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Plum Creek

March 24, 2009

VIA E-MAIL DELIVERY TO: rule-comments@sec.gov

Ms. Elizabeth Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File No. S7-27-08, Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

Dear Ms. Murphy:

Plum Creek appreciates the opportunity to provide its views on *File No. S7-27-08, Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers*. Plum Creek Timber Company, Inc. ("Plum Creek") is a publicly-traded Real Estate Investment Trust, and is the largest private landowner in the United States with over 7 million acres of timberlands.

Plum Creek supports the goal of high-quality financial reporting and agrees with the Commission that financial reporting is typically enhanced by improvements in the relevance, reliability and comparability of the information reported. However, we believe the adoption of International Financial Reporting Standards ("IFRS") by Plum Creek will result in a significant decline in the quality of our financial reporting. We are concerned primarily with the provisions of *International Accounting Standard ("IAS") No. 41, Agriculture*, and the requirement to report our standing timber at fair value at the end of each quarter, with changes in fair value reported in operating income.

IAS 41 is the international accounting standard applicable to agricultural products, including standing timber. IAS 41 requires standing timber to be reported at fair value less estimated point-of-sale costs at the end of each quarter, unless fair value cannot be measured reliably. Quarterly changes in fair value are reported in operating income. If fair value cannot be measured reliably, agricultural products are reported at depreciated cost less accumulated impairment losses.

Under IAS 41, there is a presumption that the fair value of all agricultural products can be measured reliably. This presumption can only be rebutted upon initial recognition. We believe based on discussions with several public accounting firms, that upon our adoption of IFRS, we will be required to report our standing timber at fair value unless we are granted an exemption by the Commission. Therefore, we are commenting on the SEC's proposal in an effort to express our views that fair value accounting for standing timber will significantly lower the quality of our financial reporting. In addition to our concern that reporting standing timber at fair value is not reliable within an acceptable range, we are also concerned:

- that the marketplace has not accepted fair value accounting for non-financial assets,
- that reporting our standing timber at fair value will not improve comparability, and
- that the cost to determine the fair value of our standing timber on a quarterly basis will be excessive and will far outweigh any benefits of reporting under IFRS.

Additionally, however to a lesser extent, we are concerned about the reporting of investment property under IAS No. 40, *Investment Property*. Under IAS 40, investment property is defined as property held for either rental income or capital appreciation. IAS 40 allows investment property to be accounted for at either cost or fair value. However, if the cost method is elected, the fair value of the investment property must be disclosed in the notes to the financial statements. We believe a significant portion of our timberlands will be accounted for as investment property under IAS 40. Furthermore, similar to standing timber, we believe the reporting of investment property at fair value is not reliable within an acceptable range.

<u>Fair Value Estimates of Standing Timber Are Not Reliable for Accounting Purposes</u>

We agree that fair value accounting is more relevant than historical cost accounting. However, we also believe that the more assumptions that are required in determining fair value, the less reliable the reported amounts tend to be. In addition, we believe that at some point the decline in reliability due to the need for significant estimates will outweigh the benefits of more relevant information. As a result, high-quality financial reporting is compromised.

We believe estimating the fair value of standing timber requires numerous and extensive assumptions. For all but mature timber stands (which are currently available to harvest), the fair value of standing timber is determined using the discounted cash flow model. There are no market prices available for partially grown stands of timber. We believe the fair value of partially grown stands is therefore theoretical and cannot be objectively determined. Furthermore, because our growing cycles range from 25 years in the South to over 50 years in the North, partially grown stands comprise over 90% of our total timber inventory.

Additionally, there are no national markets for mature timber. Prices for mature timber are based on local markets and will vary significantly from stand to stand based on many attributes including species mix, stocking levels, topography, and distance to market. As a result of each stand's unique characteristics, a company-wide fair value estimate of our mature timber will be difficult and time consuming.

In our view, the key assumptions that will be used in determining the fair value of standing timber based on the discounted cash flow model are: (1) future log prices, (2) future operating costs, (3) current standing timber inventory, (4) growth rates, (5) discount rate and (6) the cost of fertilizer. Furthermore, underlying each key assumption is a myriad of other assumptions. For example, any discount rate assumption would be based on estimates regarding the risk-free rate

of interest, the spread between the risk-free rate and a high quality corporate bond rate and the risk premium for equity securities.
Similarly, there are numerous assumptions underlying our estimate of future log prices. For example, our estimates include our assumptions regarding inflation, interest rates, demographics and population growth, the strength of the U.S. and world-wide economies, demand for paper products, housing starts, timber harvest levels in the U.S. and Canada and currency exchange rates.

