to be responsible for this downward trend is the fact that the Coastal Region, according to 1961 timber inventory data, contains only about 35 per cent of the sawtimber in the province. Since lumber production, historically, seems to have moved toward equilibrium at a point approximating the per cent of timber represented by any area, and this is especially true of areas predominantly operated on a sustained-yield basis, it may be rationally expected that the trends will develop along the lines shown. This could mean an estimated 2.5 billion board feet of coastal production at that time, and 5.0 billion for the interior. The projection, of course, takes a more optimistic view of interior production than does the government's estimate.⁴⁶

⁴⁶Ibid., p. 197.

Distribution

British Columbia is a province which is greatly dependent upon external trade. Their foreign trade has increased sharply since 1949 with exports climbing from \$322,000,000 to \$808,000,000 in 1961, or approximately 150 per cent. At the same time, imports increased from \$209,115,000 in 1949 to an estimated \$421,823,000 in 1961.⁴⁷

Table XXX (Appendix) gives a complete external trade breakdown by products. Lumber has been the leading export item for many years.

The distribution of lumber shipments originates from two areas--the Interior and the Coastal. In recent years, the United States (Table X) has been British Columbia's most important customer. Over the years, the Coast has supplied most of the lumber; however, the Interior region has increased markedly the past few years.

The next largest area of distribution has been the mother country--Canada. The Interior region has been the major supplier for Canada, although the Coast supplied almost fifty per cent of the volume in 1961.

The United Kingdom is the third major customer. It is almost entirely supplied by the Coastal region, as

⁴⁷ Province of British Columbia, Finance Department, An Economic Review of Resources, Production and Government Finances, 22nd ed., 1962, p. 71.

Table X. Shipments of Lumber by British Columbia Coast and
Interior Mills to Principle Markets,
1948, 1952, 1956, 1960, 1961^a

| | <u>Canada</u> | | | <u>United States</u> | | | <u>United Kingdom</u> | | | <u>Other Countries</u> | | |
|-------------------------|---------------------|-------------|--|----------------------|-------------|--|-----------------------|-------------|--|------------------------|-------------|--|
| | Millions Bd. Ft. | Per Cent | | Millions Bd. Ft. | Per Cent | | Millions Bd. Ft. | Per Cent | | Millions Bd. Ft. | Per Cent | |
| Total 1948 | 1,273 | 100.0 | | 644 | 100.0 | | 421 | 100.0 | | 261 | 100.0 | |
| Coast | 872 | 68.5 | | 498 | 77.3 | | 416 | 98.8 | | 260 | 99.6 | |
| Interior | 401 | 31.5 | | 146 | 22.7 | | 5 | 1.2 | | 1 | .4 | |
| Total 1952 | 1,256 | 100.0 | | 1,157 | 100.1 | | 732 | 100.0 | | 158 | 100.0 | |
| Coast | 578 | 46.0 | | 747 | 64.6 | | 700 | 95.6 | | 157 | 99.4 | |
| Interior | 678 | 54.0 | | 410 | 35.4 | | 32 | 4.4 | | 1 | .6 | |
| Total 1956 | 1,935 | 100.0 | | 1,831 | 100.0 | | 352 | 100.0 | | 354 | 100.0 | |
| Coast | 843 | 43.6 | | 953 | 52.0 | | 342 | 97.2 | | 354 | 100.0 | |
| Interior | 1,092 | 56.4 | | 878 | 48.0 | | 10 | 2.8 | | --- | --- | |
| Total 1960 ^b | 1,781 | 100.0 | | 2,328 | 100.0 | | 447 | 100.0 | | 469 | 100.0 | |
| Coast | 715 | 40.2 | | 1,179 | 50.7 | | 438 | 98.0 | | 469 | 100.0 | |
| Interior | 1,066 | 59.8 | | 1,149 | 49.3 | | 9 | 2.0 | | --- | --- | |
| Total 1961 ^c | 1,490 | 100.0 | | 2,255 | 100.0 | | 420 | 100.0 | | 482 | 100.0 | |
| Coast | 740 | 49.6 | | 1,267 | 56.3 | | 415 | 98.8 | | 482 | 100.0 | |
| Interior | 750 | 50.4 | | 988 | 43.8 | | 5 | 1.2 | | --- | --- | |

Table X. (Continued)

| | <u>Total Shipments</u> | |
|-------------------------|------------------------|-------------|
| | Millions Bd. Ft. | Per Cent |
| Total 1948 | 2,599 | 100.0 |
| Coast | 2,046 | 78.7 |
| Interior | 553 | 21.3 |
| Total 1952 | 3,303 | 100.0 |
| Coast | 2,182 | 66.1 |
| Interior | 1,121 | 33.9 |
| Total 1956 | 4,472 | 100.0 |
| Coast | 2,492 | 55.7 |
| Interior | 1,980 | 44.3 |
| Total 1960 ^b | 5,025 | 100.0 |
| Coast | 2,801 | 55.7 |
| Interior | 2,224 | 44.3 |
| Total 1961 ^c | 5,391 | 100.0 |
| Coast | 2,959 | 55.0 |
| Interior | 2,432 | 45.0 |

^a George R. Armstrong and John A. Guthrie, Western Forest Industry--An Economic Outlook, (Baltimore: John Hopkins Press, 1961).

^b West Coast Lumbermen's Association, World Softwood Lumber Statistics, (Portland, Oregon: West Coast Lumbermen's Association, 1962), Vol. IV, p. 19.

^c Sperry Lea, The U.S. Softwood Lumber Situation in a Canadian-American Perspective, A Report prepared by the Canadian-American Committee, (Washington, D.C., 1962), p. 15.

as are the remainder of the lumber exports. Table XXXI (Appendix) accounts for all destinations of British Columbia waterborne lumber trade. It is interesting to note the tremendous growth of cargo shipments to Japan and Puerto Rico.

Table X provides some enlightening data concerning the trends of the past 13 years. Since 1948, the Interior region has increased shipments from 553,000,000 board feet or 21.3 per cent of the total volume to 2,432,000,000 or 45 per cent volume in 1961. Over the same period of time, the total shipments to the U. S. have increased from 644,000,000 board feet in 1948 to an all time high of 2,255,000,000 board feet in 1961. It is surprising to note, that since 1956 the total shipments to Canada have dropped almost a half a billion board feet.

The channels of distribution which the British Columbia softwood product takes once it reaches the market, depend upon that particular market. The usual channels of distribution are through wholesalers, retailers, and builders, although in some instances large retailers and large builders may purchase directly from the mill in British Columbia.

The marketing and distribution functions of cargo shipments from mills in coastal British Columbia are handled largely by two companies, one of which is a sales

organization of the largest British Columbia producer. These companies act as sales agents for various producers, arrange vessel charters, and handle the exportation of lumber from British Columbia.⁴⁸

⁴⁸U. S. Tariff Commission, Softwood Lumber, TC Publication 79, (Washington: U. S. Government Printing Office, 1963), p. 56.

CHAPTER III

THE COMMON PROBLEM AREAS

The British Columbia lumber industry is a natural competitor to the U. S. Western lumber industry. The United States is a common market for both producers and approximately 50 per cent of the B.C. production enters this market. The products of the two areas are very similar since both stem from a common resource endowment. In addition, the economies of these two countries are more integrated than those of any other two developed nations.

All this leads the two industries to share common problems and, often times, each others' problems.

The two main common problem areas are the demand and supply of lumber.

Demand for Lumber

The U. S. market is the largest single lumber market in the world and is of primary importance when considering the demand for lumber. The other two markets taken into consideration by this study are the Canadian and United Kingdom markets.

The U.S. Market.--With the exception of the depression years, the U.S. consumption of softwood lumber has remained virtually constant throughout the six decades of the 20th century. Over the decade 1950-59, consumption

has averaged 31.7 billion board feet, varying no more than 7 per cent on either side of this figure. This remarkably static consumption clearly tells both U.S. and Canadian lumbermen that there has been a sharp decline in per capita consumption.¹

Table XI. U. S. Per Capita Softwood
Lumber Consumption

(Board Feet)

| 1910-19 | 1920-29 | 1930-39 | 1940-49 | 1950-59 | 1960 | 1961 |
|---------|---------|---------|---------|---------|------|------|
| 307 | 253 | 115 | 187 | 195 | 161 | 158 |

The primary reason for this trend has been the inability of lumber to keep pace with the growth of its major user, the construction industry, which in turn reflects:

(a) a change in design away from the functions performed by lumber (e.g., slab foundations instead of basements) and

(b) the increasing substitution of other materials where lumber has traditionally been used. The trend toward substitutes is illustrated in Table XII by the shift in housing characteristics between 1940 and 1956. More recent figures show that whereas in 1950 eight times as many single-family houses used wood frame than masonry for exterior wall construction, the ratio shrank to just over

¹Lea, loc. cit., p. 15.

Table XII. Use of Wood and Substitute Materials
in U.S. Housing, 1940, 1950, and 1956^a

| Basic Use | Alternative Materials | Per Cent Distribution of One-Family Houses | | |
|--|---|---|------|------|
| | | 1940 | 1950 | 1956 |
| Exterior fac- ing on frame house | Wood | 43% | 43% | 24% |
| | Brick | 20 | 12 | 33 |
| | Stucco and other | 22 | 13 | 17 |
| Sheathing on frame house | Wood plank | 49 | 40 | 31 |
| | Insulation board, gyp- sum board, etc. | 19 | 36 | 45 |
| | Plywood | 1 | 4 | 7 |
| Roof shingles | Wood | 36 | 10 | 11 |
| | Asphalt and asbestos | 47 | 82 | 73 |
| Window Frames | Wood | 91 | 69 | 57 |
| | Metal and other | 9 | 31 | 43 |

^aNational Lumber Manufacturers Association, Lumber Industry Facts, 1960-61 (Washington: National Lumber Manufacturers Association, 1962), p. 40, from U.S., Department of Labor, Bureau of Labor Statistics, New Housing and its Materials, 1940-56.

two to one by 1959.²

A major concern of lumber producers today is to keep lumber competitive with substitute materials.

Even more important than the present, is the future and what it holds for the lumber industry. There have been

²U.S. Department of Agriculture, Forest Service, The Demand and Price Situation for Forest Products, November 1961, p. 12.

three major studies of the future U.S. lumber market--by the Stanford Research Institute, Guthrie and Armstrong, and the U.S. Forest Service Department.

America's Demand for Wood, 1929-1975, is the title of the Stanford Research Institute project, which was completed in 1954 for the Weyerhaeuser Timber Company. This institute thought real disposable income in most cases to be the best indicator of explaining past changes in product demand.²

The Stanford Research Institute said that much of the demand for forest products stems from three principal fields: construction, shipping materials, and manufactured products. Therefore, future forest product market demand will depend on the level of activity in these major markets, on the available supply of forest products and the costs of making them, on the relationship between the price of each forest product and the prices of competing materials, and on the changes in technology and consumer acceptance.³

Projecting the study to the year 1975, the Institute predicts that we will have an average consumption of 44,650,000 board feet of lumber. Table XIII gives a

²Stanford Research Institute, America's Demand for Wood, 1929-1975, A Report to Weyerhaeuser Timber Company, (Tacoma: Weyerhaeuser Timber Company, 1954), p. 14.

³Ibid., p. 15.

Table XIII. Stanford Research Institute--Distribution
of United States Lumber Consumption by
Major End Uses, 1953-1975^a

(Millions of Board Feet)

| Year | Construction | | Shipping | | Manufactured Products | | Total |
|------|--------------|------|----------|------|--------------------------|------|--------|
| | % | | % | | % | | |
| 1953 | 29,950 | 72.5 | 6,350 | 15.4 | 5,000 | 12.2 | 41,300 |
| 1960 | 29,100 | 71.5 | 6,600 | 16.2 | 5,000 | 12.3 | 40,700 |
| 1965 | 29,350 | 70.9 | 6,850 | 16.5 | 5,200 | 12.6 | 41,400 |
| 1970 | 30,450 | 70.6 | 7,150 | 16.6 | 5,500 | 12.8 | 43,100 |
| 1975 | 31,650 | 70.9 | 7,300 | 16.3 | 5,700 | 12.8 | 44,650 |

^aStanford Research Institute, America's Demand for Wood, 1929-1975, A Report to Weyerhaeuser Timber Company (Tacoma, Washington: Weyerhaeuser Timber Company, 1954), p. 50.

complete departmental breakdown of this total consumption figure.

In summarizing the report, the Stanford Research Institute says:

Substantial population increases, technological advances, and increases in living standards will expand the size and activity of the United States economy by 1975. This general economic expansion will result in corresponding increases in activity in construction (especially residential), shipping containers, and manufacturing--the major markets for forest products.

Despite these expanded markets, substantial increases in the supply of lumber, either from domestic production or from imports, are likely to be forth-coming only at costs that will encourage the substitution of competing materials for lumber. The price of lumber relative to competing materials will increase, although less rapidly than in the

past, and lumber will lose part of its markets.⁴

The second major work in the area of future timber demand is entitled Timber Resources for America's Future. This report was published in January of 1958, by the Forest Service which is a branch of the U. S. Department of Agriculture. This report, is by far the largest of the three, taking a total of six years to complete and consisting of 713 pages in its final form. This report goes to great detail in projecting population figures, labor force figures, gross national product, per capita disposable income, and raw material input.

Projection for future demands of lumber involves two different procedures. The medium and upper projection are based on analyses of lumber consumption by end uses. The various end-use estimates thus determined are then added together to obtain each of the two projections. Such a procedure is possible because both projections rest on the assumption that there will be no change in the price relationships of timber products and competing materials.⁵

The lower projection of future demand for lumber, on the other hand, is made differently. Because this

⁴Ibid., p. 93.

⁵U.S. Department of Agriculture, Forest Service, Timber Resources for America's Future, Forest Resource No. 14, (Washington: U. S. Government Printing Office, 1958), p. 374.

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projection is based on the assumption of substantial change in price relationships, the estimates of total demand are developed first, based on analysis of trends in lumber price and consumption. Allocation to end uses of lumber is then done on a judgment basis--using estimated 1952 consumption and the medium projections of end-use demand for guidance. Consequently these lower estimates are no more than rough approximations of end uses.⁶

The Forest Service feels that construction will continue to hold the major market for lumber products in the future and has done exceptionally well in projecting all phases of the construction industry into the future. Other markets taken into consideration are railroad ties, building and repair of freight cars, lumber for construction of mines, and lumber used for shipping.

In summary, the medium projected demand for lumber in the U.S. is estimated at 55.5 billion board feet in 1975 and about 79 billion in 2000 (Table XIV). These estimates assume a population of 215 million in 1975 and 275 million by 2000 and stability in the relative price of lumber and competing materials.⁷

On the other hand, if the population reaches the level indicated above, and the prices of lumber

⁶Ibid.

⁷Ibid., p. 422.

Table XIV. Forest Service Estimated Consumption of Lumber
by Specified End Uses, 1952; Projections
of Demand to 1975 and 2000^a
(Million Board Feet)

| Use Class | Estimated 1952 Consump- tion | Projected 1975 Demand | | | Projected 2000 Demand | | |
|--|---------------------------------------|--------------------------|--------|--------|--------------------------|--------|-------|
| | | Lower | Medium | Upper | Lower | Medium | Upper |
| Construction: | | | | | | | |
| Residential, including farm | 13,010 | 15,300 | 18,000 | 15,400 | 22,000 | 26,000 | |
| Nonresidential, excluding railroad and farm | 5,400 | 5,900 | 7,499 | 8,000 | 13,400 | 16,000 | |
| Maintenance and repair | 5,700 | 6,400 | 7,600 | 8,000 | 12,200 | 13,500 | |
| Railroad | 2,000 | 2,000 | 2,400 | 2,300 | 2,900 | 2,900 | |
| Farm service buildings | 4,500 | 4,800 | 5,000 | 6,000 | 7,000 | 7,400 | |
| Mining uses | 780 | 800 | 900 | 1,200 | 1,500 | 1,600 | |
| Total construction | 31,390 | 35,200 | 41,300 | 40,900 | 59,000 | 67,600 | |
| Manufactured products | 3,950 | 5,000 | 5,500 | 6,100 | 8,000 | 9,400 | |
| Shipping | 6,120 | 7,400 | 8,700 | 7,800 | 12,000 | 13,000 | |
| Total end uses | 41,460 | 47,600 | 55,500 | 54,800 | 79,000 | 90,000 | |

^aU.S. Department of Agriculture, Forest Service, Timber Resources for America's Future, Forest Service Report No. 14 (Washington: U.S. Government Printing Office, 1958), p. 422.

continue to rise considerably faster than prices of competing materials, lumber demand may be about 48 billion board feet by 1975 and 55 billion by 2000. These lower projections are 14.30 per cent less, respectively, than medium projected demand and reflect an assumed real-price increase of lumber of 35-40 per cent during the period 1948-52 to 1975 and 90-100 per cent by 2000.⁸

A breakdown of the projection figures into softwoods and hardwoods is as follows:

Table XV. Forest Service Estimated Consumption of Lumber by Species, 1952; Projections of Demand to 1975 and 2000^a

| | <u>Million Board Feet</u> | | |
|----------------------|---------------------------|----------|--------|
| | Softwood | Hardwood | Total |
| Consumption in 1952 | 33,408 | 8,054 | 41,462 |
| Projections to 1975: | | | |
| Lower | 36,800 | 10,800 | 47,600 |
| Medium | 42,400 | 13,100 | 55,500 |
| Projections to 2000: | | | |
| Lower | 41,100 | 13,700 | 54,800 |
| Medium | 58,900 | 20,100 | 79,000 |
| Upper | 67,000 | 23,000 | 90,000 |

^aU.S. Department of Agriculture, Forest Service, Timber Resources for America's Future, Forest Service Report No. 14 (Washington: U.S. Government Printing Office, 1958), p. 422.

