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Dean Sherman's Forest Industry Affairs Letter



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Viewpoints To Consider

No question but "this has been a year of trauma" as expressed by National Forest Products Assn., president Cal Colvin at NFPA's 73rd annual session in Washington, D.C. earlier this month.

And we're still immersed in a housing crisis, face dramatic changes, timber supply shortages, legislative confusion, environmental litigation, unknowns in land use, unstable world conditions...and no real answers.

Doesn't mean that the forest industries have not been working constructively on these problems...they have. Both FIC and NFPA committees are chalking up a good track record.

Matching actions and anxiety at the NFPA session, were strong expressions for new objectives, new detente, exploring new spheres for solutions to short and long range goals. Aside from direct actions taken...a wide variety of viewpoints expressed were especially thought provoking. Here are some for your own assessment...of interest to both industry and Congressional readers.

ABOUT CONGRESS...Rep. Thomas Foley (D-Wash) Chairman of the House Agriculture Committee passed along these thoughts.

Congressional makeup?...Many new, but not necessarily radically different from any other Congress. Most are pragmatic...want to be successful in solving the nation's problems. Also want to be re-elected. Believe strong action needed to pull the country out of recession...Beginning to realize there are limits to deficits.

Stimulation of housing has been a major concern...though many hesitate to move too fast for fear of creating serious credit problems. Same time, there's reluctance to move ahead on actions to stimulate the kind of forest management essential to assure sufficient building materials needed in the decades ahead.

Recognize we're still far behind in reforestation...forestry incentives are poorly financed. But members are largely confused as to what can be done to create timber availability ...thus have done little or nothing.

The Agriculture Committee has 20 new members of which 18 are newly elected. Have a lot of work to do in becoming acquainted with the range of problems with which it deals...Especially those touching upon the forest industry and Forest Service.

See dangers in continuing proposals to control exports of timber. Must recognize we are in a world economy. U.S. earned \$22 billion last year in export of agriculture and timber products. U.S. is both essential supplier and receiver of goods in trade. Can't really have it both ways...selling selectively abroad and imposing very rigid restrictions on import and export in other areas...even though it's impossible to be completely objective.

Environmental questions confuse members. Hear forceful expressions of environmental programs and legislation hampering productivity...interfering with development. On other hand, environmentalists clamor for stricter regulations. Few are clear on where the truth lies.

Federal courts are growing importance as Congress enacts specific environmental legislation...are becoming increasingly arbiters of administrative conduct. For example, Congress probably went overboard in passage of the Water Quality Act Amendments...and regulations probably go beyond political and financial resources of the country to meet. Must be reassessment efforts in some areas. But its counter-productive to push for repeal of such acts as NEPA and OSHA. Hinders realistic review and assessment. Important that legislation be watched closely...industry organizations might well consider expanded involvement in this litigation.

Greatest mistake would be to leave your representatives alone to struggle with these problems. They need your advice and counsel. Should seek every opportunity to talk with them. Most want to make wise judgments.

ABOUT HOUSING... HUD Secretary Carla Hills, in one of her first major talks... advised that HUD considers housing bills now under consideration to be counter-productive...won't cure cyclical housing problems. Sees more flexibility in current laws that permit HUD to encourage and guide recovery of housing. Support such means as extension of FNMA tandem plan...and authority to conventionally finance multi-family and condos. "We cannot spend our way out of the housing slump", she said, "without inviting new and more crippling inflation spiral in which housing would be the first to suffer."

AHEAD IN HOUSING... Bernard J. Frieden, Director, MIT-Harvard Joint Center for Urban Studies...who have been making detailed studies on demand trends... had this to say: "Recovery of current housing slump will be slower than in the past. Reason...lack of effective demand due to inflation, unemployment and lack of consumer confidence. Average recovery would have seen starts at 1.8 million units in March. Present rate is still under 1 million.

"Short-term indicators show 1.3 to 1.4 million starts for 1975...not including mobiles. Adjusted rate by fourth quarter could be at 1.6 million. Barring further slumps later in the decade, could reach 2.3 million new unit starts during the '70's.

"Long-term indicators show much greater population growth pressures on housing supply than before anticipated. Pressure will be enormous...extending through the 80's. If for any reason housing fails to respond, will be heavy pressure for expanded Federal role...unless ways can be found to get private industry to cope with the larger part of the need."

FOREST INDUSTRY POSITIONING? Whether or not you may agree...the challenge faced by industry, presented by George Weyerhaeuser, president of Weyerhaeuser Co., is significant grist for your thought mill. NFPA president Cal Colvin said, "his challenge to unite and join the world, as it were, must surely be one of the most historic messages our organization has ever received in its 93-year history." Here are some briefed points:

The real challenge facing industry, he said, is for industry to broaden its outlook...to achieve consensus on basic issues...move forward broadly and constructively to meet them...to come together to explore mutual opportunities, relate them to national priorities...and take joint constructive action in "our own and in the national long term interest".

