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October 2, 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

Re: Treatment of Countervailing Duties as Cost

Dear Assistant Secretary Jochum:

Please consider this letter as my support for the proposition that countervailing duties imposed against a country be included as a cost in computing whether the country's manufacturers are also dumping or selling their product below cost.

I am the Sales Manager of a family-owned lumber company in Lane County, Oregon. I have personally witnessed the dramatic effect of dumped Canadian lumber on lumber prices. It has not been uncommon over the last 24 months to see lumber prices drop by as much as \$50 in a week as the result of an oversupplied market.

Prices in the lumber industry are extremely sensitive and fluctuate widely in periods of over- or undersupply. For example, prices dropped \$79 per thousand (from \$402 to \$323) between 1999 and 2000. This occurred despite only a modest increase in imports by Canada of approximately 100 million board feet at a time when American consumption dropped by 200 million board feet. In other words, an imbalance of 300 million board feet in a 54 billion board foot market (one-half of one percent) caused a decline in prices of over 20%.

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To further illustrate the problem, in 2002, consumption of lumber in the United States (56.3 billion board feet) was at all-time record highs. However, because Canadian imports also reached all-time record highs (notwithstanding a 27% duty) due to massive dumping, prices dropped to \$299, the first time prices dropped below \$300 in over a decade.

Treating countervailing duties as a cost will have a positive effect on lumber markets. This will allow prices to stabilize at non-artificial levels. It is illogical not to include the subsidy duty as a cost as this is a cost of doing business. Further, if Canadian mills were not receiving a subsidy, they would be paying the same amount in increased costs.

It is my understanding that it has been argued that treating subsidy duties as a cost amounts to double counting. This might be true if the issue was whether dumping duties should be included as a cost when computing duties. However, this has no relevance to the issue of whether a subsidy duty, such as the countervailing duty, should be included as a cost when computing the dumping duty.

Thank you for giving this matter your consideration.

Sincerely,



Teresa Adair