

Bill gives industry hope

Although a fallen timber industry is closing down some companies and forcing others to reduce their work force, some firms stand to make a great deal of money, says John Atkins, representative for U.S. Rep. Les AuCoin, D-Ore.

AuCoin presented a bill to Congress similar to one introduced by Rep. Jim Weaver, D-Ore., that would allow companies to terminate federal timber contracts.

High interest rates and inflation have made timber bought from the U.S. Forest Service unprofitable to harvest, Atkins says. Most timber companies operating in Oregon depend on federal timber and would be forced to make employee cutbacks or fold altogether if the AuCoin legislation isn't passed, he adds.

The Western Wood Products Association, which represents timber companies in 11 Western states, says 503 of the 756 companies in the region have been forced to shut down or reduce their work force.

If left unchecked this trend would seriously hurt Oregon's chances of obtaining a large share of the market when interest rates drop, Atkins says.

"If we don't act to maintain as much of our mill capacity as we can, we in Oregon are going to be very hard pressed to meet a large demand. (AuCoin's bill would) control the damage done to Oregon's economy."

The AuCoin legislation would allow companies to terminate their contracts with the U.S. Forest Service without penalty. The contracts would be resold, but the original owner of the contract would not be allowed to

re-bid, Atkins says.

By allowing other timber companies to re-bid on the contracts, companies would again find it profitable to harvest the timber, he says, adding that the number of employee cutbacks and mill closures would decrease.

Some large timber firms don't depend on U.S. Forest Service contracts because they have their own forests. These companies — and the Congressmen they influence — oppose AuCoin's proposal, Atkins says.

Atkins points out that large firms aren't forced to absorb huge losses because they can wait to harvest timber when it's profitable.

"If you're not dependent on (federal) timber sales, then you're out of the jam that everyone else is in."

If the AuCoin legislation is cut down, large companies would reap Redwood-sized profits when interest rates drop and demand for timber increases, Atkins adds. Competition would be reduced because many companies would have gone bankrupt.

"It's going to be counter-productive for everyone if the mills stay closed," he says.

However, Atkins says that AuCoin and Weaver will need to amend their bills to compromise with the opposition in Congress.

Rep. Tom Foley, D-Wash., and Sen. James McClure, R-Idaho, are likely to be key opponents, Atkins says. Neither Foley or McClure are prepared to comment on the legislation.

"We're going to have to find a way to get their interests involved in this also. We're not going to give up in pushing for a consensus." Bill Moshofsky, a vice

president of Georgia-Pacific Corporation, admits most of the timber used by GP is owned by the company.

"We don't buy that much (federal) timber," Moshofsky says. "But we are aware of the problems involved with federal timber contracts." If the timber was privately owned, contracts would be terminated, he says.

"The reason for the difference of opinion is some believe by (terminating a contract) you abandon the sanctity of a contract. It's wrong for people to know they can bail out of a contract if they get caught with a loss."

AuCoin is wrong in accusing large timber companies of opposing federal contract terminations, Moshofsky adds.

