



EXECUTIVE OFFICE

HAMPTON AFFILIATES

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October 1, 2003

The Honorable James J. Jochum
Assistant Secretary for Import Administration
U.S. Department of Commerce, Central Records Unit, Room 1870
Pennsylvania Avenue and 14th Street, NW
Washington, D.C. 20230
Attention: Section 201 Duties

Dear Assistant Secretary Jochum:

Our company is filing comments with respect to the treatment of Section 201 Duties and Countervailing Duties as a cost of production in calculations of anti-dumping duties being assessed by the Department of Commerce in the lumber dispute with Canada. I was recently named the Vice Chairman of Hampton Affiliates, after serving eight years as its Chief Executive Officer. I have been involved in the forest products industry my entire working career, which now totals over 28 years. Hampton is a family-owned company with all ownership shares held by John Hampton and his family. John has personally been involved in the company for over 50 years. Hampton employs approximately 1,500 people at various locations in Oregon, Washington, and California. Most of these employees work at one of our six lumber manufacturing facilities located in Oregon and Washington.

Our company has experienced firsthand the serious adverse impact from imports of subsidized Canadian lumber. Virtually all of the net profits earned by the Hampton companies over the years have been retained and reinvested by the company in its sawmills. We believe our manufacturing facilities are among the most competitive in the world. Unlike our industry counterparts in Canada, however, we pay full market price for the substantial volume of logs that we procure for our mills each year. As the expiration date of the softwood lumber agreement with Canada approached in April of 2002, we saw the prices for the Douglas fir and hemlock products we produce weaken. This erosion of prices has continued with few exceptions despite strong lumber demand and the imposition of anti-dumping and countervailing duties. Our company has lost money at times during this period and our shareholders have received a minimal, if any, return on their investment, despite experiencing one of the strongest housing markets ever seen. I believe a number of factors fuel the continuing weakness in lumber prices. First and foremost, buyers of lumber recognize that huge volumes of Canadian lumber were going to be shipped in the United States, even with the imposition of duties. I believe the Canadian manufacturers were willing to not only maintain, but also in some cases increase, their production and sale of lumber into the U.S. market, even under these adverse circumstances, for the following reasons:

1. The U.S. dollar was weakening versus the Canadian dollar during much of this period of time, which made the Canadian products more attractive in the United States.

2. Many Canadian companies were willing to incur short-term losses in order to maintain market share and drive away production in the U.S. and elsewhere.
3. Most Canadian companies and even many of the analysts that follow the public companies in Canada looked at the duties being paid as a refundable deposit that would ultimately come back to those Canadian companies once the dispute with the U.S. was settled.
4. Since much of the timber in Canada is sold under government licenses that require minimum annual harvest levels, Canadian companies were forced to harvest the trees and convert the logs into lumber to maintain positive cash flow. As the lumber market deteriorated, the Canadian government took actions to push the already subsidized price that is charged for government timber to even lower levels. This was and is further exacerbated by the presence of huge volumes of dead and damaged timber in Canada and put even more pressure on the Canadian government to lower the price and increase the volume of timber made available to the Canadian industry.

Over this period of time, all of our employees have been adversely affected as a result of benefit cuts and wage deferrals, and hundreds of our employees have lost substantial amounts of income as operations have been curtailed from time to time. It is hard for them to understand why production is being curtailed at our efficient mills when the need for lumber in this country is at an all time high.

We are pleased that the Commerce Department is requesting comments on the advisability of deducting countervailing duties in the anti-dumping calculations. We want to go on record in the strongest possible terms of favoring the deduction of CVDs in the calculations. This is a critical issue to our company and our industry as we continue to fight for survival as a result of the subsidized Canadian lumber production. We understand that Canada and other major trading partners around the world already follow the policy we are advocating; i.e. they treat duties as a cost in calculating dumping. As your department certainly knows, the duties were imposed to offset timber that is sold by the government to Canadian companies substantially below a true market price. The duty helps to compensate for that below-market timber and therefore must be treated as a cost in calculating dumping in order to place Canadian mills on a level playing field with the U.S. industry. We also believe that treating duties as a cost is entirely consistent with the intent of Congress to make sure that the impact of unfair trade policies in Canada is offset to the maximum extent possible.

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We believe by changing its policy, the Commerce Department can make a strong move to counter Canada's unfair practices. We believe this will change their behavior of continuing to ship huge volumes of lumber into the U.S. even when market prices are weak. This dispute has already caused significant damage to our industry for nearly two years. We need to put maximum pressure on the Canadian government and industry to work constructively on a long-term solution to the lumber dispute. We ask that you take action on this matter as quickly as possible. I firmly believe that some of our U.S. peers will disappear and our company and employees will face significant curtailments if this problem is not addressed before the onset of another winter.

Thank you for your efforts and the efforts of others in the Commerce Department to not only address this issue, but also to bring the whole matter to an equitable conclusion.

Sincerely,

HAMPTON AFFILIATES

RON PARKER
Vice Chairman

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