⁸Ibid.

The latest study entitled "The Forest Products Industries in 1975" is a chapter in Western Forest Industry--An Economic Outlook which was published in 1961. It appears now, that in these two earlier studies future levels of population and gross national product were underestimated. More recent estimates put the 1975 population as 224 million rather than at the 215 million of the Forest Service report, or the 212 million of the Stanford report. This 224 million represents an increase of more than 4 per cent for the estimate of the other studies. Gross national product and disposable income also appear prospectively higher than was assumed in these earlier studies. A GNP of \$770 billion dollars in 1955 dollars is 27 per cent higher than that anticipated in the Stanford Research report, and 20 per cent higher than that assumed by the Forest Service.⁹

Changes in these values should, of course, have an effect on anticipated lumber consumption. In fact, a first check on future consumption estimates is provided by the relationship which exists between lumber consumption and gross national product. Lumber consumption per thousand dollars of GNP between 1929 and 1959 shows a marked trend downward over time. A projection of the trend line makes it appear that by 1975 approximately 60

⁹Armstrong and Guthrie, loc. cit., p. 161.

board feet of lumber will be consumed per thousand dollars of gross national product and at \$770 billion, one could expect total consumption to be about 46 billion board feet. But the lumber produced would be only a part of this since production as a per cent of consumption over the last fifty years also indicates a general downward trend. It seems safe to assume, in the face of established import markets, that the percentage will not again rise above 94 per cent. Indeed, the trend between 1904 and 1959 indicates that production may be about 90 per cent of consumption by 1975. If so, lumber production by 1975 would be about 41 billion board feet.¹⁰

The U.S. lumber market in the future probably will not grow by leaps and bounds, yet at the same time the previous studies indicate that it will hold its own against competing products and establish a small annual increase in total consumption.

The Canadian Market.---Canada has a growing market at the present time and is the world's largest per capita consumer of lumber. The latest average per capita consumption figure was 284 board feet for the period 1949-1953.¹¹ One reason for the heavy consumption in Canada is the abundance of high quality timber of saw log size and the relatively low cost of lumber by comparison with other

¹⁰Ibid.

¹¹Ibid.

industrial materials. In countries which have to import lumber, its price will be relatively higher than in Canada, and other materials, produced locally in many cases, will be used instead.¹²

The over-all lumber consumption (Table XVI) has grown from 3,258,000 bd. ft. in 1947 to a total of 3,819,000 bd. ft. in 1958. Correct estimates of total lumber consumption by end uses in Canada has never been made, according to the Royal Commissions investigations. However, construction is certainly the largest single use of lumber, and residential construction probably accounts for most of the lumber used for this purpose. The second largest utilizer of lumber would be the Wood Manufacturing Industries which also account for a large percentage of consumption. Some of the lumber consumed by the Wood Manufacturing Industries ends up in housing and other construction in the form of doors, windows and similar items.¹³

Once again, as was found in the U.S. market, lumber has found increased competition from new building materials. Although the average per capita consumption is the highest in the world, it is not an increasing one.

The Royal Commission on Canada's Economic Prospects

¹²Davis, Best, Lachance, Pringle, Smith, and Wilson, loc. cit., p. 36.

¹³Ibid.

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Table XVI. Per Cent of Canadian Lumber Consumption
Supplied by British Columbia^a

| Year | Estimated Shipments of B. C. Lumber to Canada (million bd. ft.) | Estimated Total Lumber Consumption in Canada (million bd. ft.) | Column (1) as Per Cent of Column (2) |
|-----------|--|--|---|
| | (1) | (2) | (3) |
| 1947..... | 1,178 | 3,258 | 36.1 |
| 1948..... | 1,273 | 3,294 | 38.6 |
| 1949..... | 1,251 | 3,755 | 33.3 |
| 1950..... | 1,144 | 3,082 | 37.1 |
| 1951..... | 1,219 | 3,549 | 34.3 |
| 1952..... | 1,256 | 3,613 | 34.7 |
| 1953..... | 1,368 | 3,898 | 35.0 |
| 1954..... | 1,531 | 3,427 | 44.6 |
| 1955..... | 1,808 | 3,618 | 50.0 |
| 1956..... | 1,935 | 3,905 | 49.6 |
| 1957..... | 1,856 | 3,610 | 51.5 |
| 1958..... | 1,979 | 3,819 | 52.2 |

^aGeorge R. Armstrong and John A. Guthrie, Western Forest Industry--An Economic Outlook (Baltimore: John Hopkins Press, 1961), p. 191, from Canada, Department of Northern Affairs and National Resources, Forest and Forest Products Statistics, Forestry Branch Bulletin 106, (Ottawa, 1960).

is the one and only report which has dealt directly with the future lumber demand and consumption in Canada. The Royal Commission says that it is not possible to build up detailed estimates of probable consumption of lumber by end use for the target year 1980. Therefore, estimates are based on the expected level of activity of the Canadian economy and expected trends in consumption of lumber relative to other commodities.¹⁴

Briefly, the Commission assumes the following conditions:

When the level of the Canadian economy is considered, the level for the year 1980 is compared with the average of the years 1952 to 1954. It is assumed that the population in 1980 will be 26,650,000, on the basis of a net immigration of 75,000 per annum. In line with this, Gross National Expenditure is expected to be \$52 billion (1949 dollars). Non-residential building construction may be about \$3.2 billion (on the assumption that building construction expenditure will be the same percentage of Gross National Expenditure as in the period 1950-54). The number of dwellings to be constructed in 1980 is assumed to be about 185,000. This estimate is based on Central Mortgage and Housing Corporation studies estimating that 3,440,300 dwelling units will be required between 1955 and 1980.¹⁵

Because of the recent trends in residential construction, it is quite likely that per capita consumption will drop in the future. If it drops to 220 board feet from the recent average of 252 board feet, total consumption

¹⁴Ibid., p. 47.

¹⁵Ibid.

on the assumption of a population of 26.6 million, would be 5.8 billion board feet. Thus it seems that lumber consumption in Canada by 1980 may be between 5.5 and 6 billion board feet. For this study, it is assumed that consumption will be 5.8 billion board feet. This compares with an average annual consumption of 3.7 billion board feet for the years 1952-1954, so that should the assumed level occur, lumber consumption in 1980 would be about 1.6 times the average of 1952-1954.¹⁶

Armstrong and Guthrie, Western Forest Industry--An Economic Outlook, have done an interesting study correlating future British Columbia lumber production to future Canadian consumption. They predict that the British Columbia lumber production will gradually increase its proportion of total Canadian production. The long-term trend seems to indicate that British Columbia will account for 63-73 per cent of the national total which, by 1975, will be in the neighborhood of 10-12 billion board feet. It would appear from this that total British Columbia production in fifteen years should fall within the range of 6.5 to 8.5 billion board feet.¹⁷

If this study holds true, it could have considerable effect on the American lumber markets. Some of the future pressure may be eliminated by this increased

¹⁶Ibid., p. 49.

¹⁷Armstrong and Guthrie, loc. cit., p. 195.

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The British Market.--Timber products are the largest single component in Britain's annual expenditure on imports of basic materials; they account for about 18 per cent of the total or some 180 million pounds.¹⁸

Four countries usually obtain about two-thirds of the total business: Finland nearly 23 per cent, Canada about 15 per cent, and the U.S.S.R. and Sweden each 14 per cent.¹⁹

With softwood consumption in Britain running at or near record figures over the past three years and domestic production able to fill less than 3 per cent of total requirements, annual imports have normally totalled about 3.2 billion board feet.²⁰

Price is the predominant factor in competing for softwood lumber sales, particularly for standard specifications. At present, Soviet timber sales are limited to some extent by their substantial domestic needs and their lack of free ports. In many areas of Britain, importers regard Baltic Shippers more or less as traditional suppliers as they have developed a reputation for supplying

¹⁸"Selling Forest Products in Britain," Foreign Trade, (Ottawa: Government Printing Bureau, March 9, 1963), p. 23.

¹⁹Ibid.

²⁰Ibid.

the quality and sizes that the trade prefers. In addition, their proximity to the British Market gives them an important advantage.²¹

Suppliers in Western Canada have a distinct advantage over other foreign competitors in sizes and types of lumber they offer. Western white spruce has great appeal in areas such as Scotland which prefer whitewood. Douglas fir and Pacific Coast hemlock are well known and widely used because of their superior strength. In addition, the sizes and grades of these timbers cannot be obtained anywhere else except the United States.²²

Western red cedar, Sitka spruce and yellow cedar are other lumber species not readily available from sources other than Canada. The use of red cedar has increased rapidly and current demand has been so strong that temporary local shortages have developed. It is used as exterior siding for homes and in garages, garden sheds and fencing.²³

The basis for the satisfactory softwood timber consumption in 1962 was largely the high level of activity in the construction industry, particularly in house building, as the bank interest rate was gradually reduced.

²¹Ibid.

²²Ibid.

²³Ibid.

Last year, 305,400 houses were completed in Britain, 3 per cent more than in 1961 and the largest number since 1955. Home construction is expected to increase even more in the current year.²⁴

Even though the early weeks of 1963 were hampered by the most severe winter in several decades, the outlook for timber and plywood imports and consumption is much more encouraging than it was a year ago. The new impetus in housing, plus the recent reduction in the interest rate are expected to be important factors in maintaining strong demand.²⁵

There were no reports available at this time concerning the future lumber demand and consumption in Great Britain. Some of the large exporters feel there is potential for growth, but that it will be limited due to population and traditional building customs.

The remainder of the world lumber markets are of an uncertain nature at this time due to the many troubles throughout the world.

The one bright spot in increased export trade for both the Western United States producers and British Columbia producers has been Japan. The states of Oregon and Washington have increased exports from 10,573,000 board

²⁴Ibid., p. 25.

²⁵Ibid., p. 26.

feet in 1952 to 117,857,000 in 1961. At the same time, British Columbia has increased from 82,000 to 155,550,000 board feet.²⁶

The European Common Market has received much attention as to the possibility of future lumber trade. At this time both the United States and Canadian lumber industries have individuals in Europe investigating this potential market. Emile Benoit, author of Europe at Sixes and Sevens, thinks the growth prospects of wood in the Common Market are uncertain at this time and will depend on the competitiveness of the market.²⁷

Benoit does not define what he means by competitiveness concerning wood products, but he is undoubtedly referring to the Soviet Union and its tremendous softwood resources. The Soviet Union possesses approximately 60 per cent of the world's available softwood resources.²⁸

The Supply of Lumber

The above studies have indicated that there will be an adequate demand for lumber in the future. However, the lumber manufacturers will face many problems in the future, and their main problem will undoubtedly be keeping

²⁶West Coast Lumbermen's Association, World Softwood Lumber Statistics, Vol. IV (Portland, Oregon, 1962), p. 10.

²⁷Emile Benoit, Europe at Sixes and Sevens, (New York: Columbia University Press, 1963), p. 179.

²⁸Lea, op. cit., p. 20.

their product competitive with substitute materials.

While softwood lumber manufacturers in both countries are competing against lumber substitutes, they are also competing against each other. Often times the competition is based on such traditional distinctions as southern versus western species, dried versus green lumber, or rail versus water delivery. In other cases, competition centers quite simply on cost differences between similar lumber products. This is generally the case where lumber from Western Regions of both countries compete in the U. S. market.²⁹

The future demand for lumber may be strong, but if the supply is not adequate many problems could occur.

The supply of timber in the U. S. and British Columbia is broken down into two categories--government and private. In the United States approximately 64 per cent of the ownership is government and in British Columbia government ownership constitutes 95 per cent of the total timber resources.³⁰

United States.--Timber Resources for America's Future did a detailed study in 1953 of the ownership of commercial forest land in the United States. Private ownership was broken down into three areas and in

²⁹Lea, loc. cit., p. 21.

³⁰Ibid., p. 22.

the West (which includes Coastal Alaska) there were 13.7 million acres of commercial forest land on farms, 14.8 million acres within forest industries, and 11.6 million acres classified under others. This gave a grand total of 40.1 million acres of private commercial forest land in 1953.³¹

Public ownership was also broken down into three areas. National forest consisted of 64.1 million acres, other federal was 11.7 million acres, and state and local consisted of 5.4 million acres. The total public ownership added up to 81.2 million acres of commercial forest land.³²

Within this total commercial forest land area are 121.3 million acres, old growth sawtimber stands consume 50 million acres, and young growth takes 24.5 million acres. Tall timber stands constitute 25.6 million acres seedling and sapling stands 12.3 million acres and non-stock areas are 8.9 million acres. Approximately 82 per cent of the commercial forest land in the West consists of softwood lumber.³³

In 1953, the Pacific Northwest had a total live soft timber volume of 749 billion board feet. The softwoods contain 732.1 billion board feet of this total. The growing stock

³¹U.S. Department of Agriculture, Timber Resources for America's Future, loc. cit., p. 32.

³²Ibid., p. 34.

³³Ibid., p. 39.



at this time consisted of 146 billion cubic feet of which 141 billion was softwoods.³⁴

Douglas fir is by far the most important western softwood as it leads all others in growing stock by more than double its closest competitor. Its growing stock consisted of 98 billion cubic feet in 1953 and its live saw-timber of 532 billion board feet at this time.³⁵

British Columbia.--A complete account of the British Columbia timber supply was recorded in Chapter II. It is interesting to compare the present utilization, current potential, and future developments of the United States western producers and British Columbia producers. Table XVII has this comparison.

The majority of lumber mills in the U. S. Northwest depend for raw materials on public supplies of saw timber offered for sale, by the Forest Service, the Bureau of Land Management, the Indian Service, and other Federal, state and county agencies. The cost and availability of this public timber are the most crucial factors governing the ability of these mills to supply the U. S. market in competition with Canadian imports.³⁶

Many of the problems the U. S. mills face today

³⁴Ibid., p. 40.

³⁵Ibid., p. 42.

³⁶Lea, loc. cit., p. 21.

Table XVII. Estimated Annual Allowable Cut of
Sawtimber, Public and Private Land in the
United States and British Columbia^a

| | Present Utiliza- tion | Current Poten- tial ¹ | Future Devel- opment ² |
|--------------------------------------|-----------------------------|--|---|
| <u>United States</u> | | | |
| Douglas Fir Region ⁴ | 10.5 ³ | 11.0 | 12.0 |
| Western Pine Region ⁵ | <u>9.1</u> | <u>11.0</u> | <u>12.0</u> |
| Total | 19.6 | 22.0 | 24.0 |
| <u>British Columbia</u> ⁶ | | | |
| Coastal Region ⁶ | 2.2 | 1.8 | 6.0 |
| Interior Region ⁶ | <u>2.2</u> | <u>3.8</u> | <u>11.7</u> |
| Total | 4.4 | 5.6 | 17.7 |

^aCompilations by the Statistical Department of the West Coast Lumbermen's Association, December 1961, from the basic sources listed below.

¹Current Potential equals the allowable cut in accessible areas.

²Future Development equals the allowable cut in all areas of the region including those not currently accessible.

³Includes pulp, plywood and export logs.

⁴Industrial Forestry Association, Portland, based on 1953 data.

⁵Western Pine Association, Portland, based on 1953 data.

⁶British Columbia Forest Service, Continuous Forest Industry, circa. 1960.

stem directly from this dependence on public sawtimber. Their economic survival is largely determined by the effect of the supply-demand situation on the cost of this timber when purchased. This supply of sawtimber actually available to sawmills does not enlarge in response to higher offered prices, being limited basically by the allowable-cut determinations. This "inelastic supply" characteristic of public sawtimber is especially important to note.³⁷

On the other hand, demand for public sawtimber has been rising rapidly. The two major factors causing this rise in demand have been sawmills which do not own large blocks of timberland and competition from non-lumber utilization of public sawtimber.

