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October 4, 2003

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

Dear Assistant Secretary Jochum:

I'd like to take this opportunity to comment on the issue of deducting countervailing duties as an expense in determining the amount of Canadian lumber dumping.

I am the President of Frontier Resources, LLC, a forest products company that has operated softwood sawmills in Eastern Oregon since 1994. We currently employ about 110 employees on a single shift at one sawmill, which is down dramatically from the 330 people we used to employ when we operated two sawmills in the area. We've been forced to curtail production, lay off employees and postpone critical capital investments due to abysmal market conditions over the past 3-½ years and the resulting decline in profits.

These poor market conditions and lack of profitability are in large part due to the enormous problem of unfair trade with Canadian lumber producers. The Canadians control more than 1/3 of the US lumber market, by selling at prices that consistently undercut our prices and reflect their subsidized timber costs and willingness to sell for less than their own full cost of production. The playing field is not at all level, and the Canadians are operating with an unfair advantage that clearly hurts the rest of us.

As a U.S. lumber producer, my company must pay market price for timber, harvest cost, transportation and all other expenses to obtain logs for conversion to lumber. To stay in business, I've got to get a fair price for my lumber that reflects all these costs. Obviously, Canadian producers buy timber at subsidized rates that don't reflect market forces. The duties imposed by the Commerce Department in May 2002 were supposed to offset these

subsidies. However, the Canadian prices still don't reflect a fair price as the Canadian mills have simply decided to "eat" losses and continue to buy market share with their dumping tactics.

The only way to level the playing field with the Canadian mills is make sure that the countervailing duties Commerce imposed are deducted as an expense in the anti dumping calculation. These duties, which Canadian producers pay instead of a fair timber price, should be factored in as a cost that they have to recover for a "fair" price.

My company and the US lumber industry will continue to suffer from this grossly unfair lumber trade until such time as the Canadian government and their heavily subsidized mill partners FULLY UNDERSTAND that they must stop their unfair practices or the U.S. government will FULLY offset the unfair trade. Failure to fix this problem only encourages a continuation of the unfair trade we are facing.

I urge you to include these duties as a cost in calculating dumping. Further delays only allow Canadian mills to continue to benefit from their unfair practices and avoid serious negotiations. And, companies like mine will continue to sustain damage and face the possibility becoming yet another casualty of this lopsided lumber trade.

Thank you for allowing me the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Demers", written over a horizontal line.

Greg Demers  
President