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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 Timber Company 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.

Plum Creek owns 8.1 million acres of timberland in 21 states, and produces a variety of wood products from 10 mills in Montana and Idaho. In addition to sourcing our own mills, we sell more wood into the open market in the U.S. than any other company, so we have a unique perspective of the impact that Canadian imports have had on the wood markets in the United States.

United States 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. 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 flagrant "dumping."

Measurement of the dumping magnitude must take into consideration the cost of Canadian sales into the United States 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 United States 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 United States 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. As that effort proceeds however, 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 would allow Canadian mills to continue to benefit from unfair trade and to avoid serious negotiations.

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

Sincerely,