U.S. Department of Justice
Washington, DC 20530

Dissemination Report

OMB No. 1105-0006

INSTRUCTIONS: Report must be submitted in duplicate to the Registration Unit, Internal Security Section, Criminal Division, Department of Justice, Washington, D.C. 20530. The original must be signed by or on behalf of the registrant. All items in this form must be answered, unless the answer is "none" or "not applicable," in which case such an entry shall be made in the appropriate space. If additional space is needed for any item, attach supplemental sheet identifying each item.

Privacy Act Statement. Every registration statement, short form registration statement, supplemental statement, exhibit, amendment, dissemination report, copy of political propaganda or other document or information filed with the Attorney General under this act is a public record open to public examination, inspection and copying during the posted business hours of the Registration Unit in Washington, D.C. One copy of every such document is automatically provided to the Secretary of State pursuant to Section 6(b) of the Act, and copies of such documents are routinely made available to other agencies, departments and Congress pursuant to Section 6(c) of the Act. Finally, the Attorney General transmits an annual report to the Congress on the Administration of the Act which lists the names of all agents registered under the Act, the foreign principals they represent, and the nature, sources and content of the political propaganda disseminated or distributed by them. This report is available to the public.

Public Reporting Burden. Public reporting burden for this collection of information is estimated to average .5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Chief, Registration Unit, Criminal Division, U.S. Department of Justice, Washington, D.C. 20530; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

1. Name of registrant
Hogan & Hartson L.L.P.

2. Registration No.
2244

3. Nature of material *(A concise account of the nature of the propaganda material filed)*
Views of the Government of Ontario regarding U.S.-Canada forestry consultations

4. Title of material, if any
Government of Ontario Comments on Forestry Consultations

5. Name of foreign principal on whose behalf this material was transmitted.
Government of Ontario

6. Means of transmission
Hand-delivery

7. Dates of transmission
May-June 1995

8. Total copies transmitted
5

9. List addresses from which material was transmitted:
555 13th Street, N.W.
Washington, D.C. 20004-1109

10. List states and territories of the United States to which material was transmitted:
D.C.

11. Types of recipients *(Give number of organizations in each group)*

Libraries ____
Public officials ____
Newspapers ____
Press services of associations ____
Educational institutions ____
Civic groups ____
Other *(specify)* Policy study groups 5

12. List names and addresses of persons or organizations receiving 100 copies or more:
None

RECEIVED
DEPT. OF JUSTICE
CRIMINAL DIVISION
'95 MAY 18 P4:23
INTERNAL SECURITY

FORM CRM-159
SEP. 89

13. If the material transmitted was a film or radio or television script, furnish the following information:

Name of station, organization, or theater using *(including city and state)*	Date or dates broadcast shown	Estimated attendance (for film(s))
Not applicable.		

14. Have two copies of this material been filed with the Department of Justice? Yes ☐ No ☐ attached

15. Has this material been labeled as required by the act? Yes ☒ No ☐

Date of report	Name and title	Signature
5/18/95	Mark S. McConnell, Partner	Mark S. McConnell

Government of Ontario Comments on Forestry Consultations

Hogan & Hartson L.L.P., (555 Thirteenth Street, NW, Washington, DC) is counsel of record to the Government of Ontario (Ministry of Economic Development and Trade, Hearst Block, 900 Bay St., Toronto, Canada M7A 2E1). Hogan & Hartson, L.L.P. is registered as counsel to a foreign government under 22 USC § 612 with the U.S. Department of Justice, Washington, DC. A copy of this document has been filed with the Department of Justice, which maintains copies of all registration statements, but takes no position on the content of materials filed by registrants.

LUMBER DIFFICULTIES MADE IN THE U.S.A.

The U.S. softwood lumber industry's problems are home-grown, not made in Canada. Despite the oft cited opinion that softwood lumber from Canada is the root of the U.S. lumber industry's troubles, the reality remains that the U.S. industry has been, and continues to be, affected by a variety of domestic economic and regulatory factors.

Understanding the changes in the health and structure of the U.S. softwood lumber industry is not difficult. The industry's performance is linked directly to the peaks and troughs of the economy, the availability of harvestable timber, and its ability to adjust to changing circumstances. The Canadian lumber industry operates under the same conditions and experiences the same outcomes.

Economic Cycles

The softwood lumber industry is highly cyclical. Lumber demand is driven by construction activity: residential, commercial, repair and remodelling, and other uses like industrial packing materials. The intensity of these activities is highly dependent upon general economic conditions, particularly interest rates. When the economy is expanding rapidly, the demand for, and price of, lumber increases dramatically. In addition, the industry can be affected by extraordinary circumstances like natural disasters which cause demand and price spikes.

Conversely, during economic downturns and periods of high interest rates, construction activity slows. In turn, lumber demand and prices fall, directly affecting the financial health of lumber manufacturers as well as employment.

The evidence of this relationship is clear. Between 1988 and the 1991 recession, U.S. housing starts fell by 32 per cent to the lowest level of housing activity since the end of World War II. Economic activity was virtually flat during the recession, resulting in decreased lumber production and consumption. However, the February 1992 Economic Report of the President indicates that during that period, U.S. lumber production actually declined less than consumption did (11% versus 13% drop), indicating that Canadian market share fell by more than the U.S. share. This pattern alone demonstrates that Canadian softwood lumber was not responsible for the decline in U.S. softwood lumber production.