Mills not owning timberland are solely dependent on timber offered at public sale in a particular national forest. Fighting for existence, these mills often prefer operating temporarily at a loss to closing down. Thus, they bid vigorously for public sawtimber even if it requires paying prices too high to permit profitable operations. Sometimes, mills owning private timber resources enter the bidding for government timber since tax and other considerations may make it more favorable to their long-term profit prospects to spare their own sawtimber for

³⁷Ibid., p. 23.

later supply.³⁸

Non-lumber utilization of public sawtimber is the second element of competition. Table XVIII indicates the large growth of non-lumber forest products and the actual decline of lumber since 1956. It is more than likely that this growth of non-lumber forest products will continue at a substantial pace in the future.

Table XVIII. Forest Industry Production
Indexes for the West^a
(1947-49 = 100)

| | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 |
|------------------------|------|------|------|------|------|------|
| Lumber | 120 | 106 | 107 | 116 | 107 | 101 |
| Wood Pulp | 192 | 189 | 186 | 196 | 199 | 202 |
| Douglas Fir Plywood | 291 | 303 | 352 | 428 | 411 | 428 |

^aFederal Reserve Bank of San Francisco, Monthly Review, March, 1962, p. 62.

The plywood industry (Table XVIII) has shown by far the largest relative production growth. This is extremely important when considering the demand situation for sawtimber as this industry has put considerable pressure on the peeler log market. The result has been further bidding for top-quality sawtimber, and the resulting difficulty for lumber

³⁸Ibid., p. 24.

mills to supply the market with top-quality lumber.

This is a problem which will increase in the future. Table XXXII (Appendix) indicates the growth of the plywood industry in the Western sector of the United States. All indications point to a continued growth in this area.

Summarizing the present supply situation, it can be said that the U. S. Western producer has an advantage of generally larger and more easily accessible sawtimber. However, this advantage has been offset by the dependence of many mills on public sawtimber which is in a tighter and tighter supply-demand situation. The amount of sawtimber available for sale in the coastal areas of both countries is limited in scope, but the competition for what is offered is far greater on the U. S. side of the border. There is more scope for increasing the available public sawtimber in the inland regions (U. S. Western Pine region and B. C. Interior), especially on the Canadian side, but here too, there is more competition on the U. S. side for what is offered for sale.

The two principal reports concerning future timber supply are "Timber Supply Outlook," a chapter of Timber Resources for America's Future which is concerned with the U. S. future, and "The Prospective Supply Situation" which is a chapter in the Royal Commission on Canada's Economic Prospect Report.

The Forest Service found that if growth was to

supply the medium level of projected demand (p. 52) the needed growth of sawtimber in the West by 1975 must be 21.7 billion board feet. This is a 92 per cent increase from the 1952 level, and even at the projected lower level of demand sawtimber growth must increase 66 per cent from the 1952 level to be sufficient enough to supply our demand in 1975.³⁹

Net growth in 1952 was 11.3 billion board feet and the projected net growth in 1975 at this rate, is 15.9 billion board feet or an increase of 41 per cent.⁴⁰

If the medium level of demand is reached in 1975, Western species will be approximately 27 per cent behind demand if the present growth is continued.⁴¹ The future looks much brighter, however, when inventory is taken into consideration. The projected inventory of Western species in 1975 under the medium level demand picture, is 1,114 billion board feet and the needed inventory at this time is 691 billion board feet which shows a 66 per cent advantage as projected inventory over needed inventory.⁴²

In summarizing the future timber supply outlook of the U. S. it can be said that if medium projections are

³⁹U.S. Department of Agriculture, Timber Resources for America's Future, loc. cit., p. 480.

⁴⁰Ibid., p. 487.

⁴¹Ibid., p. 488.

⁴²Ibid., p. 493.

realized, inventories and growth would decline relative to the picture of today. It is apparent therefore, that if demands are met and sustained around 1975, the trends toward intensive forestry indicated by recent developments must be greatly accelerated during the next two decades.

The Coastal Region of British Columbia supports the fastest growing softwood forest in Canada, and it is predicted that most of its 15 million acres of productive forest will be on a permanently managed, sustained yield basis within 25 years. Thus, production levels in 1980 should compare closely with productive capacity of the forest, although old-growth stands of Douglas fir will still be logged at that time.⁴³ However, there is an estimated depletion of more than 1.7 billion cubic feet in British Columbia by 1980. This is approximately 86 per cent of its adjusted allowable cut of 2 billion cubic feet. To meet this demand it will be necessary to open up all commercial timber of the coast forest and a large part of the forest of the interior.⁴⁴

The years 1975 and 1980 should find an adequate supply of lumber for both the Western United States and

⁴³Davis, Best, Lachance, Pringle, Smith, and Wilson, loc. cit., p. 176.

⁴⁴Ibid., 185

British Columbia industries; however, to insure this 1975 supply plus future supplies, the Forest Service of both countries must step up their operations.

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CHAPTER IV

THE PROBLEM AND ITS ECONOMIC EFFECTS

Canada Turns to the United States

After the Revolutionary War, Canada had a very secure grasp on the British market for more than sixty years, as there had been no change in the duty on foreign timber entering England. During this period the Canadian timber trade, passing beyond the stage of a war-stimulated infant industry, had reached maturity in organization and technique, as larger firms established their position and smaller fly-by-night concerns were squeezed out of existence. However, the first serious reduction in the tariff preference enjoyed by colonial square timber came in 1842, when the duty on foreign imports was cut from 55 shillings to 30 shillings a load. Further reductions followed quickly in 1845, 1846, 1848, 1851, and finally in 1860 the duty on foreign timber was abolished entirely.¹

As might be expected, these tariff changes caused very disturbed conditions in the timber trade, not only because they cut into the profit margins of firms importing from North America, but also because the expectation of reductions in duties led to periodic gluts on the British

¹Hugh Aitken and W. T. Esterbrook, Canadian Economic History, (Toronto: The MacMillan Company of Canada Limited, 1958), p. 201.

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market. The trend on Canadian imports, which had previously been rising, flattened out and the increases in total consumption were met by larger imports from the Baltic. By 1859, Baltic imports had exceeded the number from Canada.²

While Canada was having trouble with the English market, its southern neighbor, the U. S., was showing great strides in growth and prosperity. Both in the East and Midwest new cities were growing at miraculous rates and along with growth and prosperity came the demand for huge amounts of lumber. This proved to be a very prosperous development for the Canadian lumber industry.

Inevitably, such a large-scale realignment of trade relations had political repercussions. Cast adrift, as they felt, by the mother country, the politicians and merchants of Canada turned to the United States. Almost all joined in seeking, as a first step, what they called reciprocity, in practice, free admission of the natural products of each country to the markets of the other.³

Selling the idea of reciprocity to the United States entailed a long process of diplomatic maneuvering. However, the work was worthwhile as 1854 saw the signing of the Reciprocity Treaty which was the signal for a new

²Ibid.

³Ibid., p. 203.

and vigorous burst of expansion. Exports to the United States of planks and boards (which were classed as raw materials and allowed free entry) increased from \$1,866,712 in 1854 to \$5,043,367 in 1867 and even after reciprocity came to an end in 1866, the growth of the lumber trade with the United States was not seriously retarded. The period of the Reciprocity Treaty saw a profound orientation in the external trading relations of the British North American colonies. The American market increased in importance, while the British market suffered decline. This shift was not caused exclusively by reciprocity and it did not reverse itself when reciprocity ended. Britain was never again after 1854 to take as large a proportion of the exports and imports of the North American colonies as she had before. The United States increasingly supplanted Britain as the pace-setter of the Canadian economy and as the principal market for distribution.⁴

The Reciprocity Treaty came to an end in 1866, and the lumber industry has been the object of a series of tariff squabbles between the United States and Canada since that time. After the United States imposed a tariff of 20 per cent on Canadian lumber in 1866, Canada countered with a tariff of a dollar per thousand board feet on pine

⁴Ibid., p. 204.

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saw logs. In 1870, saw logs were admitted duty-free into the United States; however, in 1872 the United States imposed a specific duty of two dollars per thousand feet. In 1890 the Canadian export duty was revised and the United States duty was lowered to one dollar and an increase in exports to the United States followed. The United States duty was removed in 1894, and until 1897 there was practically free trade in lumber, although little rise in exports to the United States. The Dingley Tariff of 1897 reimposed a two dollar rate, and once again Canada retaliated, this time by an embargo in 1898 on the exports of saw logs from the Crown lands in Ontario, followed later by other provinces. The Smoot-Hawley Tariff of 1930 virtually shut out Canadian forest products including lumber, in a situation which was only moderately rectified by the Canadian-United States trade agreement of 1936.⁵

The First Canadian Trade Agreement in 1936 consisted of a duty of 50% and \$1.50 excise tax per thousand board feet or a total of \$2.00 per thousand board feet. The maximum imports of Canadian fir and hemlocks under this rate were restricted to 250 million board feet annually. In 1939 the Second Canadian Trade Agreement was signed differing only from the first in that the restriction on

⁵Bernard Goodman, Industrial Materials in Canadian-American Relations (Detroit: Wayne State University Press, 1961), p. 40.

volume of imports on fir and hemlock was removed. On October 25, 1946, Presidential Proclamation 2708 lifted duty and excise tax on lumber and permitted lumber to be imported free of import levies from Canada. This Proclamation was followed by the Geneva Agreement which was signed on January 1, 1948 and is in use today. This agreement rectified a duty of twenty-five cents per thousand board feet and an excise tax of seventy-five cents per thousand board feet which amounted to one dollar. This included fir, spruce, hemlock, larch, and pine, and although no duty on cedar was specified, it still must receive the excise tax charge.⁶

This brief history has provided a picture of the problems of the past and the present, and perhaps an insight into the future.

The Present Problem

The present Canadian American lumber problem began in 1958. At that time, Canadian softwood imports rose from 2,649,000,000 board feet in 1957 to 3,090,000,000 in 1958 (Table XXVIII--Appendix). This increase of imports raised the percentage of total Canadian volume to 10 per cent of the U. S. market consumption. This import increase caused considerable comment throughout the U. S.

⁶West Coast Lumbermen's Association, World Softwood Lumber Statistics, Vol. IV, (Portland, Oregon: West Coast Lumbermen's Association, 1962), p. 27.

lumber industry; however, little or no action was taken at this time. The year 1958 was only the beginning as the percentage increased to 10.9 per cent of total consumption in 1959, 12.3 per cent in 1960, 13.7 per cent in 1961, 14 per cent in 1962, and for the first quarter of 1963 Canadian imports accounted for 14.9 per cent of total U. S. softwood consumption. This is an all time high, and since the second and third quarters considered to be the most prosperous, the outlook for an increasingly larger per cent of Canadian softwood imports is very good. British Columbia accounted for the largest per cent of this softwood import volume. Because British Columbia is the largest exporter, the western sector of the United States, being its major competitor, has felt the brunt of these imports.

There is no single reason why the imports of softwood lumber from Canada have increased at such a great pace the last few years. Instead, it is a conglomeration of small separate reasons which, when added together, prove to be trouble for the Western lumber manufacturers. The reasons for the increase of Canadian imports are the devaluation of the Canadian dollar, transportation costs, and wages.

The Devaluation of the Canadian Dollar.--The Canadian-American rate of exchange between 1952 and 1960 remained relatively constant. Table XIX indicates that

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Table XIX. Rate of Exchange: U. S. Dollars
Per Canadian Dollar, 1952-62^a

| Year | Rate |
|-----------------|---------|
| 1952 | \$1.021 |
| 1953 | 1.016 |
| 1954 | 1.027 |
| 1955 | 1.014 |
| 1956 | 1.016 |
| 1957 | 1.043 |
| 1958 | 1.030 |
| 1959 | 1.043 |
| 1960 | 1.031 |
| 1961 | .988 |
| 1962 Jan.-April | .936 |
| May | .925 |

^aCompiled from official statistics of the Board of Governors of the U. S. Federal Reserve System. U. S. Tariff Commission, Softwood Lumber, (Washington: U. S. Government Printing Office), 1963.

the Canadian dollar was worth slightly more than the American dollar up until 1960. Since 1960 there has been a sudden reversal which has put all Canadian export industries in a favorable position.

The December 30, 1960 issue of Crow's Weekly Letter contained an article which said:

The exchange rate between American and Canadian dollars took an unprecedented drop in the past two weeks, following severe tax measures taken by Finance Minister Fleming in Canada during the week before Christmas. The drop in the exchange rate quickly gives Canadian shippers a two dollar per thousand advantage on U. S. shipments, and might become quite a market factor.⁷

⁷Crow's Weekly Letter, December 30, 1960, p. 1.

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Crow's Weekly Letter was quite correct in assuming that the drop in exchange rate might become quite a market factor. However, at the time the article was published, it could have no idea what the future held for the Canadian-American rate of exchange. Early in 1962, the rate of exchange dropped to \$0.936 United States dollars. This was followed by another drop on May 2, 1962 which set the par value of the Canadian dollar at \$0.925 United States dollars. In an agreement with the International Monetary Fund, this rate was to be maintained within a margin of plus or minus one per cent.⁸

The West Coast Lumbermen's Association has done an extensive study on the exchange rate advantages received by British Columbia lumber producers. At the present time, the 7-1/2 per cent exchange advantage on the FAS value per thousand board feet is \$5.17. This was based on an average 1961 cost and freight value per thousand board feet at the Atlantic Coast of \$84.27.

Dewayne Kreager summarizes this exchange rate problem by saying:

Continuation of existing Canadian import advantages into the U. S. including the 7.5 % actual subsidy resulting from the Canadian-U. S. exchange differential, can only mean that the bulk of this increased production must come into the U. S. markets, to the net loss of the U. S. softwood lumber industry.⁹

⁸U. S. Tariff Commission, loc. cit., p. 90.

⁹H. Dewayne Kreager, loc. cit., Table 11.

Transportation.--The two major modes of transportation used in the lumber industry are water and rail. The British Columbia softwood lumber shipments are almost equally divided between rail and water carriers.

. The cost of transportation, either by rail or ship, represents a large part of the total delivered price of softwood lumber. Therefore, the competitive relationships between imported and domestic lumber are materially affected by the practices of the transportation industry and by government transportation policies.

In the past "in-transit" dealers played an important part in the American rail market. Such "in-transit" shipment consisted chiefly of lumber purchased from small saw mills which generally had limited storage facilities. In shipments of this type the dealer seeks a buyer while the lumber is enroute East. Both Canadian and domestic railroads vied for this business by offering the dealer additional time to locate a buyer, without added cost, through the so called free-hold and, additionally in the U. S., through the use of "circuitous routing." Under the free-hold privilege a car could be side tracked at predetermined points for a period up to 25 days at no additional charge. Circuitous routing involved the use of north-south rail lines in combination with west-east lines to extend the time a car was enroute eastward. Used in combination, the two privileges might extend shipping time

by as much as a month or more at no additional charge.¹⁰

In August 1960 the free-hold privileges then in effect for domestic rail shipments of lumber were terminated.¹¹ On April 7, 1961, both the Canadian National and Canadian Pacific Railroads announced that the 25-day free-hold time be reduced to 15 days effective April 13.¹² However, the 15-day free-hold privilege granted by Canadian railroads was not withdrawn until July, 1962. Hence, even though freight rates of lumber shipments are comparable now as Table XXXIII (Appendix) indicates, during the period August 1960-July 1962, Canadian "in-transit" dealers shipping softwood lumber by rail to the U. S. received an advantage from Canadian railroads not enjoyed by domestic dealers shipping to the same point in the U. S.¹³

Although this Canadian rail advantage has now been eliminated, the period August 1960-July 1962 saw the Canadian lumber manufacturer in a position of distinct advantage and this advantage helped accelerate the Canadian's exports of lumber to the United States.

The Canadian advantage in water-borne shipments has received more publicity than any other single problem

¹⁰U. S. Tariff Commission, loc. cit., pp. 57-58.

¹¹Ibid.

¹²Crow's Weekly Letter, April 7, 1961, p. 1.

¹³U. S. Tariff Commission, loc. cit., p. 58.

linked with the Canadian-American import problem.

The British Columbia water shipper uses foreign-flag ships for rates determined competitively, often Norwegian ships especially constructed for lumber trade. However, the U. S. water shipper falls under the provisions of the Merchant Marine Act, 1920 (46 U. S. C. 883), known as the Jones Act, which states that U. S. intercoastal shipments of lumber (and other goods) must move in U. S.-flag vessels. Freight rates for most shipments of lumber from the U. S. Pacific Northwest to U. S. Atlantic ports are established by conference among the U. S. carriers and are filed with the Interstate Commerce Commission. A succession of modifications increased the U. S. conference rate for such shipments from \$19.00 per thousand board feet in July 1946 to \$36.00 in September of 1957 and this rate has remained unchanged to the present.