Additionally, it is standard industry practice to sample only a portion of your timber each year as a part of updating the statistical estimate of your standing timber inventory. Annually, we cruise approximately 10% of our standing inventory. Timber cruises (an estimate of timber volume and quality in a stand based on sample plots) are used to update our standing inventory for changes due to: growth; natural disasters such as fire, insect infestation and disease; and harvesting activity. We believe that we have one of the best timber inventory systems in the industry and our estimates are reasonable and statistically reliable within a 95% confidence level. However, we also believe based on existing technology that it is cost prohibitive to increase the confidence level of our standing inventory estimates. Therefore, as a result of this update process, our statistical estimate of timber inventory can increase or decrease by several percentage points annually within the reasonable sampling margin of error. This point estimate of our standing inventory could significantly impact the fair value estimate of our standing timber without representing a statistical change in our inventory.

Another example of a key estimate that can have a significant impact on the fair value of standing timber relates to transportation costs. IAS 41 requires agricultural products to be measured at fair value less transportation and other costs of getting the product to market. It is not uncommon in our industry for logging and hauling costs to represent over 50% of the value of a delivered log. Estimates regarding future log and haul costs are impacted by our estimates of: future oil prices; the availability of loggers; and the distance between our timber stands and our customers, which in turn is dependent upon our estimate of future mill closures and capacity expansions.

Furthermore, we believe that the greater the time periods to be included in the fair value estimate, the less reliable the estimate tends to be. IAS 41 applies to all agricultural products regardless of the time from planting to harvesting. Many agricultural products are harvested annually. However, standing timber harvest rotations can be as long as 90 years. In the Southern United States, sawlog rotations are approximately 25 years, while in the North they can exceed 50 years in many regions. The long term nature of our standing timber has a significant multiplying effect on our fair value estimates based on small changes in assumptions. In contrast, most agricultural crops have a short growing cycle, and therefore, fair value estimates are significantly less sensitive to assumption changes. We believe that with such long time horizons, it is impossible to estimate the fair value of standing timber with a level of accuracy that accountants will find acceptable or reliable.

In addition to the extensive number of estimates required to compute fair value, during the past several years we have experienced considerable volatility in the economic conditions impacting our timberlands. For example, we have evaluated timberland acquisitions using discount rates ranging from 7% to 12%. Sawlog prices in the South have ranged from $25/ton to $39/ton and pulpwood prices in the South have ranged from $7/ton to $12/ton. Fertilizer prices have ranged from $44/acre to $225/acre. Furthermore, due to the unique nature of each timber stand, growth rate projections can vary significantly. For example, growth rate projections in the South have ranged between 8% and 11%.

We estimate that over 50% of our enterprise value is derived from the value of our standing timber. As a result, we believe that small changes in the underlying assumptions can have a material impact on our reported earnings. For example, we estimate that a one-half percentage point change in our discount rate assumption will change the fair value of our standing timber by more than $100 million. Additionally, we estimate that a one-half percentage point change in our assumption regarding future log price appreciation will also change the fair value of our standing timber by more than $100 million. As mentioned above, IAS 41 requires changes in fair value to be reported in operating income. These estimated fair value changes of more than $100 million are material when compared to our average quarterly reported earnings during the past eight quarters of approximately $65 million.

Under IAS 41, the performance of our timber business will be measured based on the quarterly change in the fair value of our standing timber. In theory, the operating income from the harvest of timber will be close to zero since the timber will be recorded on our books at fair value and should approximate its net selling price. The harvesting and selling of timber will no longer be a significant financial event based on the financial reporting under IAS 41. Our performance will no longer be measured based on verifiable selling prices and cost of sales but will be based on changes to management's estimate of fair value. We believe our investors will not understand our reported earnings under IAS 41. They will have less confidence that our earnings are reported accurately; and therefore, they will require a higher risk premium associated with an investment in Plum Creek due to this increased uncertainty.

Therefore, we believe that small changes in estimates could have a material impact on our reported earnings. We also believe that any change in assumptions will be highly subjective, very difficult to document and very challenging to audit. We believe that due to the large number of assumptions that will be used to determine fair value and the significant judgment associated with each assumption, any fair value estimate of our standing timber will not be reliable for accounting purposes in our opinion. In our view, the reduction in reliability far outweighs any potential benefit from reporting our standing timber at fair value.

The Marketplace Has Not Accepted Fair Value Accounting for Non-Financial Assets

We are concerned that we will be penalized for reporting our standing timber at fair value because in our view the marketplace has not accepted fair value accounting for non-financial assets, especially long-lived assets such as timberlands. We believe that amounts reported at fair value must be highly reliable (such as financial assets traded in active markets) before fair value accounting is preferred over historical cost. Our investors understand amounts reported under historical cost because they are based on verifiable and auditable market transactions for specific assets; and therefore, we believe our investors have confidence in our reporting of operating margins for our timber business.