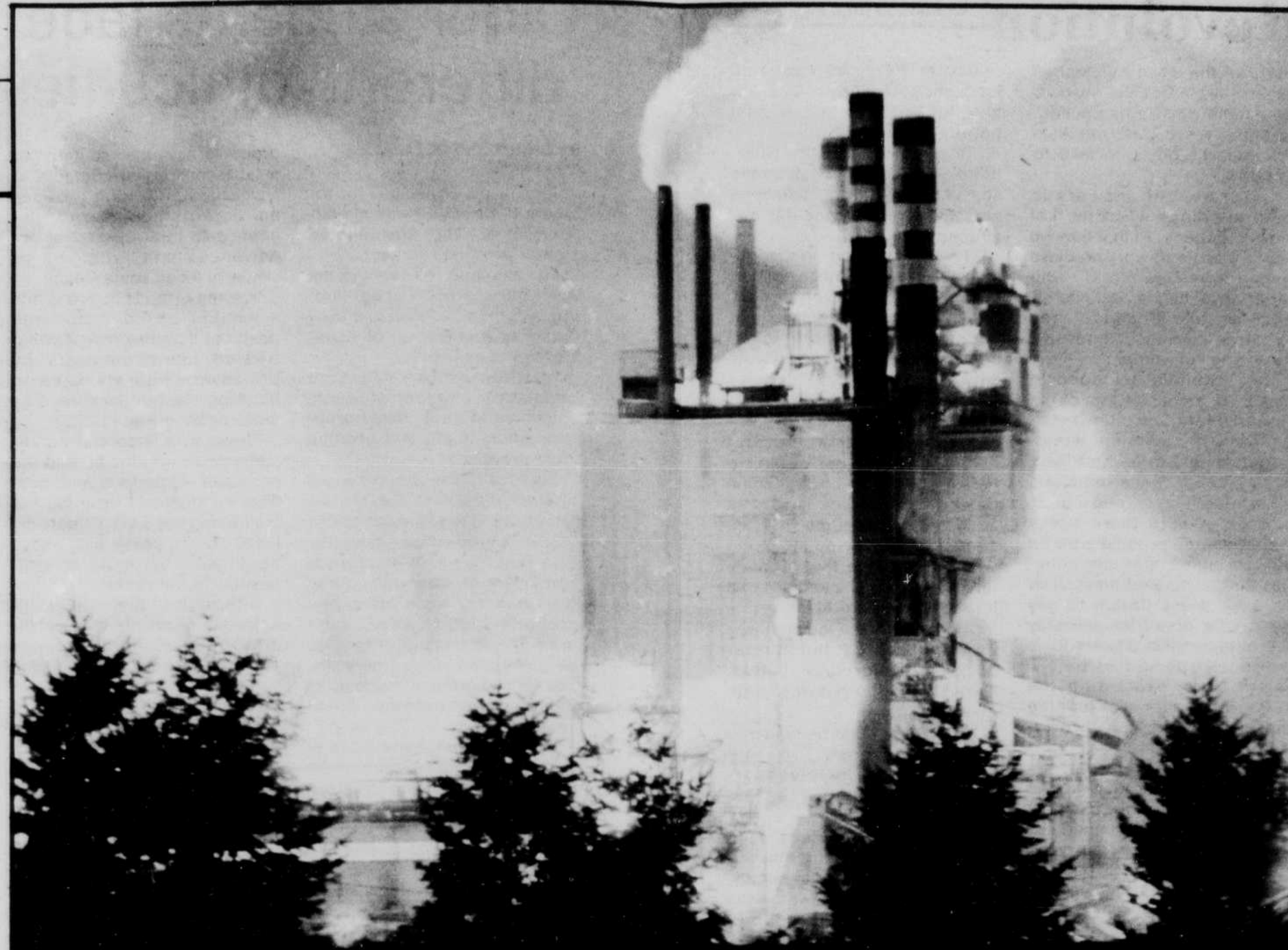
"He has attempted to drive a wedge between the big and small timber companies — he's just bad-mouthing the large companies."

Joyce Nichols, a Weyerhaeuser press representative, says Weyerhaeuser executives are aware of current legislation concerning contract terminations, but will make no comment on the effect it would have on their company.

Sen. Bob Packwood, R-Ore., says the timber legislation such as proposed by AuCoin and Weaver doesn't get at the heart of the timber industry's problem — high interest rates. He is asking the International Trade Committee to conduct a four-month study of the industry's plight.

"The outlook is rather bleak," says Moshofsky. "We're all looking for the economy to turn around."

Stories by CHRIS COURTNIER
Photos by BOB BAKER



Saving the timber industry

Weaver blames timber

The timber industry itself is largely responsible for Oregon's worst timber market since the 1930's, says Rep. Jim Weaver, D-Ore.

High interest rates and high inflation that cause unemployment and economic hardship in the wood products industry are "the timber industry's own fault," Weaver says.

"They've driven the price of timber up so high, with these Forest Service and BLM (Bureau of Land Management) sales, that they can't compete with the other industries."

Speculators are used by some of the companies to force prospective timber buyers to bid higher than they normally would, Weaver says.

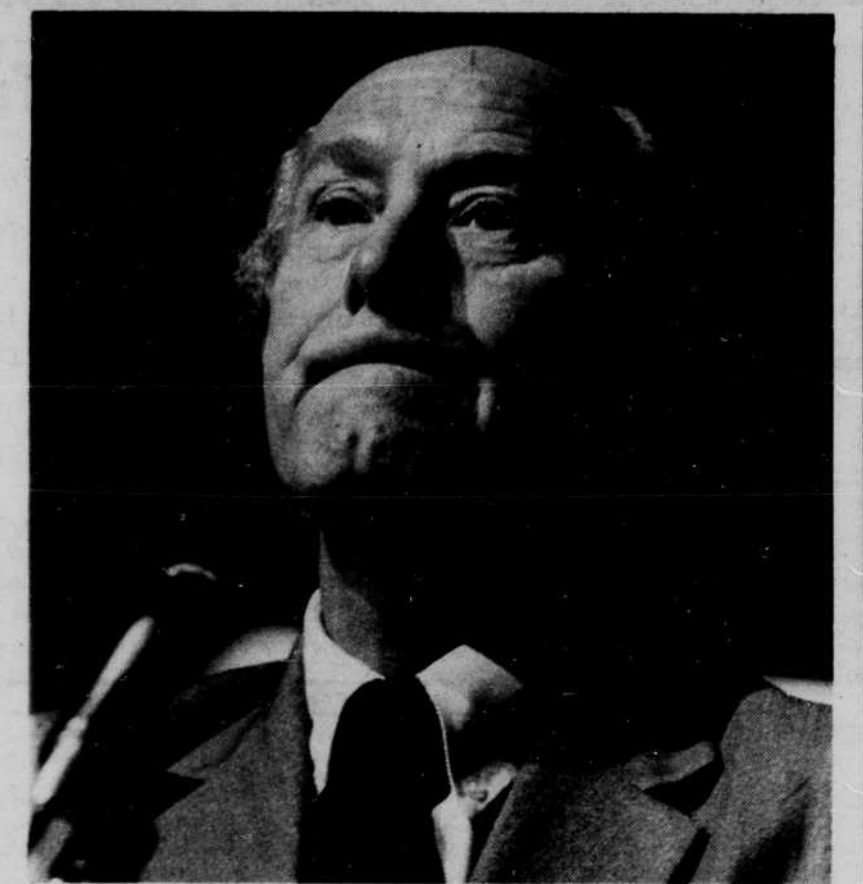
As a result 35 billion board feet of overpriced timber has been sold — but not harvested — from the National Forests. Lumber companies have found it unprofitable to