Charter rates from British Columbia, on the other hand, have fluctuated widely since World War II. From mid-1950 to early 1952 and from January 1955 to September 1957, charter rates were usually from \$3.00 to \$7.50 higher than U. S. conference rate. From mid-1952 through 1954, however, charter rates were \$2.00 to \$8.00 lower, and since September 1957, they have generally been some \$5.50 to \$12.00 lower, than the U. S. conference rate. In practice, the U. S. purchaser of British Columbia cargo

lumber is generally charged U. S. conference rate; the difference between this and the charter rate is for the account of the producing mill. In addition to the differential in the cargo rates, loading charges for lumber at U. S. Pacific Northwest ports in 1962 were about \$3.00 per thousand board feet higher than at ports in British Columbia.¹⁴

Table XX indicates the tremendous advantage British Columbia has over the Pacific Northwest.

Table XX. Approximate Costs of Water-Borne Shipments of Lumber^a

(In Dollars per MF Net Board Measure)

| Destination | Rough or Surfaced | Pacific Northwest | British Columbia |
|----------------|-------------------|-------------------|------------------|
| Atlantic Coast | Surfaced | \$36.00 | \$25.80 |
| Hawaii | Surfaced | 39.60 | 34.00 |
| Puerto Rico | Surfaced | 56.94 | 27.50 |

^aWest Coast Lumbermen's Association, Impact Imports on the West Coast Softwood Lumber Industry, A Report before the U. S. Tariff Commission, Table 15.

The U. S. Department of Commerce has made a study of the above British Columbia shipment cost and have broken down the total cost into three distinct areas as follows:

¹⁴Ibid., pp. 59-60.

| | |
|--|----------------|
| Vessel Charter Cost | \$13.80 |
| Loading and Discharging | \$11.00 |
| U. S. Import Duty and Excise Tax | <u>\$ 1.00</u> |
| Total | \$25.80 |

The above study was made in November, 1961 for a January, 1962 voyage.¹⁵

In addition to rate differentials, a difference in availability of shipping favors the British Columbia producers. The U. S. producers are limited to ships of the few remaining U. S. carriers maintaining intercoastal services in the lumber trade.

This is indeed a critical problem today. Whereas there were eight U. S. carriers active in this trade in 1951, there were only six in 1960 and an estimated three in 1962.¹⁶

These differentials have influenced materially the respective shares of softwood lumber supplied at U. S. Atlantic Coast ports by the British Columbia and West Coast producers. Table XXXIV (Appendix) indicates that British Columbia supplied approximately 30 per cent of the average annual volume in the ten years from 1950-60. This was a period, with the exception of 1952-54, when the U. S. conference rate was lower than the charter rates

¹⁵U. S. Department of Commerce, Business and Defense Service Administration, Impact of Imported Canadian Lumber on the U. S. Lumber Industry, (1962), Table 11.

¹⁶West Coast Lumbermen's Association, loc. cit., Table 14.

from British Columbia. However, as the preceding problems have become more acute, British Columbia has supplied more and more of the Atlantic Coast market.

British Columbia's share of the market has increased from 57.2 per cent in 1961 (Table XXXIV, Appendix) to a new all time high, reaching 62 per cent of the total in the first eleven months of 1962.¹⁷

The water transportation problem has had far reaching effects besides the Atlantic Coast markets. As Table XXXIV (Appendix) indicates British Columbia has increased by a substantial degree its percentage of the market in six of the seven listed areas. The lone exception being South America, which had the smallest volume, 30 million board feet, of the seven listed markets. The problem was only slightly alleviated in an amendment to the Merchant Marine Act, of 1920. The amendment, the Neuberger Act, which is now Public Law 87-877 suspends for one year from October 24, 1962, the restrictions on shipment of domestic lumber to Puerto Rico in foreign-flag vessels upon determination by the Secretary of Commerce that no U. S.-flag vessels are "reasonably available."¹⁸

The recent article in Time Magazine, "Breach in the Dike," comments on the first foreign-flag ship to leave

¹⁷U. S. Tariff Commission, loc. cit., p. 61.

¹⁸Ibid., p. 59.

the Pacific Northwest in more than four decades. The article reports:

A squat little Japanese freighter, the Taian Maru, churned through the Pacific last week on a historic journey. On its way from Coos Bay, Ore., to Puerto Rico with a load of Pacific Northwest lumber, the Taian Maru is the first foreign-flag ship in more than four decades to carry cargo from one U. S. port to another.

While lumbermen rejoiced, a chill went through U. S. shipowners. "This is the first breach in the dikes," said Pacific Maritime Association President J. Paul St. Sure. Shipping men fear that it is just a matter of time before other industries--sugar, newsprint, iron and steel pipe, petroleum--try for the same concessions. Yet shipowners know that the Jones Act has failed miserably in its effort to isolate U. S. shipping from the inevitable tides of economics. Through the years, the cost of replacing ships with new ones built in the U. S. (required by the Jones Act to aid U. S. shipyards) has risen until it is twice that of building a Japanese ship. And low-wage foreign-flag vessels operate for about \$800 a day vs. U. S. ship's \$1,900. Small wonder the Taian Maru is hauling the Coos Bay shipment for \$40 per 1,000 board feet--\$17 less than the lowest U. S. bid.¹⁹

The Neuberger Act is a step in the right direction for the lumber manufacturers on the West Coast. However, at the present time, the current problem with Atlantic Coast shipments still exists and until such time that this disadvantage is eliminated, the West Coast producer will find it impossible to compete on a fair basis with the British Columbia cargo shipper.

Timber Prices--The ability of individual lumber manufacturers to continue production and operate

¹⁹"Breach in the Dike," Time, February 22, 1963, p. 82.

profitably is dependent both on the availability of usable sawtimber and on the price that must be paid for such timber. Chapter III of this study indicated some of the problems that have derived from an increase in demand for public sawtimber while the timber remains in "inelastic supply." The two major factors causing the rise in demand have been sawmills which do not own large areas of timber land and competition from non-lumber utilization of public sawtimber.

Largely as a result of the increasing demand for sawtimber in relation to the available supply the prices paid for sawtimber have risen sharply during most of the past three decades. The net increase in the price of this basic raw material has been substantially greater than the increase either in the general price level or in the price received by the mills for softwood lumber.²⁰

It has been the claim of the western lumber manufacturer that he is unable to compete with the British Columbia manufacturer because of the differences in price of the basic raw material.

The British Columbia (Chapter II of this study) and the U. S. Forest Service methods of determining timber value are quite similar. Both compile the current selling prices of the end products produced and deduct therefrom

²⁰U. S. Tariff Commission, loc. cit., p. 68.

the cost of logging, transportation, and processing, and an allowance for profit and risk, to arrive at a stumpage value, at which the timber is offered for sale. The only difference being that the typical profit ratio used in British Columbia appraisals is 15 per cent as compared to a 12 per cent typical profit ratio in U. S. appraisals.²¹ This 3 per cent difference in profit ratio gives the British Columbia timber buyer a small advantage; however, this is not the major problem.

The actual price is determined and the price is influenced largely by the supply and demand for timber at the time and place of sale. In addition, factors such as the quality and species composition of the timber, the accessibility, the estimated logging cost, and the anticipated income from end products have an important bearing on the price paid for timber.²²

The "overbidding" of timber prices in recent years has been a major problem. In recent years the prices paid for timber purchased from U. S. National Forest have been significantly higher than appraised values at which the timber was advertised for sale.

Table XXI indicates how the British Columbia

²¹U. S. Department of Agriculture, Forest Service, Stumpage Prices and Pricing Policies in British Columbia, (Washington, April, 1962), p. 14.

²²U. S. Tariff Commission, loc. cit., p. 69.

Table XXI. Comparison of Stumpage Prices for Major Production Species in British Columbia with National Forest Advertised and Bid Stumpage Prices^a

| Species & District | 1958 | 1960 | 1961 |
|---|---------|---------|---------|
| <u>Spruce</u> | | | |
| Bid-Prince George | \$ 3.95 | \$ 5.68 | \$ 4.47 |
| Adv.-North Idaho & West. | | | |
| Montana Nat. Forests | 3.73 | 4.63 | 2.75 |
| Bid- " " " | 6.73 | 6.69 | 6.60 |
| <u>Coastal Douglas-fir</u> | | | |
| Bid-Vancouver | 9.74 | 15.24 | 10.96 |
| Adv.-West. Washington Coastal Nat. Forests | 14.99 | 25.07 | 16.15 |
| Bid- " " " | 22.70 | 32.52 | 23.08 |
| <u>Hemlock</u> | | | |
| Bid-Vancouver | 4.58 | 5.17 | 4.66 |
| Adv.- West. Washington Coastal Nat. Forests | 3.82 | 7.35 | 7.39 |
| Bid- " " " | 7.56 | 9.95 | 10.29 |

^aU. S. Department of Agriculture, Forest Service, Stumpage Prices and Pricing Policies in British Columbia, (Washington, April, 1962), Table II.

manufacturer can produce lumber at a lower cost than the U. S. Western lumber manufacturer. In most cases, the bid price in British Columbia and the advertised price in the National forest in the U. S. are very similar. But in most cases after bidding has taken place in the United States, the price is more than double its original set value.

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British Columbia does not have this problem to such a degree, probably because of the more abundant supply of timber, higher logging costs, lower log yield, and more restricted competition in British Columbia than in the Northwest. In many areas of British Columbia, particularly in the Interior, the harvest is still well below the allowable cut, whereas in the Pacific Northwest there is virtually no unused allowable cut by accessible national forest timberland. There have been strong efforts by domestic lumber interests to persuade U. S. government authorities to increase the amount of timber offered for sale. In addition, competition for timber between producers of forest products other than lumber, particularly softwood plywood, is less marked in British Columbia than in the Northwest. In 1961, for example, the approximate lumber equivalent of the output of softwood plywood in British Columbia equalled only 11 per cent of the total lumber output in that province; in the Western U. S. the approximate lumber equivalent of the softwood plywood output equalled 22 per cent of that areas total lumber production.²³

In part, the lower bid prices for stumpage in British Columbia reflect lower average log grade and lumber yield from Crown forest timber than in timber in comparable

²³Ibid., p. 75.

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U. S. national forests (Table XXXV, Appendix). On the average, 50 per cent of a British Columbia saw log scales out at no. 3 and poorer as compared to approximately 30 per cent in a U. S. national forest saw log. Lower bid prices in British Columbia also result from restricted bidding. In the U. S., national forest timber is offered for sale to all bidders. In British Columbia, cutting privileges are controlled by a complex system of licensing priorities, quotas, and quota rights, the provisions of which vary according to several categories of public timberland. Often these provisions tend to reserve cutting privileges to established operators in local areas and to limit competitive bidding.²⁴

In conclusion, it can be said that the U. S. Western lumber manufacturer purchases a higher grade log than does his competitor--British Columbia. However, he pays a price which in many cases is more than double the price that his competitor pays.

Wages.--Wages are the fourth major factor in contributing to the import of British Columbia softwood lumber. This has become less a factor in recent years, but since 1950, it added to the producing advantage of the British Columbia manufacturer.

Table XXII indicates a substantial differential

²⁴Ibid., p. 76.

Table XXII. Average Hourly Earnings in U. S. and British Columbia Sawmills and Planing Mills^a

| Year | Douglas Fir Region ¹ | B. C. Coast ² | Western Pine Region ³ | B. C. Interior ⁴ |
|------|---------------------------------------|-----------------------------|--|--------------------------------|
| 1950 | \$1.77 | \$1.35 | \$1.78 | \$1.26 |
| 1955 | 2.17 | 1.75 | 2.20 | 1.63 |
| 1960 | 2.49 | 2.15 | 2.38 | 2.00 |
| 1961 | 2.55 | 2.15 | 2.41 | 1.95 |

¹West Coast Lumbermen's Association.

²Forest Industrial Relations, Ltd.

³Western Pine Association

⁴Estimated

^aH. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, A Report before the U. S. Tariff Commission on behalf of the West Coast Lumbermen's Association, (Washington, 1962), Table 5.

in the wage rates of British Columbia and Western United States. 1961, the last indicated year on Table XXII, saw a differential of 40¢ between the Coastal producing areas and a differential of 46¢ between the Interior producing regions. This can be a significant factor in the price of a 1,000 board feet of lumber.

It is interesting to note that there has been a substantial decrease in the wage differentials in the last two years. The author of this present study inquired at the International Woodworkers of American Union office located in Portland, Oregon in an attempt to acquire recent wage statistics. Claude Ballard, First Vice-President

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of the IWA answered the inquiry by saying:

The differential you quote may have been true a number of years ago but at the present time the basic minimum is so close in both regions that they compare quite favorably with each other. If you take the major operators in the Canadian section of the fir industry and compare them with that of the Western United States, with the exception of fringe benefits, they would be almost identical. For the purpose of comparison the basic minimum of common labor in the operations of the Weyerhaeuser Timber Company--one of the major producers--is now \$2.07 per hour, while the basic minimum for common labor in the B. C. Forest Products operations--one of the major producers of fir in British Columbia--is \$2.08 per hour, basic minimum for common labor.²⁵

When comparing the wage scale of the two Interior Regions (Table XXII), Mr. Ballard had this to say:

The basic minimum for common labor in the Interior Section of British Columbia is slightly below that of the Pine Region of western Oregon and Washington, but the differential has been narrowed so that in some particular areas the wage rates are almost identical as they apply to the basic minimum for common labor.²⁶

Mr. Ballard summarizes his thoughts on the total wage picture in both Western Canada and Western U. S. as follows:

To briefly analyze the situation the wage rates in both Western Canada and Western United States, as far as the basic minimum is concerned, is so close together that you could almost say there is little difference between the two at the present time. The fringe benefits that are presently being paid in the U. S. would undoubtedly be slightly

²⁵Letter from Claude Ballard, First Vice President of the International Woodworkers of America Union, Portland, Oregon, June 26, 1963.

²⁶Ibid.

in excess of those enjoyed in British Columbia. It would have little effect upon the over-all labor cost items involved in either country.²⁷

In the past, wages have had a more prominent position in determining the differences in production cost of the two competing areas. Today, however, it must be said that these differentials are almost eliminated, and labor costs are an equal additive to production cost in both areas.

It can be said, in summary, that there has been five major contributors to the increase of imports from British Columbia. They have been the devaluation of the Canadian dollar, rail advantages, cargo advantages, timber price advantages, and wages. The most prevalent factors today are the devaluation of the Canadian dollar, the cargo advantage (Jones Act), and a timber price advantage.

The effects of British Columbia imports on the Western lumber manufacturer is an extremely controversial subject. The economic effect can be divided into four areas--decline in production, a cost-price squeeze, declining employment, and mill closures. It is true that British Columbia imports have added to these problems, but is almost impossible to assert that it is totally responsible for all of these problems.

²⁷Ibid.

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The Economic Effects

Declining Production and the Cost-Price Squeeze.--

U. S. softwood production entered the post-war period at a considerably higher level than its 1939 mark of 21.4 billion board feet. It rose to 31.5 billion board feet in 1950, and since then has experienced a very gradual decline until 1960, when there was a sharp fall off of 3.8 billion board feet.²⁸ Table XXVIII (Appendix) indicates that 1962 and 1963 have shown better results than the bottom year of 1961. When the Western mills are examined (Table XXXVI, Appendix), it is found that they too have decreased considerably from 1950.

In 1952, the Douglas Fir Region produced and marketed approximately 10.3 billion board feet of lumber which in that year was 31 per cent of the national lumber market. In 1961, production totaled only 7.8 billion board feet, which for 1961 represented 25 per cent of the national softwood lumber market. In the ten years represented by that stand, the West Coast lumber industry has been driven out of one-fifth of its domestic market.²⁹

Table XXIII below indicates what is happening to the West Coast softwood lumber industry today. With a domestic national market which over the past decade has

²⁸Lea, loc. cit., p. 3.

²⁹Kreager, loc. cit., p. 5.

