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IMPORT ADMINISTRATION

The Honorable Grant Aldonas
Under Secretary for International Trade
Central Records Unit, Room 1870
U.S. Department of Commerce
Pennsylvania Ave. & 14th Street, NW
Washington, D.C. 20230

Attn: Softwood Lumber Policy Bulletin

Dear Mr. Aldonas:

Fremont Forest Group Corporation – Marubeni (FFGC - M) hereby submits its comments regarding the proposed Softwood Lumber Policy Bulletin published released on June 24, 2003 (68 Fed. Reg. 37456-02). FFGC-M is a member of the ACAH alliance of 17 associations and companies representing consumers of softwood lumber products. It represents thousands of individual home builders, lumber dealers, lumber consumers, and American housing the construction and remodeling businesses. ACAH members account for at least 95 percent of the domestic consumption of lumber in the U.S. ACAH & FFGC - M, therefore, both have a strong interest in a quick resolution of the Softwood Lumber dispute in a manner that removes unnecessary taxes on U.S. consumers.

ACAH & FFGC – M, commends the Department on its efforts to find a permanent resolution to this decades long and costly dispute. However, we believe that the Department must ensure that the final policy bulletin includes the all of the Canadian Provinces, specifically Quebec. We also urge the Department to prepare an analysis of the financial impact the duties will have on U.S. consumers of softwood lumber during and after the completion of change circumstances reviews. And, finally, in implementing these policy bulletins and any other policy related to softwood lumber from Canada, the Department must take all steps necessary to implement the decisions of the World Trade Organization ("WTO") and North American Free Trade Agreement ("NAFTA") dispute resolution panels that have

Inclusion of all Provinces in the Policy Bulletin

As currently drafted the proposed policy bulletins do not include examples of policy reforms that are applicable to all of Canada's softwood lumber producing provinces. Specifically, it appears that the bulletins do not cover policy changes that might be implemented in Quebec. Quebec is Canada's second largest lumber producing province and it an important source of softwood lumber for the U.S. housing market, particularly on the East Coast. Failure to include Quebec in the final policy bulletin will (1) create delay in reaching a final durable solution to the softwood lumber dispute, and (2) inject unnecessary uncertainty and volatility into the lumber market. Both of these will occur at the expense of U.S. consumers.

Financial Impact Analysis

In May, 2001, the United States imposed an average countervail and antidumping duty of 27 percent on Canadian softwood lumber imports. The duties were based on a finding by the Department that the Canadian industry was dumping lumber and receiving subsidies from its government, and a determination by the International Trade Commission ("ITC") that imports from Canada posed a "threat of injury," to the United States - industry. The Department's findings have since been called into question by WTO and NAFTA panel and we believe the ITC's determination will similarly be remanded or found improper by both WTO and NAFTA panels.

The continued imposition of antidumping and countervailing duties on Canadian lumber is especially troubling for the U.S. housing sector. Currently the housing sector represents one of the only strong segments of the U.S. economy. However, it is dependent on Canadian lumber imports to meet demand. Indeed, the U.S. must secure nearly one-third of its lumber for housing construction from imported lumber. The demand cannot be met through domestic production.

U.S. consumers and lumber-dependent industries are already experiencing the harmful effect of these trade restrictions. The decisions on lumber tariffs have resulted in increased price volatility in the market, forcing U.S. purchasers to make provisions to incorporate what amounts to a 27 percent tax imposed by the ITC. It is estimated that these tariffs could add as much as $1,000 to the price of a new home, thus excluding as many as 300,000 U.S. households from mortgage eligibility. This is especially problematic for senior citizens and first-time homebuyers.

We urge the Department to undertake and make public a careful analysis of the impact on American consumers from the continued imposition of the 27 percent duties on Canadian lumber and to quantify the impact from continued delay in reaching a resolution to the dispute that is consistent with U.S. law and international obligations as articulated by the WTO and NAFTA panels. The same analysis should be done of any "interim agreement" that the Department may be contemplating before such as agreement harms U.S. consumers.

Implementing Decisions of Dispute Resolution Panels

In implementing these policy bulletins and carrying out any changed circumstances review or undertaking any other policy with respect to Canadian Softwood Lumber imports, we expect the Department to take all responsible and required actions, necessary to comply with decisions of WTO and NAFTA dispute resolution panels. To date the decisions rendered by those panels have ruled illegal many of the actions taken by the Department in imposing antidumping and countervailing duties on Canadian Softwood Lumber. We anticipate that future decisions of WTO and NAFTA dispute panels will find similar flaws in the U.S. duties and expect the Department to make every effort to comply with future decisions as well. The antidumping and countervailing duties currently imposed on Canadian Softwood lumber are not only inconsistent with U.S. international obligations and U.S. law but also impose an unfair burden on U.S.

consumers. In imposing these duties the Department has in effect imposed a 27 percent hidden sales tax on lumber that harms U.S. consumers, specifically new homebuyers and U.S. homeowners.

FFGC – M operates a Ocean Terminal in Long Beach, CA and handles the majority of Canadian Softwood Lumber arriving by water in the Los Angeles Basin. Our business has been seriously damaged due the duties on Canadian softwood Lumber we have lost over $5.0mm in revenue since the duties began. We have had to lay off half of or normal employee's and it has affected 2.5 service employee's for each of our employee's laid off since our layoffs began in 2001. These are real American jobs affecting over 45 real people.

* * *

Again, we commend efforts to seek a "market based" solution to the lumber dispute through the policy bulletins. As you proceed, we urge you and your colleagues in the Administration remember the interests of U.S. consumers and lumber-dependent industries that employ seven million workers and find a long-term solution that does not harm U.S. lumber consumers and housing affordability.

Respectfully submitted,

R. Lynn Forsberg

R. Lynn Forsberg, Chief Operating Officer