The drop in lumber demand during the recession also explains the decline in the U.S. lumber industry's profit margins for that time period. For the U.S. manufacturing sector as a whole, after-tax profit margins declined from 6.0 per cent in 1988 to 2.9 per cent in 1991, a decline of 52 per cent. Over the same period, pre-tax lumber company profitability fell by even more, from 6.9 per cent to 2.7 per cent, or by 60 per cent.

Declining Timber Availability

For many U.S. lumber producers, particularly in the Pacific Northwest, the declining availability of softwood timber has served only to intensify the effects of cyclical changes in lumber demand. The reduction in amount of timber available for harvest and manufacture stems mainly from environmental restrictions on federal lands. The difficulty of many mills in obtaining sufficient supplies of softwood logs has led to reductions in operations or complete closure of sawmills and unemployment of mill workers.

Likely the most significant factor in reducing the availability of U.S. West

Coast timber has been the designation of the Northern Spotted Owl as an endangered species. This ruling, and the ensuing litigation, has severely disrupted timber sales. Intensifying this has been the success of environmental groups in delaying or cancelling timber sales through the administrative and legal avenues.

Diminishing timber supply on U.S. federal land is currently being offset by harvest from privately held land. However, there are limits to the productive capacity of these lands. More importantly, southern yellow pine, the dominant species grown on private lands, is not the preferred substitute for species grown in the Pacific Northwest. This leaves forestry firms either requiring imports from Canada or offshore, or refocusing production to engineered wood products that can use readily available species.

The evidence that lack of adequate timber supply is directly responsible for mill operation reductions and closures is clear. For example, Ehinger & Associates' 1992 Forest Products Industry Report on Mill Closures, Operations, and Other Related Information notes that "the continued deterioration of the timber supply was the motivating factor" in Bohemia Inc's (Oregon and California) sale of sawmill assets. It is noteworthy that Bohemia decided to sell assets despite being profitable and operating all of its 16 facilities. A 1992 article in The Oregonian notes that Willamette Industries closed two building materials plants as well as two of the facilities acquired from Bohemia because the company did not see opportunities to buy enough logs to keep the sawmills operational. These four closures alone resulted in the layoff of 700 people. Further, during the Department of Interior's spotted owl hearings, testimony of virtually every mill owner cited inadequate timber supply as a problem that forestry businesses face; not Canadian lumber.

Changing Circumstances

As business conditions change, corporations are adjusting to survive.

Limited timber availability, the increasing popularity of engineered wood products and other substitutes for solid wood, and price and demand swings are factors that are causing forestry firms to adjust their production focus to maximize profits.

For example, at present, pulp and paper prices are very high relative to lumber prices. This makes softwood logs more valuable for chipping purposes than for sawmilling. This can cause changes to the relative share of operations devoted to sawmilling operations. While sawmill employment and production may decline periodically, other forestry company interests expand to fill the void.

As evidence that Canada is not to blame for U.S. sawmill closures or reductions in operations, a quote from a May 1992 Champion International letter to the U.S. International Trade Commission is relevant. "Champion's decision to sell our Montana holdings was generated by our strategic focus on the pulp and paper business. Competition from Canadian softwood lumber played absolutely no part in our decision to sell the Montana assets."

In short, Canadian softwood lumber is not the cause of off-again on-again U.S. lumber industry woes. It is domestic factors that most affect the health of this American industry - not competitively priced imports from Canada.

May 4, 1995

CANADIAN SOFTWOOD LUMBER A MUST FOR U.S.

U.S. lumber producers may not like the competition, but Americans cannot do without Canadian softwood lumber. Put simply, the U.S. softwood lumber industry does not produce enough to meet market demand. Even if it could, many U.S. lumber consumers, like homebuilders, prefer the quality and characteristics of Canadian lumber over U.S. alternatives.

With these thoughts in mind, it makes very little sense for American lumber consumers to stand by and accept that the U.S. softwood lumber industry is trying to limit lumber supply from Canada and to raise lumber prices in the U.S. market by means of trade actions. These actions serve very narrow interests: those of the owners and shareholders of U.S. sawmill firms.

The underlying intent of the U.S. lumber trade actions is to increase the value of timber holdings by U.S. lumber companies and set a higher market price for lumber. One way of accomplishing this objective is to make the cost of imports more expensive. This, in turn, creates more demand for U.S. domestic product and raises prices. Greater domestic demand adds value to the vast timber holdings of lumber companies, particularly in an existing environment of severely constrained timber supply.

Last year, Americans consumed about 46 billion board feet (BBF) of softwood lumber for use in residential and other new construction, repairs and remodelling, materials handling, and other sundry uses. To put this into perspective, nearly 3.5 million new houses could be built with that amount of lumber.

Canadian sales of softwood lumber to the U.S. are not displacing domestic sales by U.S. lumber producers. The U.S. softwood lumber industry produced only 31 BBF in 1994, exporting more than two BBF of that total, and leaving a huge shortfall to be satisfied by imports.