Table XXIII. West Coast and British Columbia
Lumber Production^a

(In Million Board Feet)

| Year | West Coast ¹ Production | British Columbia ² Production |
|------|---------------------------------------|---|
| 1951 | 9,839 | 3,723 |
| 1952 | 10,351 | 3,697 |
| 1953 | 9,733 | 4,046 |
| 1954 | 9,252 | 4,379 |
| 1955 | 9,638 | 4,914 |
| 1956 | 8,721 | 4,735 |
| 1957 | 7,918 | 4,412 |
| 1958 | 8,403 | 4,850 |
| 1959 | 9,082 | 4,949 |
| 1960 | 7,982 | 5,305 |
| 1961 | 7,769 | 5,352 |

¹West Coast Lumbermen's Association Annual Survey

²Dominion Bureau of Statistics, Ottawa, Canada

^aH. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, A Report before the U. S. Tariff Commission on behalf of the West Coast Lumbermen's Association, (Washington, 1962), Table 16.

shown little growth trend and has declined sharply since 1959, the West Coast production has had a sharp downward trend, and British Columbia production a pronounced upward trend.

In the same period, the spread between cost of production and average annual price (Table XXIV), per thousand board feet of West Coast lumber, dropped from \$17.22 in 1951, to an all time low of \$0.98 in 1961. This tremendous decrease in price coupled with an increase in

production cost are not the characteristics of a healthy industry.

Table XXIV. Average Annual Price and Cost of Lumber Production on the West Coast^a

1951-1961

(Per Thousand Board Feet)

| Year | Average Annual Price ¹ West Coast Lumber | Cost of Production ² West Coast Lumber |
|------|--|--|
| 1951 | \$80.50 | \$63.28 |
| 1952 | 78.85 | 66.96 |
| 1953 | 73.06 | 65.12 |
| 1954 | 72.21 | 63.60 |
| 1955 | 80.93 | 66.76 |
| 1956 | 81.17 | 70.18 |
| 1957 | 71.83 | 69.09 |
| 1958 | 69.43 | 65.97 |
| 1959 | 78.94 | 67.73 |
| 1960 | 75.01 | 69.48 |
| 1961 | 71.26 | 70.28 |

¹West Coast Lumbermen's Association Industrial Facts.

²West Coast Lumbermen's Association Cost Report on Logs and Lumber.

^aH. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, A Report before the U. S. Tariff Commission on behalf of the West Coast Lumbermen's Association, (Washington, 1962), Table 16.

For this same period of time, unfilled orders at the end of each year were at an all-time low in 1961, and year-end inventories at the mill were at an all-time high except for a slightly higher inventory in 1953, which was

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a better earning year than 1961.³⁰

As was noted earlier in this chapter, the cargo shippers had been hit particularly hard by this competition from British Columbia. As far as production is concerned, the Pacific Northwest shippers were 442,000,000 board feet below their previous ten-year average (Table XXXIV, Appendix), on shipments to the Atlantic Coast in 1961.

Ben H. Gardner, Jr., President of Nettleton Lumber Company, Seattle, which has closed its cargo mill, made the following observation:

In the past four years we have lost virtually all of our customers on the Atlantic Coast to Canadian competition. In 1958, he pointed out, we shipped to this market 15,000,000 board feet. In 1960, our volume was 8.8 million board feet; in 1961, it had dropped to 3.6 million, and this year it will not go over 1.5 million. Four years ago, we employed 212 men, and this year, before we closed, we had only 120 men.³¹

This is only one of the many examples of what is happening on the U. S. West Coast today. There are others who have problems quite similar to Mr. Gardner's.

The second economic sore spot for West Coast lumber manufacturers is the closure of quite a number of saw mills.

³⁰ Ibid.

³¹ Ibid., p. 14.

Sawmill Closures.---Just prior to World War II, lumber in Oregon and Washington was produced by roughly 500 mills in each state, averaging about 10 million board feet annually (Table XXV). Between 1939 and 1947, there was a great boom in the number of mills together with a considerable growth in lumber production in Oregon and some decline in Washington. The result by 1947 was a large increase in the number of lumber mills with an average output of under 5 million board feet per mill.

Table XXV. Redistribution of Lumber Production Among Lumber Mills in Oregon and Washington, 1939, 1947, 1954 and 1958^a

| | <u>Total Production</u> (Billion bd. ft.) | | <u>Number of</u> <u>Establishments</u> | | <u>Average</u> <u>Production per</u> <u>Establishment</u> (Million bd. ft.) | |
|------|--|-------|---|-------|--|-------|
| | Ore. | Wash. | Ore. | Wash. | Ore. | Wash. |
| 1939 | 4.76 | 4.24 | 523 | 418 | 9.1 | 10.1 |
| 1947 | 7.10 | 3.71 | 1,466 | 808 | 4.8 | 4.6 |
| 1954 | 8.85 | 3.03 | 1,201 | 552 | 7.4 | 5.4 |
| 1958 | 7.54 | 3.45 | 645 | 469 | 11.7 | 7.4 |

^aSperry Lea, The U. S. Softwood Lumber Problem in a Canadian-American Perspective, A Report prepared by the Canadian-American Committee, (Washington, 1962), p. 5, from U. S. Department of Commerce, Census of Manufactures, Facts for Industry, Series M13G-04, 1939-58.

Since 1947, lumber production in Oregon and Washington has fluctuated at the same general level while the total number of mills has dropped sharply. In Washington, the greatest decline in the number of operating mills came between 1947 and 1954, and in Oregon in 1954-57, when the total number of operating mills decreased almost 50 per cent over a four year period. Thus, production, which had decreased from many small mills with low output, became concentrated in fewer mills with larger capacities. Accordingly, average mill output had risen by 1958 by over 7 million board feet per mill in Washington and to almost 12 million board feet per mill in Oregon.³²

The net change in the total number of mills has been governed principally by a very sharp decline in the number of small mills, but there has also been a small net increase in the number of larger mills, often by consolidation. For instance, Table XXVI shows that in Oregon between 1947 and 1958, there was a net loss of 821 mills of all sizes, caused by the net decrease of 866 mills (577 + 181 + 79 + 49) of under 10 million board feet output, and a net gain of 45 mills of over 10 million board feet capacity. When the production figures associated with these mills are considered, a picture of drastic redistribution of output emerges.³³

³²Lea, loc. cit., p. 4.

³³Ibid., p. 5.

In Oregon between 1947 and 1958, production from the largest class of mills, individual output exceeding 50 million board feet, increased 585 million board feet (Table XXVI). This was attributed partially to an increase in average output and partially to the net addition of 6 mills. This more than compensated for a production decline of 570 million board feet among mills in the two smallest classes, under 3 million board feet, which obviously attributed primarily to net disappearance of 738 of these small mills.

Table XXVI is indicative of the trend throughout the Western lumber manufacturing region.

The over-all growth of western sawmills follows much the same pattern as the scene above. In 1929 there were 1,962 saw mills, and this increased to 2,122 in 1939. The big jump came directly after World War II, in 1947, when there were 4,961 saw mills. Since this time, the decline has been quite sharp. In 1954, there were 3,223 and this dropped to a total of 2,124 in 1961.³⁴

The marked fluctuation in the number of active mills has long been a characteristic of the industry. In as much as little capital and equipment are required to establish a small mill, owners of small timber tracts and others can readily enter into production in periods of

³⁴U. S. Tariff Commission, loc. cit., p. 41.

high prices for lumber. Conversely, during periods of low market prices such operators may go out of production quickly because of inadequate capital, inefficient equipment, and the general inability to cover costs. Frequently such mills are unable to sustain operations after their original timber supplies have been exhausted.³⁵

Table XXVI. Shift in the Number and Output of Lumber Mills by Production Size Class Between 1947 and 1958 in Oregon^a

| Production Class of Mill (Million bd. ft. per year) | <u>Net Change Between 1947 and 1958</u> | |
|--|---|---------------------|
| | <u>Oregon</u> Number of Mills | Total Production |
| Less than 1 | -557 | -223 |
| 1 - 3 | -181 | -347 |
| 3 - 5 | - 79 | -302 |
| 5 - 10 | - 49 | -316 |
| 10 - 15 | + 12 | +179 |
| 15 - 25 | + 5 | +120 |
| 25 - 50 | + 22 | +746 |
| 50 and over | + 6 | +585 |
| All Mills | -821 | +442 |

^a1947-1958: Census of Manufactures, 1954: Facts for Industry, Series M13G-04 (Revised) as recently compiled by the U. S. Department of Commerce, and Sperry Lea, The U. S. Softwood Lumber Problem in a Canadian-American Perspective, p. 6.

³⁵Ibid., p. 42.

The West Coast Lumbermen's Association recently conducted a field survey to gain first-hand information on sawmill closures in its operating region. It worked from a list of 105 sawmills and lumber remanufacturing plants reported as having ceased operations during and since the winter of 1960-61.³⁶

The 86 closed primary sawmills on the basic list were estimated to have had a combined capacity ranging from 853 million to more than 1 billion board feet a year--close to one-tenth of total capacity in the Douglas Fir Region. Their total pay rolls are estimated to have covered about 3,500 persons, not including those in remanufacturing plants or logging and transportation operations.³⁷

The 64 mills on which data were gathered directly, ranged through all capacities from small portables to large cargo mills, but they probably account for more than 80% of the known down production. Operators and others were asked for circumstances behind the closures of the past two years, most notably what they considered the basic causes. The highest number gave Canadian competition as a primary cause, by reason of its softening effect on domestic prices. Next in numbers were those

³⁶Kreager, loc. cit., p. 12.

³⁷Ibid.

who blamed uneconomical operations, outmoded mills or poor management, high stumpage prices, and just plain lack of logs, also contributed to the casualties.³⁸

Along with mill closures comes a direct correlation with declining employment. Most of the available statistics on employment are on a national basis and few, if any, can be found on the regional producing areas in America. In the West Coast Lumbermen's recent survey, it was reported that in the region as a whole, employment was definitely higher that year when all types of industry were considered. However, wood processing had recorded losses. In other words, soft markets and high log costs have prevented the lumber industry from moving ahead with the rest of the economy, or even holding a pace equal to previous years.³⁹

Declining Employment.--The employment effects of the drastic redistribution of production from small to large mills has been considerable. In the larger mills, less labor is required for equivalent output of lumber. This has been an important factor contributing to a decline in total lumber-mill employment, relatively sharper than the decline in production in recent years. Table XXVII illustrates the trend toward increasing labor productivity in the U. S. lumber industry, in which annual

³⁸Ibid., p. 13.

³⁹Ibid., p. 14.

production per employee in 1961 was 35 per cent above the 1950-54 average.⁴⁰

Table XXVII. Basic Data on Employment and Production in the U. S. Lumber Industry (Softwood Plus Hardwood) 1950-54 Average, 1955-59 Average, 1960 and 1961^a

| | Employment (Thousands) | Production (Billion bd. ft.) | Annual Production per Employee (Thousand bd. ft.) |
|-------------|---------------------------|---------------------------------|---|
| 1950-54 Av. | 401 | 37.2 | 93 |
| 1955-59 Av. | 326 | 35.8 | 110 |
| 1960 | 280 | 32.9 | 117 |
| 1961 | 250 | 31.2 | 125 |

^aSperry Lea, U. S. Softwood Lumber Situation in a Canadian-American Perspective, A Report prepared by the Canadian-American Committee and sponsored by the National Planning Association (U.S.A.) and the private Planning Association of Canada, (Washington, 1962), p. 8.

Mr. A. F. Hartung, President of the International Woodworkers of America, does an admirable job in summarizing the unemployment problem in the Northwest. He says:

There is no question that the long-run trend of employment in the lumber and wood products industry has been diminishing in the Northwest. It is due not only to the closing of mills but also to improved methods of manufacturing lumber and harvesting timber. The power saw has replaced the hand saw, and extensive mechanized equipment has replaced the hundreds of workers formerly engaged in "rail shows" and crew members who have moved saw timber from the woods to the mills.

⁴⁰Lea, loc. cit., p. 8.

Automation and other technological developments have also eliminated thousands of people from the remaining saw mills. Employment in the private industry has, of course, increased substantially with the expansion of output.⁴¹

Again, the author of this present study, would like to point out that it can not be said that Canadian imports are the sole contributing factor to the above mentioned problems. The "cost-price squeeze" is probably more directly affected by British Columbia imports than any other single area. There is no doubt that British Columbia imports have lowered the market price of lumber and in turn put a "cost-price squeeze" on the Western lumber manufacturer.

The lumber manufacturers on both sides of the border have been quite active in attempting to have their point of view seen by all interested parties. The past two years have seen some interesting activity.

Action in the Lumber Industry

As early as December 30, 1960 when the Canadian dollar took its first drop, interest was aroused in the possible problem which could develop from British Columbia imports. For over a year, all seemed quiet in the Pacific Northwest, but behind this scene the lumbermen of Washington and Oregon were working together for a joint cause.

⁴¹A. F. Hartung, Concerning Softwood Lumber, A Statement on behalf of the International Woodworkers of America, before the U. S. Tariff Commission, (Portland, Oregon, 1962), p. 9.

The result of their work was the birth of the Lumbermen's Economic Survival Committee.

Lumbermen's Economic Survival Committee.--The Committee has no paid members and no paid employees. Robert F. Dwyer of the Dwyer Lumber and Plywood Company of Portland became the Oregon chairman and Dave James of Simpson Timber Company of Seattle became Washington State chairman. The Committee observed the problems of industry and served as liaison between industry operators, the Congress, and the press. Dave James made the following comments about the birth of the Lumbermen's Economic Survival Committee:

The Lumbermen's Economic Survival Committee grew something like Topsy out of the needs of the Pacific Northwest forest industry in 1961.

A combination of timber purchase problems, transportation by rail and sea problems, governmental attitudes toward the forest industry and other issues led to the lumber operators in Oregon and Washington spontaneously establishing a volunteer committee which became known as the Lumbermen's Economic Survival Committee.⁴²

The general work of the committee was to stimulate action in behalf of the distressed Northwest industry and to assist formal industry associations with acquainting the public about these problems. One of the major accomplishments of the committee was to arrange for Congressional hearings in Oregon, Washington, and Idaho at which

⁴²Letter from Mr. Dave James, Director of Public Affairs, Simpson Timber Company, Seattle, Washington, July 15, 1963.

the facts about the industry's problems were thoroughly reviewed.⁴³

When asked particularly about their action concerning British Columbia imports, Mr. James had the following comment:

A primary objective of the Lumbermen's Economic Survival Committee has been to obtain equality for American lumber producers in competition with British Columbia shippers who have taken such a substantial part of the historic market in the U. S. Atlantic Coast. The Jones Act requirement that American cargos must move intercoastally in vessels built by, owned by, and operated by U. S. citizens has placed our cargo lumber industry at a distinct disadvantage of the Canadian shippers who use foreign vessels.⁴⁴

On February 1, 1962, Random Lengths reported the first publicly known concern of lumbermen on the West Coast. The article commented as follows:

West Coast lumbermen, greatly concerned over the stiff Canadian competition in the Atlantic cargo market and in the upper Midwest and Northeastern rail markets, are pushing hard for possible solutions. Last week a group of producers representing a wide range of marketing interests got a factual background at a meeting in Portland; today a similar group is meeting in Washington, D. C., with administration officials and northwestern Congressmen.⁴⁵

From February 1, until the end of the year, the political activity in the lumber industry became fast

⁴³Ibid.

⁴⁴Ibid.

⁴⁵Random Lengths, (Eugene Oregon, February 1, 1962), p. 1.

and furious. The February 15, issue of Random Lengths reported that the West Coast Lumbermen's Association were taking part in the argument over across-the-border lumber traffic. It commented, "While the WCLA's support of equal competitive opportunities for their member mills was not unexpected, it gives the U. S. industry a recognized rallying point and the facilities of a group of old pros." The same issue of Random Lengths reported of some repercussion in British Columbia concerning a recent FHA ruling which placed White Spruce on a par with the span rating of Engelmann Spruce, rather than White Fir which had been the previous rating.* Both British Columbia lumber associations and large U. S. Eastern wholesalers were understandably quite concerned about this span change.⁴⁶

On March 29, 1962, the National Lumber Manufacturers Association and the West Coast Lumbermen's Association announced a program to meet competition from increasing Canadian lumber imports. The two main features were a tariff program and an extension of the Buy America principle to FHA housing. The tariff program would enforce a 10 per cent tariff on imports above

⁴⁶Random Lengths, February 15, 1962, p. 1.

*This treats B. C. White Spruce lumber as being of lower quality for weight-bearing purposes.

10 per cent of U. S. consumption, which would allow approximately 3 billion feet of Canadian lumber to enter the U. S. tariff free, but would tend to limit future increases in imports. The second proposal which extends the Buy America principle to FHA housing would not put the U. S. in the position of raising a protective barrier against its neighbor, but could have the effect of sharply limiting market demand for Canadian stock.⁴⁷

First Congressional Conference.--The First Congressional Conference on Lumber Industry Problems was held on April 11, 1962. The Conference, which was held in the House Agriculture Committee Offices, marked the first time such a large number of Congressmen had ever met together to discuss lumber industry problems. Sixty-one members of Congress, either in person or in a few instances represented by someone on their staff, met to consider proposed solutions to the lumber industry problems.⁴⁸

The meeting was called to give Congressmen representing forest-based communities an opportunity to informally discuss the coordination of their legislative

⁴⁷Random Lengths, March 29, 1962, p. 1.