"The real and critically important question before us is...Are we as an industry going to cooperate for future growth and organize for it...or are we going to continue to compete destructively for diminishing resources?"

"The most significant fact is...that the 400 year era of national economies has ended. It can never be reconstructed. All the national economies of the world are critically dependent today on more and more imports and exports. Without them, none of the economies could function. We are inextricably linked in something new...a world economy."

"Basic interest of this industry should be to unite in encouraging the export of forest products...to alert government to the export opportunity we can supply...and to the timber supply implications of that opportunity. As with any commodity...the pull of additional market demand upon U.S. timber will lead to investment to increase supply."

"World demand for industry wood will double by the year 2000. Our North American product and raw material balance, translated back into equivalent volumes of solid wood...showed this continent with an export surplus of 200 million tons in 1970."

"By the year 2000, even if present patterns of forest management investment hold...this continent will have an exportable surplus of 400 million tons...and that's without even trying. If we recognize market growth overseas and obtain public and private investment in timber growth comparable to the level now occurring on many industrial lands...the exportable surplus by 2000 could be as much as 1.4 billion tons. If manufactured into full range of products...it could generate foreign exchange exceeding our petroleum import requirements."

"Total export opportunity does not, over the long term, threaten any product or regional group within the industry. That's not to say it hasn't and won't require change...cause competitive shifts for individual firms. But it does provide opportunity for all of us in different degrees."

"It will be a vital step to increasing timber supply through forest management and utilization investments. As coastal mills and forests become increasingly oriented toward world markets...importance and opportunities for inland forests and mills in the domestic markets will increase. That provides increased incentive to correct the relatively neglected management of the lands serving them...makes them more attractive to investors and lenders."

"We're not there yet...but in the closing decades of this century...North America will be approximately in the same position in regard to essential world softwood needs as the Persian Gulf is today with regard to oil."

"A commanding part of the world's import of softwood will come from North America. We have the capability to begin action now to ensure that we will be able to meet that demand...and to meet it in ways that increase, rather than threaten...world stability."

"The big target is world markets...markets doubling in absolute demand within a 30-year period. And in the process, providing tremendous opportunities for this North American industry. These opportunities give us the public and private investment rationale to manage our forest soils to their full productive potential."

"In order to attain such objective, it is essential to provide within the

industry, the leadership and organization to assure priority attention to the vital matter of competitive access to markets that make up the world economy. While there may not be unanimity within the industry on any particular aspect of trade policy...I think we can at a minimum, strive for a broad consensus on basic trade issues...and perhaps even for unanimity on the concept that world market development per se, is an item that should be on our industry's agenda."

(The executive committee later took actions to authorize newly elected NFPA president Eliot Jenkins, vice pres. International Paper Co., to appoint a standing committee on foreign trade.)

CURRENT ISSUES

House Interior Committee took up the Udall Land Use Bill HR-3510 on May 14. Rep. Sam Steiger's (R-Ariz) immediate move to table the bill was defeated 22-20. Markup sessions are rescheduled to begin June 9...Will be several weeks work on amendments.

Reportedly, some committee members who voted not to table, may not necessarily favor the bill...But politically, did not wish to be positioned as not giving it full consideration. Future committee votes could change the picture as to whether or not it finally gets to the floor.

On the Senate side, likely that Senator Jackson will hold up on further action on his land use bill S.984...awaiting outcome of House action.

Log Export hearings by the House Public Lands Subcommittee on the James Weaver (D-Ore) bill HR-5544, went off on schedule May 13-16. Bill would prohibit export of logs from Federal lands west of the 100th meridian...and require buyers to certify they do not export unprocessed timber. Product limitations and many features are considered highly objectionable...unrealistic.

Industry urged instead...enactment of simple bill with four or five year restriction on export of Federal logs to replace the current year-to-year extension that expires June 20...and with workable substitution regulations.

Meantime, Rep. Don Clausen (R-Cal) introduced HR-6920 "Public Land Timber Conservation Act" that would curb export logs from Federal lands, and with reasonable substitution regulations. Bill has no time limit...would be in effect until repealed.

There's more significance to the Montana Wilderness Study Act (S.393) than appears on the surface. Hearings on May 9, by Interior Subcommittee on Environment and Land Resources brought out active opposition...except from environmentalists. Bill was introduced by Sen. Metcalf and Mansfield, both (D-Mont).

Would tie up some 971,000 acres of national forests in Montana for a five year study for potential wilderness setaside. Fact is, the proposed areas have previously been studied by the Forest Service and ruled out as not wilderness quality. Have low scenic value, existing roads, some logged and some mined, most used for general recreation. Timber involved is about 39 million bd.ft. annual allowable harvest potential.

Outside the fact that 14% (2.4 million acres) of the national forests in Montana are already setaside in wilderness...important thing here is the evident creeping back into the West of the Eastern type wilderness qualifications. This reducing of wilderness qualifications, including private property condemnation, poses very serious implications. It it starts here, it's on its way.

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