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Plum Creek

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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, DC 20230

Attention: Section 201 Duties.

Dear Assistant Secretary Jochum:

Plum Creek Northwest Lumber Inc. appreciates the opportunity to respond to the U. S. Department of Commerce's request for comments on proposed actions related to treating Countervailing Duties as a cost in Anti-Dumping calculations.

We strongly support the adoption of the "Duty as a Cost" provisions.

Our parent, Plum Creek Timber Company, owns 8.1 million acres of timberland in 21 states, and sells more wood into the open market in the U.S. than any other company. Here in Montana and Idaho, the manufactured products side of Plum Creek operates six lumber manufacturing facilities, two plywood plants and an MDF mill. Thus, we have a unique perspective on the impact that Canadian imports have had on both the lumber and log markets in the U.S.

U.S. lumber producers must pay the market price for standing timber, harvesting costs, transportation, and all other expenses of obtaining logs to be used to produce lumber. Even companies like Plum Creek, which process a portion of their own timber harvest, require their mills to compete for logs at full market value. All of these costs must be reflected in a fair price if the company is to stay in business for the long run.

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 both countervailing and anti-dumping duties in May 2002 to offset the subsidies, but the duties did not achieve their intended result. In fact, imports have continued at or even above historical rates. 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 practice is clear and flagrant "dumping."

Measurement of the dumping magnitude must take into consideration the cost of Canadian sales into the U.S. market after countervailing duties have been paid. These countervailing duties were calculated to offset Provincial timber pricing subsidies. If dumping penalties are to be properly set, the Department of Commerce must accordingly recognize that the countervailing duty paid is a definite cost to Canadian producers. Thus, "Duty as Cost", a calculation mechanism widely used in Europe and even in Canadian trade policies, should be employed by the U.S. in setting anti-dumping duty rates.

Plum Creek believes that the enormous problem of unfair Canadian lumber trade will only be solved when the Canadian governments and mills understand very clearly that until they stop their unfair practices, the U.S. government will fully offset the unfair trade advantage they enjoy.

Failure to fix this problem simply encourages continued unfair trade.

The subsidized, artificially low cost of fiber to Canadian mills has had a devastating impact on the profits of U.S. timber owners and mill operators – and therefore on the jobs they provide and their ability to capitalize and modernize those mills.

We greatly appreciate the continuing efforts by the Department of Commerce to negotiate with Canada toward both a short and a long-term solution to the overall issue. But as that effort proceeds, the below-cost dumping continues, and the U.S. Department of Commerce must use every means possible to protect the industry while seeking overall solutions. Any further delay in implementing the "Duty as a Cost " provisions allows Canadian mills to continue to avoid serious negotiations and to deflect the true magnitude of their dumping.

Plum Creek appreciates the opportunity to comment, and if we can answer any questions or provide any further information, please contact me.

Henry K. Ricklefs
Vice President-Manufactured Products