It is our understanding that over 100 countries around the world have already adopted IFRS, and many more countries are in the process of adopting it. Additionally, based on our limited research it appears that companies owning standing timber and reporting under IFRS are reporting their standing timber at fair value in accordance with IAS 41. However, we do not believe that this implies that international investors have gained an understanding or have accepted the reporting of fair value for standing timber. Instead, we believe investors have not had to focus on this issue because standing timber is not a material asset for the companies reporting under IFRS. Summarized below is the reported fair value for standing timber and recent enterprise value for some of the largest wood products companies currently reporting under IFRS (amounts in millions):

COMPANY	COUNTRY	FAIR VALUE OF TIMBER	ENTERPRISE VALUE	PERCENTAGE OF VALUE
UPM Kymmene	Finland	$1,460	$13,498	11%
Stora Enso	Finland	$118	$11,276	1%
Sappi Limited	South Africa	$635	$4,192	15%
Mondi LTD	South Africa	$329	$4,620	7%
M-Real	Finland	$65	$3,070	2%

The wood products companies listed immediately above are primarily integrated wood products manufacturers. The fair value of standing timber does not represent their primary asset, nor is it a significant percentage of the company's enterprise value. Plum Creek is primarily in the business of growing and harvesting timber, and we are the largest private owner of timberlands in the United States. Based on high-level estimates, we believe the fair value of our standing timber (significantly greater than $5 billion) to be far in excess of any of the companies listed above, and well over 50% of our enterprise value. We believe no company to date has been significantly impacted by the fair value reporting of standing timber. However, because standing timber is our largest single asset, we expect that investors will conclude that our reported earnings under IFRS are less transparent and are more subject to management's estimate and, therefore, are less reliable. We believe these changes in perceptions will negatively impact our stock performance.

Furthermore, we believe international investors have not focused on the challenges associated with estimating the fair value of standing timber because most of the world's timber is not owned by publicly traded companies. In fact, approximately 84% of the world's timberlands are owned by governments. For example, in Canada 92% of the timberlands are owned by the Canadian government. However, in contrast, only 43% of the timberlands in the U.S. are owned by the government (most of which are not actively managed for industrial timber production). As a result, the United States appears to be unique, whereby the implementation of IAS 41 will significantly affect companies whose principal business is the ownership and management of industrial timberlands. We believe the challenges associated with estimating the fair value of standing timber for accounting purposes will become an issue for investors seeking to evaluate U.S. companies whose principal business is the management of industrial timberlands and who are required to report their standing timber in accordance with IAS 41.

Reporting Standing Timber at Fair Value Does Not Improve Comparability

It is our understanding that one of the objectives of requiring U.S. companies to adopt IFRS is to improve comparability. We do not believe this will be accomplished for owners of standing timber. As articulated above, there are extensive and numerous assumptions required in estimating the fair value of standing timber. Small changes in estimates can materially impact reported amounts, both earnings and standing timber inventory. We believe most estimates have a wide range of acceptability and are not likely to be consistent among companies. We also think that there is significant judgment in determining when estimates should be revised. We believe companies will not all revise estimates in the same reporting period, further reducing comparability of the income statement and balance sheet.

We do not believe this reduction in comparability can be corrected by additional footnote disclosure. The assumptions used in estimating fair value are proprietary and are generally not being disclosed today by companies reporting under IAS 41. We believe there will be significant competitive harm if key assumptions were required to be disclosed. Furthermore, even if additional disclosures were made regarding the assumptions used in estimating fair value, there are far too many estimates and assumptions for even sophisticated investors to assimilate. Therefore, we believe under IFRS our comparability will degenerate, which again will negatively impact our stock performance.

The Cost to Compute the Fair Value of Standing Timber Far Outweighs Any Benefit

Our final concern is that we believe the requirement to fair value our standing timber quarterly will be very costly due to the extensive documentation and auditing requirements in the United States. Even without the requirement to fair value our standing timber, we are already estimating that the adoption of IFRS will be more costly than our implementation of Section 404 (Management's Assessment of Internal Control) under the Sarbanes-Oxley Act, which exceeded $3 million. We believe the requirement to fair value our standing timber inventory will significantly increase our initial and ongoing compliance costs associated with IFRS.

We believe that if we are required to report the fair value of our standing timber, we will need an annual appraisal of our standing timber. Currently in the United States under auditing standards prescribed by the Public Company Accounting Oversight Board, annual appraisals are generally required for material, highly subjective and unverifiable accounts (e.g. goodwill). We believe that, under IFRS, our auditors will require an annual appraisal of our standing timber inventory since this is our single largest asset and any fair value estimate of our standing inventory will be highly subjective.