⁴⁸National Lumber Manufacturers Association, Congressional Conference on Industry Problems, (Washington: National Lumber Manufacturers Association, 1962), p. 1.

activities. It was organized by a group of six congressmen representing both political parties in every part of the country--Representatives Ullman (D-Ore.), Durno (R-Ore.), and Miller (D-Cal.) from the West; Representative McSween (D-La.) from the South; Representative McIntire (R-Me.) from the Northeast; and Representative Van Pelt (R-Wisc.) from the Midwest.⁴⁹

The Staff of the National Lumber Manufacturers Association was specifically invited by the organizing group to present the lumber industries views to the meeting on three of the most important problems on which it is presently concerned--imports of lumber and wood products, national forest administration, and lumber grade simplification and standardization. It was here at this meeting, that the NLMA first presented its six-point foreign trade program which would put a ceiling on the mounting imports of lumber.⁵⁰

For a complete account of the National Lumber Manufacturers Association six-point foreign trade program see Chapter V.

During the month of March, the lumber industry formally asked the Secretary of Commerce to arrange a conference between representatives of the U. S., of Canada,

⁴⁹Ibid.

⁵⁰Ibid., p. 2.

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 into the United States. Two months later there had been no reply from the Secretary of Commerce and the House of Representatives was the scene of hot lumber discussions. On May 24, Representative Berry (R-S.Dak.) began his talk by saying:

Mr. Speaker, I rise, in righteous indignation of a situation that has developed, and demand action now instead of providing flowers for the burial of a great industry..... I want action for my constituents who are affected by the very issues which the lumber industry is seeking to have resolved. I want the government to be as responsible to legitimate business requests as it is to the needs of touring foreign delegations. I want action to strengthen the economy of all timber growing regions in the U. S. There is no state in the union which has not produced lumber. There is no industry which has deeper roots in the heritage of this country. It has demonstrated its responsive stewardship for our nations only renewable resource. It deserves consideration, and so do those citizens, and communities, dependent upon it for their continued existence and economic comfort.⁵¹

After comments by representatives from Washington, Texas, Louisiana, and Missouri, Representative Berry concluded the discussion by noting:

Mr. Speaker, we demand attention for this great industry, we demand action from the various branches of the executive department. This is not a political issue, as has been pointed out here by a number of members. The problems of the lumber industry have been gradually worsened regardless of the political affiliation of the executive branch. It is an

⁵¹U. S. Congressional Record, 87th Congress, Second Session, 1962, Vol. CVIII, No. 83.

economic problem which needs immediate and non-political attention. This, Mr. Speaker, is our demand.⁵²

Second Congressional Conference.--The Second Congressional Conference on American Lumber Industry Problems and Solutions was held on June 4, 1962 at the Congressional Hotel in Washington, D. C. Once again spokesmen for the nation's lumber industry and members of congress from forest-based communities put their heads together to exchange ideas and thinking on how best to curb mounting unemployment in forest areas and solve other mutual problems.⁵³

At the invitation of the conference chairman, Representative Clem W. Miller (D-Cal.), NLMA staff members outlined the industries most pressing problems and presented proposed solutions. "Marked by an air of cordiality and co-operation, the conference focused major attention on the import problem--the growing volume of softwood lumber imports from Canada."⁵⁴

Within 5 months, February through June, the congressmen in Washington, D. C., had suddenly become aware of the problems in the lumber industry. When asked about

⁵²Ibid.

⁵³National Lumber Manufacturers Association, Second Congressional Conference on American Lumber Industry Problems and Solutions, (Washington: National Lumber Manufacturers Association, 1962), p. 1.

⁵⁴Ibid.

this awareness, Arthur Temple, Jr., President of the National Lumber Manufacturers Association described as "encouraging," the progress made to date in acquainting leading members of congress with the need for remedial measures, to restore industry employment and halt the increasing rate of mill shut downs. He said:

What we are doing now is laying the foundation for a strong and stable industry in future months. These meetings have the double-barreled advantage of (1) giving members of congress a broader understanding of our problems, and (2) increasing their awareness of the industries importance to both the National economy and the welfare of their home districts.⁵⁵

Probably the most significant development to occur as a result of the Second Congressional Conference on American Lumber Industry Problems and Solutions was a proposal from Representative Julia Butler Hansen (D-Wash.) that members of Congress from forest areas join in a letter to President Kennedy asking "immediate action" to grant the industry relief. Representatives McSween (D-La.) and Pfof (D-Idaho) immediately endorsed the proposal and offered to assist in preparing the recommendations to be forwarded to President Kennedy.⁵⁶ By June 15, this letter

⁵⁵National Lumber Manufacturers Association, NLMA Congressional Leaders confer on Employment, Community Stability, Other Industry and Public Problems, (Washington: National Lumber Manufacturers Association, 1962), p. 2.

⁵⁶Ibid., p. 3.

had been signed by 43 House members and forwarded to President Kennedy.

President Kennedy's Six-Point Program.--On the evening of July 26, 1962 President Kennedy called in fourteen congressmen from the Northwest and announced his plans for aiding the lumber industry.

The steps outlined by the President in his new six-point program were as follows:

(1) The initiation of negotiations with Canada concerning the amount of softwood lumber imported into the U. S.

(2) The submission of a request to Congress for additional funds for Forest Development Roads and Trails Program to assure the prompt harvest of National Forest timber.

(3) The amendment of the Intercoastal Shipping laws to permit use of foreign vessels when those conditions exist which indicate severe hardship to American shippers. This amendment will reduce the handicaps suffered by American producers in the intercoastal shipment of lumber.

(4) An immediate increase in allowable cuts which will make available 150 million board feet on the lands managed by the Department of the Interior.

(5) The establishment of a preference for American products in the purchase of lumber by the Department of Defense, the General Services Administration and other Federal departments and agencies.

(6) Increased attention to loan application filed with the Small Business Administration and the Area Redevelopment Administration by lumber mills in order to enable them to upgrade their production and better compete with imported lumber products.⁵⁷

⁵⁷U. S., White House Press Release, from the Office of the White House Press Secretary, July 26, 1962.

The President was informed that West Coast lumber interests had already filed a request with the Tariff Commission for an escape-clause investigation on softwood lumber and that the Tariff Commission has instituted an investigation. The President indicated he would request the Commission to complete it as expeditiously as possible.⁵⁸

"Congressional leaders were jubilant over the President's action, but so far, the lumber industry is not greatly impressed. The action may pave the way for steps which will bring relief, but there is nothing in the above which will immediately help the situation.... The industry owes its Congressional leaders a vote of thanks for getting the White House to go as far as it has gone in this action. There is still much work to be done, however, before the lumber industry will ever benefit from any of these recommendations."⁵⁹

Representatives of the U. S. and Canadian Governments met on August 28 and 29 in Ottawa, Canada, to discuss present and future problems concerning the North American softwood industry, with respect to forest resources, growth rates, employment, and market. During a two-day meeting in which the discussions took place, a

⁵⁸Ibid.

⁵⁹Crow's Weekly Letter, July 27, 1962, pages 1 & 2.

detailed examination was made of lumber trade between the U. S. and Canada; Canadian imports into the U. S.; and current economic problems concerning the U. S. softwood lumber industry.⁶⁰

The results of this meeting were not as beneficial as had been hoped. In fact, nothing new developed from this Canadian-American meeting.

Issues of the Congressional Record, throughout August and September, contain talks and debates which constantly took place on the floor of the Senate and the House. At this same time, President Kennedy's Trade Expansion Bill was also under consideration, and Senator Mundt from South Dakota made the following comment on September 21, 1962:

One of the difficulties which has confronted the lumber industry in the past years has been that it has not had a sympathetic ear from government bureaucrats relative to their problems not only in the import area but in the sale of timber from government forest to the individual entrepreneurs. I hope that when the Trade Expansion Act becomes law, that the administration will investigate the dilemma in which the timber industry finds itself, that it will have a sympathetic ear, and that steps will be taken to improve the economic status of the timber industry which has done so much for the growth of America in the years past and will continue to do so in the years ahead.⁶¹

⁶⁰U. S., Congressional Record, 87th Congress, Second Session, 1962, Vol. CVIII, No. 165.

⁶¹U. S., Congressional Record, 87th Congress, Second Session, 1962, Vol. CVIII, No. 171.

Eleven days later, the public hearing before the U. S. Tariff Commission began.

U. S. Tariff Commission Hearings

The investigation was originally instituted on July 26, 1962, under the authority of Section 7 of the Trade Agreements Extension Act of 1951, as amended, on the basis of an application by the Lumbermen's Economic Survival Committee, Seattle, Washington. On October 11, 1962, the day before the conclusion of the hearing, the Trade Expansion Act of 1962 was signed into law. On October 12, the Commission issued a notice that the investigation relating to softwood lumber was being continued under Section 301 (b) of that Act. No additional hearing was scheduled, but the Commission's notice advised interested parties that they might request an additional hearing within 20 days after the date of publication of the notice in the Federal Register. Interested parties were advised also that they might submit written information to supplement the information presented at the hearing. No requests for an additional hearing were received and no such hearing was held.⁶²

The public hearing opened on October 2, 1962, and was concluded on October 12, 1962. All interested parties

⁶²U. S. Tariff Commission, loc. cit., pp. 3 and 4.

were afforded opportunity to be present, to produce evidence, and to be heard. U. S.-lumbermen--Mortimer Doyle of NLMA, H. Dewayne Kreager of WCLA, William Reed of Simpson Timber Company, Robert Dwyer of Dwyer Lumber Company, and Representative Clem Miller of California opened the attack on lumber imports. Miller was chairman of an informal 71-member Congressional group interested in the lumber industry.⁶³

Much of the Canadian case was built on a searching cross examination aimed at upsetting the allegations made by U. S. witnesses. The domestic industry had the burden of showing that Canadian imports had damaged the U. S. industry while opposition witnesses confined themselves to rebuttal and defense of the status quo.⁶⁴

Section 301 (b) of the Trade Expansion Act of 1962 is divided into four sections--1, 2, 3, and e. Section 1 reads as follows:

The Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the domestic industry producing an article which is like or directly competitive with the imported article.⁶⁵

⁶³Random Lengths, October 4, 1962, p. 1.

⁶⁴Ibid.

⁶⁵Edwin G. Martin and William T. Jobe, Jr., (Attorneys), Brief of Lumbermen's Economic Survival Committee and National Lumber Manufacturers Association before the United States Tariff Commission, November 15, 1962, p. 3.

Sections 2 and 3 indicate the detailed specifications under which the investigation is to be conducted. Section (e) indicates the instructions given to the Tariff Commission if it finds that serious injury has taken place in the industry under consideration.⁶⁶

The entire outcome of the investigation seemed to hinge on two words in Section 301 (b)-1. The interpretation of "major part" was a topic of considerable discussion. Using Webster's Third New International Dictionary (1961) as a guide, it was finally determined that major merely means "greater" than any other, not "greatest" over all. Therefore, a major cause is a single cause that is greater in importance than any other of a number of factors.⁶⁷

The problems of the U. S. lumber industry discussed in the first part of this chapter were the topics of debate throughout the tariff hearing. As was mentioned in a previous paragraph, the Canadian defense consisted almost entirely of a thorough cross examination of the witnesses for the U. S. lumbermen. It must be added, that the Canadians were extremely well prepared for this hearing as they often took the steam away from the statements made by the U. S. lumbermen witnesses. An

⁶⁶Ibid.

⁶⁷Ibid.

excellent example of this cross examination finesse came under the problem of unemployment.

Referring to unemployment, witness Doyle representing the National Lumber Manufacturer's Association called the "Human aspect of this case...without question the most compelling consideration before this body." Yet Mr. Doyle was unable to present to the commission any meaningful statistics on unemployment in the softwood lumber industry. Cross-examination developed that NLMA's widely publicized figure of 200,000 actually included 100,000 carpenters among the claimed unemployment, as well as paper, plywood, and furniture workers.⁶⁸

Another striking example of the Canadian cross-examination efficiency came when Robert Dwyer was cross-examined. Mr. Dwyer had cited the A. S. Lowes Lumber Company as an example of a producer who had been forced to close its mills recently because of Canadian competition. When asked how he knew that the reason was Canadian competition, Mr. Dwyer first said that he based his information on a newspaper report, and later hearsay talk with a bank officer. It was developed on cross-examination that Mr. Dwyer's own company had consistently out-bid the Lowes Company for timber in the Mount Hood National Forest and

⁶⁸Herbert A. Fierst & Mitchel J. Cooper, (Attorneys), Brief of the Council of the Forest Industries of British Columbia before the U. S. Tariff Commission, (Washington: November 15, 1962), pp. 5-6.

thus had prevented it from obtaining the timber necessary to stay in business. Mr. Dwyer finally stated categorically that it was "American competition" which had been responsible for the plight of the Lowes Company.⁶⁹

The two sides terminated the hearings with the following remarks. The Lumbermen's Economic Survival Committee and National Lumber Manufacturer's Association concluded their presentation with the following statement:

Our softwood lumber industry is in distress brought about by rising imports in a period of declining demands. These imports have so depressed our prices as to cause a severe cost-price squeeze. Many mills have been forced to close and the profits of the remaining mills have all but disappeared. Many thousands of lumbermen have been thrown out of work. In many areas where the sawmills were the mainstay of the economy, whole towns are in distress.

This distress stems primarily from the concessions made by our government in the General Agreement on Tariffs and Trade. Those concessions bound the tariff at the inadequate level of \$1 per M feet on most imports and at even lower levels for the rest. The foreign industry was also guaranteed freedom from U. S. import quotas and from the requirement that imports be marked to show their origin. These concessions operated to encourage expansion of foreign production for shipment to the United States and these increased shipments are at the root of our present distress.

Temporary relief under the escape clause is clearly needed. The relief should include the maximum increase in tariff permissible under the law--to \$6 per M feet for most species. While helpful to our industry, this increase will not be enough to remedy the serious injury it is now suffering from imports.

Accordingly, the relief should also include a system of quotas which would limit imports to ten percent of domestic consumption. Our industry has

⁶⁹Ibid., p. 7.

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suffered serious injury since the imports exceeded ten percent of consumption.

The fact that imports have been exempted from the marking requirement has also contributed substantially to the increase of imports and injury to our industry. This exemption nullifies the Buy-American Act so far as lumber is concerned. Accordingly, the relief needs to include recession of the mark-of-origin exemption.⁷⁰

On the other hand, the council of the Forest Industries of British Columbia concluded its presentation by saying:

We do not go so far as to claim that Canadian imports have no effect whatsoever upon the U. S. lumber industry. It is not unreasonable--nor is it disadvantageous--that there should be some kind of inter relationship. But increased Canadian imports are not a major factor affecting the U. S. lumber industry. Problems from which the domestic softwood industry may be suffering are attributable primarily to such non-Canadian factors as U. S. legislative restrictions on inter coastal shipping; the shift to substitute materials, especially plywood; the shortage of timber at reasonable cost; the volume of private housing starts; and the less satisfactory quality and availability of American lumber in comparison with Canadian lumber.

Neither quotas nor tariff increases on Canadian lumber are warranted by the facts.

Neither quotas nor tariff increases would solve those problems which domestic industry does have. As Dr. Kenadjian put it: 'If every cyclical fluctuation in the demand for every dutiable product were met by a change in tariffs, trade policy would become anarchic in this country and through-out the world.'⁷¹

These were the concluding comments of both sides. Hence, the U. S. Tariff Commission on the Canadian Softwood

⁷⁰ Martin and Jobe, Jr., loc. cit., pp. 39-40.

⁷¹ Fierst & Cooper, loc. cit., pp. 50, 52.

Lumber Import Problem came to a close on October 12, 1962. It studied the facts for approximately four months before coming out with the decision on February 14, 1963.

On February 14 the U. S. Tariff Commission Public Information Release noted that on the basis of its investigation the commission unanimously finds that softwood lumber is not, as a result in major part of concessions granted under trade agreements, being imported in such increased quantities as to cause, or threaten to cause, serious injury to domestic industry producing the like article. However, it noted that the U. S. lumber industry was suffering from Canadian imports of softwood lumber but because of technical requirements of the U. S. law under which the case was decided, it was found that the injury was not due "in major part" to prior tariff concessions and therefore denied relief.⁷²

Considerations bearing on the foregoing finding were the definition of "major part," trade agreement provisions, and country-of-origin marking among many other factors.