harvest the expensive timber; instead they have chosen to either default on their contracts, or to ask for contract extensions, Weaver adds.

"Contract extensions are the worst possible solution to the problem," Weaver says. "Harvesting the timber is the answer, not letting it sit for another two or three years."

Weaver has proposed a bill that would allow the timber industry to make a profit from harvesting the timber. The bill allows timber companies to terminate contracts, at a penalty, and then re-bid for the timber at current market prices.

County revenues would be reduced because timber would be re-sold at a lower price, Weaver says, but at least revenues wouldn't be deferred several years due to



Jim Weaver

contract extensions.

"For the good of all — even though we're letting some people off the hook that shouldn't be off the hook — I'd wipe the slate clean from this high-priced timber, and let them re-bid immediately for a short-term harvest," Weaver says.

"This way we'll at least get our share of the reduced market, and we can put the loggers, millworkers, treeplanters, and truckers back to work."

Even if timber in the National Forests is harvested, Oregon timber companies still face tough competition from the Canadian industry, Weaver says.

Canada sells its timber at lower rates than the Pacific Northwest, Weaver says. The U.S.-Canadian exchange rate automatically gives Canada a

20-percent edge in the United States. They incur their costs in cheaper Canadian dollars, and market in U.S. dollars.

The Canadian industry, subsidized by the Canadian government, is able to pay its employees higher salaries, and sell the timber at cheaper prices.

"What's happening is that the Canadians are coming in and taking over the Southern California market," Weaver says.

Nevertheless, Weaver maintains that Oregon's poor timber market is due to actions taken by the Northwest industries and not to Canadian competition.

"I wasn't going to do anything until I realized that we were just about ready to collapse. We could just let them hang, but that's our industry, you know."

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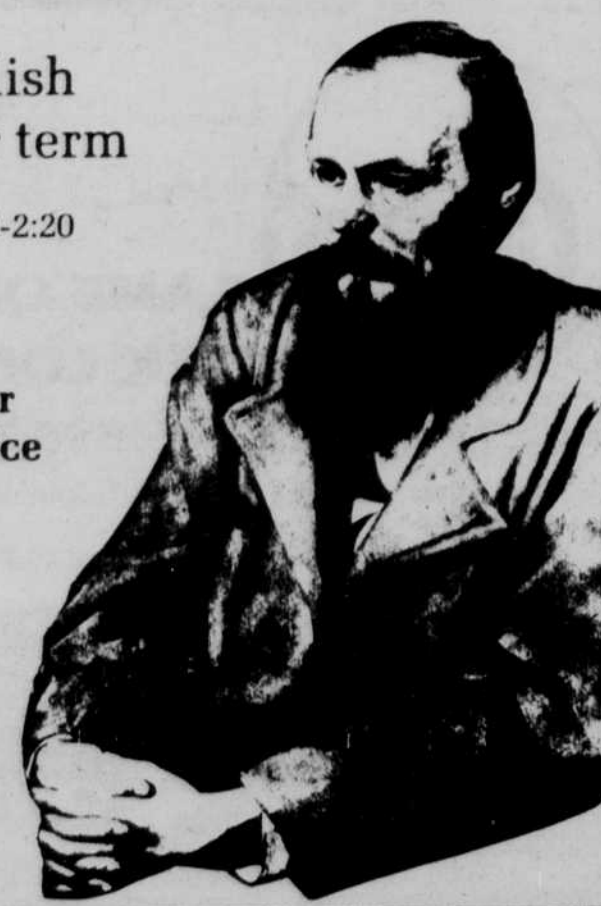
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