

October 8, 2003

The Honorable James J. Jochum
Assistant Secretary for Import Administration
U.S. Department of Commerce, Central Records Unit, Room 1870
Pennsylvania Ave & 14th Street, NW
Washington, DC 20230

Attention: Section 201 Duties

Dear Assistant Secretary Jochum:

In response to your request in the Sept. 9 Federal Register for comments on the appropriateness of deducting section 201 duties and countervailing duties from prices in order to calculate anti-dumping duties, I believe it is essential that the Department amend its policy immediately to fully address the magnitude of dumping by counting subsidy duties as a cost.

Our family business, Zip-O-Log Mills, Inc. has been in business since 1944. My cousin, Karl Hallstrom and I, are third generation owners and managers. We employ over 100 people between our sawmill operation and secondary manufacturing facility (Pennington Crossarm Co.). Just between loggers and truckers hauling our raw material and finished products, another 50 people are supported directly by our company's operations. We produce specialty products (i.e. clears, shop and timbers) as well as commodity products (i.e. framing lumber, three and four inch joist and plank).

Zip-O is being and has been injured by subsidized and dumped Canadian lumber products. We visit with customers regularly and have found upwards of 20 percent specialty products and 30 percent commodity products from Canadian producers in their yards. There is no doubt we have had to reduce prices in many cases to maintain our market share. More specifically, our secondary manufacturing facility buys raw material from Zip-O, other U.S. producers and Canadians. In many cases we lose inter-company sales opportunities, between our sawmill and our secondary manufacturing plant, to Canadian production or we have to take lower prices at Zip-O to be competitive.

As a U.S. lumber producer we must pay the market price for standing timber, harvesting costs, transportation and all other expenses of obtaining a delivered log to be used to produce lumber. All of these costs must be reflected in a fair price for the finished product if our industry is to remain competitive and viable.

That is not the case in Canada – Canadian producers receive timber inputs at subsidized rates that do not reflect market forces and that are unfairly low. The Department of Commerce imposed duties to offset the subsidies, but the Canadian prices still do not reflect a fair price as the Canadian mills have decided to simply “eat” losses and buy market share – this is dumping. Dumping duties are currently being imposed on Canadian shippers.

The Department’s current policy of not including countervailing duties as a cost when calculating dumping rates is very problematic as it does not accurately assess the full scope of the dumping. The subsidy duty is imposed in an effort to level the playing field between importers and the domestic industry by offsetting the value of the subsidy – it reflects what their true costs should be in a competitive market, costs that must be recouped in their sales prices if they are not to be considered dumping into the U.S. market.

We strongly favor changing the Department’s policy and to align it with current policy used on other products with Canada and the European Community. This is the only way to place Canadian mills on a level playing field and to stop their predatory trade practices from diminishing the value of U.S. forest lands.

We are of the view that the enormous problem of unfair Canadian lumber trade will only be solved when the Canadian governments and mills understand very clearly that they must stop their unfair practices or the U.S. government will fully offset the unfair trade.

Sincerely,

James A. Hallstrom,
President
Zip-O-Log Mills, Inc.