Adding to the lumbermen's troubles, on October 12, was a tremendous windstorm which struck the Northwest and blew down approximately 11.6 billion board feet of timber. This timber must be salvaged within two to three

⁷²U. S. Tariff Commission, loc. cit., p. 4.

years to avoid its total destruction by insects, and to prevent the wind thrown timber from becoming a breeding ground for insects that would attack the living forests. The salvage of the timber will force onto the U. S. market an estimated 1.5 billion board feet of lumber above the normal production in each of the next three years.⁷³

It was a very disappointing decision for the Western lumber manufacturers. These men quickly turned their attention to a different form of action--legislation. Even before the February 14 decision was handed out, they were hard at work attempting to influence congressmen concerning the many difficulties they face in their industry.

Recent Developments

U. S. businessmen--a thousand strong--met in Washington, January 22-24, 1963 to discuss legislative strategy for the year ahead. The NLMA Conference, "Lumber Industry Legislative Policy Review Conference," was called to identify for lumber manufacturers, and for senators and representatives, areas in which the lumber industry will require legislative assistance--or at least a sympathetic understanding of its problems--in the years ahead.⁷⁴

⁷³National Lumber Manufacturers Association, Why Should American's Buy and Use U.S. Lumber?, (Washington: National Lumber Manufacturers Association, 1963), p. 8.

⁷⁴National Lumber Manufacturer's Association, The Lumbermen and Legislation, A Report on a legislative meeting sponsored by the National Lumber Manufacturer's Association, January 22, 1963, p. 1.

Once again British Columbia and Canadian softwood lumber imports was a target for much discussion. It was reported at this meeting that in the coming months U. S. lumber industry will push for: (1) A Congressional resolution urging the President to impose realistic import quotas; (2) Legislation requiring the marking of all imported lumber to identify the country of origin; (3) Amendment of the National Housing Act to prohibit the use of foreign lumber and construction bearing FHA-insured financing; and (4) Legislation to include lumber and wood products as an "agriculture commodity or products thereof" subject to import quotas under Section 22 of the Agricultural Adjustment Act.⁷⁵

This January 22 meeting was indeed a good indication of what was to lie in the future. The Congressional Record throughout the month of February was filled with discussion of the lumber problems. On Friday, March 1, 1963, Senator Warren Magnuson (D-Wash.) introduced six new bills before the senate which were all concerned with the U. S. lumber problems.⁷⁶ These six bills are discussed in detail in Chapter V of this study.

On March 4, 1963, Senator Jordan of Idaho submitted an amendment to the House-passed bill, H. R. 2513

⁷⁵Ibid., p. 2.

⁷⁶U. S., Congressional Record, 88th Congress, First Session, March 1, 1963.

(amendment to the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin) which would require that lumber and wood products be included under the bill as items to be marked with the country of origin.⁷⁷

The March 1st issue of Random Lengths reported that White Spruce from British Columbia had been reassigned span ratings comparable with White Fir by the FHA. Protests from British Columbia lumbermen resulted in investigations which brought about restoration of the original span classification.⁷⁸

The last known event concerned with the British Columbia lumber industry and its problems in the American market took place on May 24, 1963. At this time, Mortimer B. Doyle, Executive Vice-President of the National Lumber Manufacturer's Association addressed the Northern Interior Lumbermen's Association in Prince George, British Columbia. The major theme behind his talk was that they should stop fighting each other and give their undivided attention to their common enemies (substitute materials, etc.) in the market place.⁷⁹

⁷⁷U. S., Congressional Record, 88th Congress, First Session, March 4, 1963.

⁷⁸Random Lengths, March 1, 1963, p. 1.

⁷⁹Mortimer B. Doyle, Canadian and United States Lumber: The Common Future, Address before the Northern Interior Lumbermen's Association, Prince George, British Columbia, May 24, 1963, p. 4.

He noted that it was clear to the U. S. lumber industry that retention in development of North American markets for lumber and wood products depends upon aggressive promotion of those products. It was equally clear that the Canadian industry, with limited markets at home, would naturally look to the nearest available markets for an outlet. However, he said:

It has become increasingly unclear to our producers why the Canadian industry, while vigorously seeking to satisfy the requirements of what it considers to be its fair share of the U. S. lumber market, has been demonstrably unwilling to assume a collateral fair share of the cost of promoting that market.⁸⁰

Herein lies a hidden reason behind many of the attacks on British Columbia imports. Mr. Doyle continued to note that more rankling than any single difference between the Canadian and U. S. lumber industries have been the bafflement of American producers as to how the Canadian industry could sincerely expect to sustain its opportunity for sales in the U. S. market while making only a token contribution to the exploitation of that market. American lumbermen in the national and regional lumber and wood products associations were spending \$12 million each year to develop lumber and plywood markets. He added with concern that there were American producers who became extremely sensitive when they contemplated the loss of

⁸⁰ Ibid.

their own lumber to Canadian lumber in markets which they have rigorously developed through their investment of thousands of dollars and countless man hours of talent and energy.⁸¹

Mr. Doyle commented that the Canadian Wood Development Council has consistently provided modest financial support to the National Wood Promotion Program. He said:

I certainly do not intend to minimize the significance of that support although you would agree that it is not representative of the volume of lumber moving into the U. S. markets. Neither should any of us minimize the value derived from these Canadian dollars invested in our promotion program.⁸²

He concluded his address by saying:

I know that together we can resolve existing differences. I know that together we can displace substitute materials in the market place. I know that given the means and the will and the sense of common urgency, the Canadian and American softwood lumber industries can achieve the marketing miracle of the century--and make a profit for every reasonable lumberman who has the vision and the determination to make it happen!⁸³

Although Mortimer Doyle advocated cooperation between U. S. and Canadian producers to sustain the North American softwood lumber market against competitive materials, the NLMA understandably continues to wage an

⁸¹Ibid., p. 5.

⁸²Ibid., p. 6.

⁸³Ibid., p. 19.

all-out effort to reduce the impact of Canadian softwood lumber imports on domestic markets.

Legislation seems to be the only answer to the lumbermen's problem at this time. However, a new development was brought out in a recent Canadian broadcasting company interview with Vice President Doyle. He commented to CBC:

It is illegal for U. S. lumbermen to meet with Canadian lumbermen to discuss sharing domestic markets; therefore, lumbermen on both sides of the border, I am sure, are hopeful that the committee appointed by Prime Minister Pearson and President Kennedy to deal with the current lumber industry difficulties will recommend workable solutions. We in the United States have been soliciting joint industry meetings through our government for over a year and the Canadian government has, heretofore, declined to participate.⁸⁴

At the time this study was completed, there had been no new developments from this joint committee appointed by Prime Minister Pearson and President Kennedy.

⁸⁴ National Lumber Manufacturers Association, "U. S. Lumbermen to Continue Fight Against Canadian Imports," A National Lumber Manufacturers press release, 1963, p. 2.

CHAPTER V

SOLUTIONS TO THE PROBLEM

The solutions of the import problem for this study are divided into three categories; the NLMA's proposed foreign trade program, proposed legislation, and the author's conclusions and proposed solutions.

The National Lumber Manufacturers Association's Proposed Foreign Trade Program

The first point of its program would be the removal of existing softwood lumber tariffs between the two nations until such time as imports in either country reach 10 per centum (10%) of its domestic softwood lumber consumption after which a 10 per cent tariff would be assessed by that country on further imports. Furthermore, the quota would be subdivided into four classes of species, so that for instance, water-borne cargos could not fill the total quota to the exclusion of lumber from inland sources. This plan would provide separate quotas for (1) Douglas fir, hemlock, larch, hackmatack, and other fir; (2) Western white spruce, Sitka spruce, and Englemann spruce; (3) cedar; and (4) pine, Eastern spruce and all other softwoods. The quota would be allocated among the four classes on the basis of a representative historical period, such as the average annual imports in the 10-year period 1950-1959. Such a

representative period should not, however, include the period 1960-1962, in which imports caused serious injury.¹

The second step would consist of prompt action by appropriate agencies of the U. S. government to counteract the manipulation of their currency by nations with forest products competing with the U. S. lumber industry in the lumber markets.²

The third step would be such implementation and extension of the "Buy American" principle as may be necessary to assure that all lumber and wood products used in construction, federally-financed or federally-insured (as in FHA insured housing) is of domestic manufacture.³

The fourth step would consist of investigating the possibility of invoking Section 22 of the Agricultural Adjustment Act, as amended, to obtain quantitative limitations in the importation of forest products into the United States.⁴

The fifth and final suggestion would be the instigation of a thorough market study with the specific

¹Mortimer B. Doyle, Softwood Lumber Imports, a Report before the U. S. Tariff Commission, October 2, 1962, pp. 27 and 28.

²National Lumber Manufacturers Association, First Congressional Conference on Industry Problems, loc. cit., p. 2.

³Ibid.

⁴Ibid.

objective of expanding the exports of American forest products.⁵

Some of these proposals have been carried over into legislative action found in the House and Senate today.

Proposed Legislation

The results of the U. S. Tariff Commission concerning the lumbermen's plea for help received severe criticism throughout the House and Senate. Len Jordan (R-Idaho) commented on this problem on March 1, 1963, in the Senate:

At the President's request, after he had expressed great concern for the American lumber industry and had handed down his six-point program, the lumber industry took its case to the Tariff Commission. But, despite the President's expressed concern, and in the face of the facts and figures presented to the Commission by the industry during public hearings on the matter last fall, the Tariff Commission on February 14 sent to the President a report that would deny our lumbermen necessary and needed import relief.⁶

Senator Jordan commented that he thought the Tariff Commission's report may have been worth more to the lumber industry than they at this moment realized. The Commission's report made this statement:

The commission observes further that while international commitments may deter Congress from legislating in conflict therewith, these commitments do not prevent Congress from so legislating. Congress may, if it so elects, legislate in conflict with any

⁵Ibid.

⁶U. S., Congressional Record, 88th Congress, First Session, March 1, 1963.

international commitments.⁷

Senator Jordan had therefore felt that the Tariff Commission had passed a responsibility to Congress, and he thought that it was Congress's duty to pick it up and to assume the burden for correcting some of the disadvantages under which the U. S. lumber industry is forced to operate over which it has no control.⁸

The U. S. Congressmen have indeed brought forth legislation to help the U. S. lumber industry. As of March 4, 1963, there were 41 bills and resolutions before the House and Senate--ten in the Senate and 31 in the House. Generally, these proposals fall into two categories: attempt to limit either the importation or to marketability of Canadian lumber through congressionally-imposed restrictions; and, attempts to change the domestic rules of the lumber industry without becoming involved in international trade problems directly.

The many bills and resolutions devised to limit either the importation or marketability of Canadian lumber can be broken down into four areas--import quota, marking of lumber, amendment to the Agriculture Adjustment Act, and an amendment to the National Housing Act.

Senate Joint Resolution 50 introduced by Senator

⁷Ibid.

⁸Ibid.

Magnuson (D-Wash.) and Senate Joint Resolution 56 introduced by Senator Jordan (R-Idaho) along with H. R. Resolution 2288 and House Joint Resolutions 256-265, 281, 291, and 307, are concerned with an emergency quota on all imports of softwood lumber. Briefly, this bill states that because of the disastrous October 12, 1962 wind storm in the Pacific Northwest there will be an excess of timber on the market because of the 11.6 billion board feet of timber which was blown down. "Lumber producers will be adversely affected by the marketing of this additional amount of lumber and their problem cannot be solved without government assistance and cooperation," stated Senator Jordan. Therefore, be it:

Resolved by the Senate and House of Representatives to the U. S. of America in congress assembled, that the President is hereby requested to impose an emergency temporary quota of six percentum on the import of softwood lumber for a period of three years. This emergency quota to be determined on the basis of six percentum of the average quarterly domestic softwood consumption in the U. S. during the calendar year 1960, 1961, and 1962.⁹

Senators Magnuson and Jordan are also very active in the second legislative area. They are sponsoring bills S.923 and S.957 respectively which would amend the Tariff Act of 1930 to require the marking of lumber and wood

⁹ National Lumber Manufacturers Association, Senators Demand Legislative Action To Resolve the U. S. Import Problem, (Washington: National Lumber Manufacturer's Association, 1963), p. 2.

products to indicate to the ultimate purchaser in the U. S. the name of the country of origin. Related measures in the House are H. R. 3958, H. R. 4038, H. R. 4050, and H. R. 4457.¹⁰

The third area of legislative action is an attempt to seek relief under Section 22 of the Agriculture Adjustment Act. Under this act an agriculture commodity can seek protection from competition from foreign imports, but there seems to be some difficulty as to whether lumber is classified as an agricultural commodity. Senator Jordan spoke about this problem on the floor of the Senate:

The Solicitor of the Department of Agriculture at one point informed the Senate Committee on Agriculture and Forestry that in his opinion, lumber, or actually trees, is an agricultural commodity. But later the Secretary of Agriculture said that Section 22 of the Act could not be applied for relief for the lumber industry. Also, the Department of Justice has informally advised lumber officials that they do not look with favor upon this plea. So it appears that we must again resort to legislation to have trees included as an agriculture commodity.¹¹

Senator Jordan then proceeded to introduce his bill, S. 962, which would amend Section 22 of the Agriculture Adjustment Act so that the Secretary of Agriculture can include lumber and wood products as an agricultural commodity under the act, enabling the lumber industry to get protection from competition from foreign imports.¹²

¹⁰Ibid., p. 3.

¹¹Ibid.

¹²Ibid.

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Related measures are S.921, H. R. 3950, H. R. 2513, H. R. 3951, and H. R. 3968.

The fourth and final area concerned with the importation and marketability of Canadian lumber is an amendment to the National Housing Act. Once again Senators Magnuson and Jordan introduced concurrent legislation, S.923 and S.958 to amend the National Housing Act. This amendment would provide that only lumber and other wood products which had been produced in the U. S. may be used in construction or rehabilitation covered by Federal Housing Administration insured mortgages.¹³ Related measures are S.782, H. R. 1979, H. R. 2546, H. R. 2628, H. R. 3814, H. R. 3995, H. R. 3969, H. R. 3972, and H. R. 4168.

A proposal aimed at a change in domestic conditions was introduced by Senator Magnuson. This proposal, S.922, would establish in the Department of Agriculture an office for two additional Assistant Secretaries, one of whose prime responsibilities would be forest resources and for other purposes.¹⁴

The Cargo Preference Act is the second proposal which would relieve a domestic problem for the American lumbermen. The Cargo Preference Act of 1963, H. R. 5805, introduced by Congressman Tolleson (R-Wash.) and H. R.

¹³Ibid., p. 4.

¹⁴Ibid., p. 7.

6216 introduced by Congressman Clausen (R-Cal.) would amend the Merchant Marine Act of 1920 to require all lumber transported by water to a point in the U. S. from a foreign nation or foreign port to be transported on U. S. flag vessels or on flag vessels of the foreign nations of which the lumber is manufactured. This measure, if enacted, would cut substantially the shipment of lumber from British Columbia by decreasing significantly the Canadian freight rate advantage.¹⁵

The most recent development in proposed legislation was the passing of H. R. 2513 in the House, and is presently before the Senate Finance Committee. This bill would amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin. Senator Jordan (R-Idaho) immediately appeared before the Committee and presented his amendment No. 9 to H. R. 2513, which would require the marking of imported lumber and wood products with the country of origin.¹⁶

¹⁵National Lumber Manufacturers Association, Appraisal of the Cargo Preference Act of 1963, (Washington: National Lumber Manufacturer's Association, 1963), pp. 1-2.

¹⁶U. S., Committee on Finance, Marking of Imported Articles, Hearing before the Committee on Finance, 88th Cong., 1st Sess., 1963, p. 35.

The Author's Conclusions and Proposed Solutions

Conclusions.--In concluding this study, it has been noted that considerable evidence was introduced to indicate that the lumber industry of the Western United States has been adversely affected by imports from British Columbia. However, a problem arises when an evaluation of the degree of damage is taken into consideration. British Columbia imports have contributed to the problem of declining production, a cost-price squeeze, declining number of mills, and declining employment; however, automation, forest service policies, and the current demand and supply of lumber have also contributed to these problems.

The evidence presented by the British Columbia delegation before the U. S. Tariff Commission indicated that many of the statistics presented by the U. S. delegation concerning mill closures and declining employment were either slightly exaggerated or misleading. The result was a decision by the U. S. Tariff Commission that the U. S. lumber industry was not being damaged in "major part" by Canadian imports and relief was therefore denied.

The author of this study agrees with the U. S. Tariff Commission's decision. At the time of the

hearing, October 2nd-12th, the problem of British Columbia imports was not strong enough to warrant a protective tariff.

British Columbia is supplying more and more of Eastern Canada's markets and the possibility of future increases of exports to England and Western Europe have been brighter the past few months. These developments may take some of the pressure off of the American market.