We estimate that an annual appraisal of our standing timber could be as high as $2.5 million, which is nearly twice as much as we are currently paying for the annual audit of our financial statements. Today it is not uncommon for us to pay approximately $100,000 to appraise 300,000 acres. Considering we own over 7 million acres of standing timber, annual appraisal costs could reach $2.5 million. We own timberlands in every major market in the United States; there are no national markets for standing timber, which will significantly add to the complexity and challenges of appraising our standing timber. An appraiser must consider the unique characteristics of each region and each timber stand, such as: (1) timber species, (2) stocking levels, (3) soil conditions, (4) weather patterns, (5) growth rates, (6) harvest restrictions, (7) logging and hauling costs, and (8) the demand and supply of timber in local markets. We believe that due to the unique nature of each timber stand, an annual appraisal will be extensive and costly.

We believe the cost of an annual appraisal is only one of many incremental costs that will be required to fair value our standing timber. We would expect our audit fees to increase due to their requirement to audit management's fair value estimate of our standing timber. We believe the audit testing will be extensive due to the subjective nature of management's fair value estimate. We would also expect additional costs associated with documenting and maintaining our standing timber inventory, internal controls over all of management's fair value estimates and assumptions, management's involvement with the annual appraisal process, and management's quarterly review and assessment of fair value. We believe the total combined internal and external costs required to comply with the fair value requirement of IFRS are excessive and very costly. Furthermore, since as stated above, we do not believe our stockholders will benefit from reporting standing timber at fair value; therefore, these significant additional costs outweigh any benefits from Plum Creek reporting under IFRS.

<u>Fair Value Estimates of Investment Property Are Not Reliable</u>

We estimate that included in our 7.4 million acres of timberlands at December 31, 2008 are approximately 1.5 million acres of higher value timberlands that are expected to be sold and or developed over the next 15 years for recreational, conservation or residential purposes. Annually, we update our estimate of higher value timberlands. Higher value timberlands sell for a significant premium over core timberlands and are currently estimated to have a total value of between $4 billion and $5 billion using high-level estimates. We believe higher value timberlands will be accounted for as investment properties in accordance with IAS 40 since, in addition to timber production, these assets are held more predominately for their investment value and for capital appreciation.

Similar to standing timber, we believe estimating the fair value of higher value timberlands requires numerous and extensive assumptions. Substantially all of our higher value timberlands are rural timberlands in which there are no national markets. We have identified thousands of parcels which we believe can be sold as higher value timberlands, each with unique characteristics. Some of the unique characteristics which distinguish higher value timberlands from core timberlands are: (1) properties located on or near lakes, rivers and streams, (2) properties with recreational opportunities such as fishing and hunting, (3) properties with territorial views, (4) properties near expanding populations centers, and (5) properties which are suitable for conservation or development.

In our opinion, in most of our operating regions fair values for higher value timberlands can rarely be based on comparable sales due to the limited number of transactions and the unique characteristics of each parcel. Therefore, fair values are estimated using the discounted cash flow model. Some of the assumptions used in estimated fair value are: (1) current prices for properties with similar characteristics such as water features, (2) land appreciation rates, (3) estimated timing of sales (4) property listings by other parties, (5) market absorption rates, (6) demographic changes, (7) expansion of population centers, and (8) discount rates. As a result of the extensive number of highly subjective assumptions, we believe a fair value estimate of our higher value timberlands will not be reliable for accounting purposes within an acceptable range. Furthermore, due to our extensive ownership of timberlands, we believe that small changes in estimates could have significant changes in our reported fair value. We also believe that due to the subjective nature of any fair value estimate, we would incur significant costs is estimating the fair values, documenting the fair values, designing and testing controls associated with the fair value estimates, and required audits in connection with these estimates.

Summary

In summary, we believe the implementation of IFRS for Plum Creek will be costly, significantly lower the quality of our financial reporting and we believe that the reported fair value of standing timber at the end of each quarter in accordance with IAS 41 may bear no close relationship to the ultimate selling price for our trees. We also believe that it remains undemonstrated whether reporting the fair value of standing timber is more readily understood than historical cost and equally questionable whether the fair value of standing timber is more reliable, relevant or improves comparability. Additionally, due the subjective nature of numerous assumptions, we do not believe that a fair value estimate of our higher value timberlands is reliable for accounting purposes within an acceptable range.

Therefore, considering that standing timber is our largest single asset and that we own thousands of parcels of higher value timberlands and whereby both are reported at fair value under IFRS, we believe based on all the reasons expressed above that with respect to our financial reporting, it would be better for our stockholders if public companies in the United States were not required to adopt IFRS. Alternatively, if the Commission does require public companies to adopt IFRS, we request that either the adoption of IFRS be delayed until IAS 41 and IAS 40 can be amended to exclude standing timber and higher value timberlands from the requirement to report them at fair value, or the Commission allows owners of standing timber and higher value timberlands to continue to account for such using historical cost in accordance with the existing principles under U.S. Generally Accepted Accounting Principles.

Sincerely,

David W. Lambert

David W. Lambert
Senior Vice President and Chief Financial Officer