The U. S. lumber industry which is the fourth largest industry in the United States is characterized by a large number of establishments. This is true of the Western producing region as well as the rest of the country. The number of mills increased considerably from 1939 to 1946 due to World War II and its resulting demand for lumber; however, since 1949 the number of mills has declined, and at the present time the number stands slightly higher than it did in 1939. Whether the British Columbia import problem was present or not, this cyclical trend would have taken place as it is a direct reflection of the demand picture in the U. S. market.

The lumber industry is a changing industry, and it must be to keep pace with the demands of the consumer. Companies such as Georgia-Pacific, Simpson, MacMillian-Bloedel, and Weyerhaeuser have taken the lead as the

progressive lumbermen of today. The key to the future is "bigness" and all the advantages that go along with it. The large manufacturer uses automation to its greatest advantage which enables him to produce at a much lower cost than the small operator. The small sawmill is unable to compete in many instances and is forced out of business. The result is an increase in the number of sawmill closures and an increase in unemployment. New jobs are not available in sufficient volume to pick up the unemployed due to mill closure because the large manufacturer is using more and more automation.

Another factor which enters this study is the changing lumber product. The past years have seen the development of plywood, particleboard and hardboard, all of which have taken from the original lumber market. The lumberman of the future must realize that new products will continually develop and that he must keep abreast and often times one step ahead of the market to ensure a profitable business.

The timber supply picture in the Western portion of the United States could be better than it is at the present time. If medium projected demands are met in 1975, the present rate of growth will not be adequate to fulfill these demands. The same problem is present in British Columbia but the extent of seriousness is not as great. If these studies of future lumber demand and supply are

anywhere near correct, it would seem that the future demand for lumber will more than utilize the available supply on a sustained-yield basis. In this case, imports from British Columbia could be an advantage to Western manufacturers by helping to supply the market in order that the price of lumber would remain in a competitive position and not price itself out of the market.

After all else has failed, the lumbermen have turned to legislation. The Jones Act prevents the Western manufacturer from competing on equal basis with the manufacturer from British Columbia and something must be done about this problem. The Cargo Preference Act of 1963 may be the answer to the problem and its chances of passing are much better than that of the other three.

The lumber marking bill has received considerable opposition in the Finance Committee. The National Association of Home Builders and many retailers have testified that this bill would ultimately raise the prices of lumber because of the need for increased inventories.

The bill which would provide the use of only American lumber in FHA housing will, in all probability, not pass. The amendment to the Agriculture Adjustment Act has a much better chance of passing into law, but the chances are slim that the lumber manufacturers would receive immediate relief under this Act.

Proposals.--The economies of the United States and Canada are being drawn closer together whether the people like it or not. The years ahead may indeed see a Common Market of North America.

At the present time, Canada is importing more from the United States than she is exporting to it. The lumber industry is one of the few exceptions to this generalization. This fact must be kept in mind when considering the enforcement of a tariff on lumber. The present evidence has indicated that a tariff is not warranted at this time and in all probability would not be needed. A tariff is not the answer and neither is restrictive legislation.

The answer to the problem is equal competitive conditions and market development.

Some type of action must be taken to put the United States cargo shipper on an equal par with the British Columbia shipper. The 1963 Cargo Preference Act may be the answer, but if it isn't, some solution must be found. An Amendment to the Jones Act, which would allow all industries which cannot compete with foreign industry on an equal shipping cost basis to utilize foreign-flag ships, is a suggestion. The second domestic problem which must be solved is the Forest Service policy. Some provision must be made to ensure the sale of the full allowable cut of timber available in every forest region.

Most of the lumbermen's problems would soon disappear if the demand for lumber would suddenly increase. This will not happen over night and cannot be achieved by sitting back and wishing it so. It seems a pity that lumbermen that produce the same lumber, from the same species, for the same market, must be constantly squabbling merely because an imaginary line separates them. The lumber industries have many problems to face without fighting among themselves.

Once the two areas are on an equal competitive basis, there is no reason why they cannot settle their differences and strive for a common future together. This could be accomplished through the establishment of an organization which would represent all lumbermen in the Western sector of North America. The association could be called Western Canadian-American Lumbermen's Association and would be headquartered in either Vancouver or Seattle.

All the associations (with the exception of the CRA) of the Western United States and British Columbia would be merged into the one large association. The Association would assess each member a percentage of the sale price on every thousand board feet of lumber. This money would then operate a staff who would concentrate on sales promotion, market research, wood technology and market development.

This summer there have been four or five different groups of association members and private industry representatives in Europe studying the potential of the Common Market. Imagine how much more effective this could be if these men were working together to obtain the same goal.

A P P E N D I X

Table XXVIII. United States Softwood Production, Exports, Imports and Consumption^a

(In Millions of Board Feet)

| Year | U.S. Softwood Production | U.S. Softwood Exports | Canada Softwood Imports | Total Apparent Consumption | Per Cent Can- ada Imports of Consumption |
|-------------------|--------------------------------|-----------------------------|-------------------------------|----------------------------------|--|
| 1951 | 29,804 | 876 | 2,085 | 30,336 | 6.9 |
| 1952 | 30,234 | 566 | 2,143 | 32,293 | 6.6 |
| 1953 | 29,562 | 513 | 2,418 | 30,821 | 7.8 |
| 1954 | 29,282 | 585 | 2,751 | 32,001 | 8.6 |
| 1955 | 30,293 | 652 | 3,330 | 32,390 | 10.2 |
| 1956 | 30,661 | 571 | 3,065 | 32,294 | 9.6 |
| 1957 | 27,100 | 623 | 2,649 | 29,617 | 8.9 |
| 1958 | 27,379 | 550 | 3,090 | 30,347 | 10.1 |
| 1959 | 30,509 | 608 | 3,666 | 33,510 | 10.9 |
| 1960 | 26,650 | 693 | 3,578 | 29,181 | 12.3 |
| 1961 | 25,454* | 618 | 3,943 | 28,842* | 13.7 |
| 1962 ^b | 26,449* | 621 | 4,274 | 30,507* | 14.0 |
| 1963 ^b | | | | | |
| 1st Qtr | 6,207* | 158 | 1,004 | 6,758* | 14.9 |
| 2nd Qtr | --- | --- | --- | 8,405 | --- |
| 1951-1960 Average | | | | | |
| | 29,147 | 624 | 2,876 | 29,067 | 9.2 |

* Subject to revision.

^aH. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, A Report before the United States Tariff Commission on behalf of the West Coast Lumbermen's Association (Washington, 1962), Table I.

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Table XXVIII. (Continued)

^bCompiled from U. S. Department of Commerce,
Business and Defense Services Administration, National
Survey of Lumber Demand and Supply, 126-128 Quarterly
Reports, 1962-63.

Table XXIX. United States Imports from Canada Originating
in U.S. Direct Investment Companies in Canada, 1955,
by Selected Commodities^a

| | Total Imports from Canada | Imports from U.S. Comp. in Canada | Per Cent Imports from U.S. Companies |
|---|------------------------------|---|--|
| (Millions of \$) | | | |
| Crude Oil | 42 | 30 | 71 |
| Newsprint | 597 | 240 | 40 |
| Copper | 67 | 50 | 75 |
| Sawmill Products | 286 | 30 | 10 |
| Paper Base | | | |
| Stocks | 276 | 250 | 91 |
| Nickel | 144 | 135 | 94 |
| Aluminum | 71 | 70 | 98 |
| Lead | 20 | 5 | 25 |
| Fertilizer | 51 | 20 | 39 |
| Zinc | 46 | 10 | 22 |
| Silver | 19 | 5 | 26 |
| Asbestos | 53 | 25 | 47 |
| Iron Ore | 79 | 70 | 89 |
| Imports of the Selected Commodities | 1751 | 940 | 54 |
| Total Imports | 2675 | 940 | 35 |

^aU.S. Department of Commerce, Survey of Current Business, XXXVI (August, 1956), p. 24.

Table XXX. British Columbia External Trade^a

| | |
|--|-------------------|
| <u>Foreign Exports</u> | |
| Lumber--fir and hemlock | \$177,000,000 |
| Newsprint | 99,800,000 |
| Pulp--all types | 106,200,000 |
| Primary aluminum | 51,300,000 |
| Lead, zinc, copper--ores and ingots | <u>70,800,000</u> |
| Total | \$808,400,000 |
| <u>Foreign Imports</u> | |
| Iron and its products | \$136,696,000 |
| Agriculture products | 71,076,000 |
| Non-ferrous metals and products | 46,777,000 |
| Non-metallic minerals | 29,954,000 |
| Fibers, textiles, and products | <u>28,167,000</u> |
| Total | \$421,823,000 |

^aProvince of British Columbia, Finance Department, An Economic Review of Resources, Production and Government Finances, 22nd ed. (Victoria, B. C., July, 1962), Table XXXVI.

Table XXXI. British Columbia Water Borne Lumber Trade,
1952, 1956, 1960 and 1961^a

(In Thousand Board Feet)

| Destination | 1952 | 1956 | 1960 | 1961 |
|--|-----------|---------|-----------|-----------|
| Eastern Canada | ---- | 4,917 | 9,680 | 8,828 |
| Africa | 52,344 | 145,132 | 142,293 | 75,146 |
| Arabia | ---- | 146 | ---- | ---- |
| Australia | 36,060 | 99,829 | 113,536 | 91,935 |
| Belgium | 2,390 | 2,628 | 21,937 | 31,300 |
| Central America | 463 | 2,628 | ---- | ---- |
| Denmark, Norway, and Sweden | 227 | ---- | 66 | 30 |
| Eire | 250 | 142 | 3,684 | 4,773 |
| France | 1,172 | 3,191 | 9,883 | 11,061 |
| Germany | 73 | 177 | 1,062 | 6,040 |
| Greece | ---- | 25 | ---- | ---- |
| Hawaiian Islands | 9,558 | 13,183 | 7,755 | 12,887 |
| Holland | 1,217 | 3,802 | 6,272 | 13,866 |
| Hong Kong, China and Formosa ¹ | 7,915 | 1,275 | 867 | 360 |
| India | 1,029 | 416 | 9,793 | ---- |
| Israel | 498 | 1,248 | 1,681 | 10,225 |
| Italy | 637 | 3,007 | 5,363 | 5,909 |
| Japan | 82 | 5,852 | 1,607 | 155,550 |
| Korea | ---- | ---- | ---- | ---- |
| New Zealand | 7,839 | 14,097 | 6,689 | 8,392 |
| Puerto Rico | 8,145 | 41,937 | 67,022 | 73,249 |
| South America | 2,164 | 16,541 | 7,743 | 1,187 |
| South Sea Islands | 8,538 | 15,339 | 13,414 | 9,970 |
| United Kingdom | 772,527 | 320,126 | 518,090 | 422,939 |
| United States | 229,809 | 283,834 | 714,050 | 838,080 |
| West Indies | 3,404 | 11,599 | 10,796 | 5,482 |
| Foreign, unclassified | 1,711 | 1,221 | 2,068 | 1,906 |
| Totals | 1,148,052 | 989,664 | 1,675,351 | 1,789,115 |

¹ Figures for 1956 and subsequent years are for Hong Kong only.

^a Province of British Columbia, Dept. of Land and Forest, Report of Forest Service, 1961, p. 91

Table XXXII. Development of Softwood Plywood
Production in the West, 1954-61^a

(Number of Mills and Annual Production
in Billion Sq. Ft., 3/8" Basis)

| | <u>Oregon</u> | | <u>California</u> | | <u>Washington, Idaho & Montana</u> | |
|------|---------------|-------|-------------------|-------|--|-------|
| | Mills | Prod. | Mills | Prod. | Mills | Prod. |
| 1954 | 43 | 2.0 | 18 | 0.5 | 35 | 1.4 |
| 1955 | 56 | 2.9 | 21 | 0.7 | 36 | 1.7 |
| 1956 | 64 | 3.1 | 21 | 0.7 | 37 | 1.5 |
| 1957 | 63 | 3.5 | 22 | 0.8 | 35 | 1.4 |
| 1958 | 71 | 4.2 | 23 | 0.9 | 33 | 1.4 |
| 1959 | 79 | 5.0 | 26 | 1.0 | 36 | 1.7 |
| 1960 | 78 | 5.0 | 26 | 1.0 | 39 | 1.6 |
| 1961 | 79 | 5.5 | 26 | 1.2 | 40 | 1.7 |

^aU.S. Department of Commerce, Bureau of the
Census, Softwood Plywood and Veneer, 1961, Series
M24H(61)-1, June 13, 1962, Table I.

Table XXXIII. Typical Rail Lumber Freight Rates
Oregon-Washington vs. British Columbia^a

(In U.S. Dollars per Thousand Board Feet
of S4S Unseasoned Douglas Fir)

| Destination | Pacific Northwest, Portland, Ore. | B.C. Coast, Vancouver, B.C. | Inland Empire, Interior, Spokane, Wash. | B.C. Nelson, B.C. |
|--------------------------|--|--------------------------------------|--|-------------------------|
| Toronto, Ont. | \$39.75 | \$39.75 | \$39.00 | \$39.00 |
| Montreal, Que. | 40.25 | 40.25 | 39.50 | 39.50 |
| Bismarck, N.D. | 27.00 | 27.00 | 25.50 | 25.50 |
| Chicago, Ill. | 33.50 | 33.50 | 32.75 | 72.75 |
| New York, N.Y. | 35.25 | 35.25 | 35.25 | 35.25 |
| Jacksonville, Fla. | 38.50 | 38.50 | 37.75 | 37.75 |
| Fort Worth, Tex. | 33.00 | 33.00 | 31.75 | 31.75 |
| San Francisco, Calif. | 11.50 | 21.25 | 19.75 | 23.00 |
| Los Angeles, Calif. | 16.25 | 22.75 | 23.25 | 26.50 |

^aH. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, A Report before the United States Tariff Commission on behalf of the West Coast Lumbermen's Association (Washington, 1962), Table VI.

Table XXXIV. Waterborne Shipments of Softwood
Lumber to Various Markets^a

(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 | -- | 0.0 | 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 Yr. Avg. | 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 |

^aH. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, A Report before the United States Tariff Commission on behalf of the West Coast Lumbermen's Association (Washington, 1962), Table VIII.

Table XXXV. Softwood Sawtimber: Percentage Distribution
of Average Log Grades of Timber Sold in Specified
Areas of the Western United States
and British Columbia,
1961^a

| Log grade | | Douglas-fir | |
|---------------------------|------------|-------------|-----------------------|
| U.S. Pacific Northwest | : | Mount | Vancouver |
| | : | Baker | Forest |
| | : | National | District, |
| | : | Forest, | British |
| | : | Washington: | Columbia ^c |
| No. 1 and No. 2 peeler: | No. 1----- | 14 | 3 |
| and No. 1 saw log. | : | : | : |
| | : | : | : |
| No. 3 peeler, special | No. 2----- | 69 | 51 |
| peeler, and No. 2 | : | : | : |
| saw log. | : | : | : |
| | : | : | : |
| No. 3 saw log and | No. 3 and | 17 | 46 |
| poorer. | poorer. | : | : |
| | : | : | : |
| | : | : | : |
| All grades sold---- | ----- | 100 | 100 |
| | : | : | : |

^aU.S. Department of Agriculture, Forest Service,
Stumpage Prices and Pricing Policies in British Columbia,
April 24, 1962, p. 4.

^bBritish Columbia statutory log grades.

^cSales during October-December 1961.

Table XXXVI. Softwood Lumber Production in the
United States and Canada by Regions^a

(In Millions of Board Feet)

| Year | Douglas Fir Region | B.C. Coast |
|-------------------|---------------------|---------------|
| 1950 | 10,091 | 2,568 |
| 1955 | 9,638 | 2,756 |
| 1959 | 9,082 | 2,346 |
| 1960 | 7,982 | 2,850 |
| 1961 | 7,770* | 2,929 |
| 1962 | 4,075* | 1,560* |
| (6 mos.) | | |
| 1951-60 Average.. | 9,080 | 2,536 |
| Year | Western Pine Region | B.C. Interior |
| 1950 | 7,612 | 997 |
| 1955 | 8,818 | 2,158 |
| 1959 | 9,924 | 2,603 |
| 1960 | 8,967 | 2,455 |
| 1961 | 8,687* | 2,423 |
| 1962 | 4,153* | 1,358* |
| (6 mos.) | | |
| 1951-60 Average.. | 8,396 | 1,951 |

*Preliminary.

^aH. Dewayne Kreager, Impact of Imports on the West Coast Softwood Lumber Industry, A Report before the United States Tariff Commission on behalf of the West Coast Lumbermen's Association (Washington, 1962), Table II.

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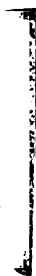
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