Canada continues to satisfy the lion's share of this shortage, holding about 30 per cent of the U.S. softwood lumber market. At the same time, relatively small amounts of imports from countries as distant as New Zealand and Chile are beginning to surface. It is expected that U.S. softwood lumber imports from offshore sources will total about 550 million board feet in 1995, or approximately 1.2 per cent of the U.S. market.

The extent to which offshore softwood lumber producers can continue to make inroads into the U.S. market will depend greatly on their ability to deliver competitively priced product, taking into account transportation costs. Softwood lumber prices fluctuate widely with the highs and lows of market demand. Canadian lumber will continue to have an advantage over offshore producers because of the close proximity to the U.S. market.

Residential construction expanded rapidly in the U.S. from its recent low point in 1990. In 1994, housing starts totalled about 1.4 million units: nine per cent greater than the previous year. Homebuilding, repair and remodelling account for about 70 per cent of North American softwood lumber consumption. While demand for residential use softwood lumber has started to soften somewhat as the rate of U.S. economic expansion begins to slow, it will by no means eliminate the need for large volumes of competitively priced, quality Canadian lumber. In fact, softwood lumber demand for repair and remodelling tends to remain fairly level, even when housing starts drop because people frequently renovate when they believe the economic timing is not right for a new home. A new lumber trade case would likely coincide with a weak market demand situation. Any additional costs for lumber caused by a trade case would intensify the effect of an economic downturn on all purchasers and users of softwood lumber and the products constructed from it.

Canadian softwood lumber also enjoys a quality preference in the U.S. market, relative to some other U.S. lumber. Spruce-pine-fir (SPF), the most common softwood species in Canada, is often desired by discriminating builders and remodellers. Canadian SPF is valued for the amount of stress it can withstand and its overall workability, in addition to its availability and moderate pricing.

To illustrate this point, a prominent Ontario sawmiller recently noted that he happened upon a construction site in the Southwestern U.S. while on vacation. He noticed that the lumber at the site carried an Ontario label and thought it odd that a builder would bring lumber all that distance. The builder stated that he prefers to work with that lumber because of its quality and characteristics, even to the point of specifying the particular Ontario mill. While all U.S. builders may not be as particular about their lumber supplies, this example is instructive.

Southern yellow pine (SYP) is one of the main competitors of Canadian SPF in the United States. However, it is commonly accepted that SPF is the material of choice between the two species. Relative to SPF, SYP is brittle and shatters easily. SYP is also characterized by an abundance of splinters and slivers, and has a high propensity for warpage. As a result, SYP is often chipped or otherwise processed to feed pulp mills and engineered wood products mills. It is little wonder that construction grade lumber buyers chose SPF over SYP when price and dimensions are comparable for their needs.

American buyers and consumers of softwood lumber cannot sit idly by while the U.S. Coalition for Fair Lumber Imports raises self-serving allegations of injury resulting from honest Canadian competition. To do so will only result in higher lumber costs. It is clearly in the interests of U.S. consumers to ensure that their political representatives in state capitals and in Washington are fully aware of the U.S. need for Canadian softwood lumber. U.S. lumber consumers have nothing to lose, but everything to gain by keeping a competitively priced supply of lumber available to meet their needs.

May 4, 1995

THE U.S. ENVIRONMENTAL INTEREST IN MAINTAINING CANADA AS A SOURCE OF SOFTWOOD LUMBER SUPPLY

Americans should view softwood lumber trade with Canada as more than a commercial issue. This is particularly true for those concerned about the state of U.S. forests. The environmentalist's watchword - "think globally but act locally" - has special meaning here. Concern about the state of the world's forests should not impede efforts to prevent environmental degradation at home. U.S. environmentalists have as much at stake in the issue of softwood lumber trade with Canada as does the industry because restricting Canadian imports or raising lumber prices in the U.S. will have a direct effect on environmental conservation efforts. Simply put, they will place more production pressures on U.S. forests.

Over the past few years, there have been significant efforts to preserve public forests, particularly in the Pacific Northwest. Between the late 1980s and 1993, timber harvests from federal lands in that region dropped from a share of 40% of total U.S. timber harvests to 21%, as a result of court challenges of federal timber sales and protection of endangered species. The Clinton Administration's Northwest Forest Plan will further reduce the federal timber harvest to 25% of the 1980s levels.

At the same time, the conservation of state forests in the Northwest is increasing. In California, Oregon and Washington, timber harvests have been substantially reduced in favour of wildlife habitat, wilderness and other non-industry uses. Even private lands have been affected by this trend, as federal and state forestry regulations and endangered species laws place greater restrictions on the logging of private timber in the region.

But much has yet to be accomplished. Conservation efforts in some regions, particularly the Northeast, are in the early stages of development. There have been a number of proposals for conservation projects in the east in recent years yet to be acted on, including: the 3 million acre Maine Woods National Park; the Sterling Forest in New York and New Jersey; and the Green Mountain and White Mountain National Forests in Vermont and New Hampshire, respectively. Last fall, the Northern Forest Lands Council reached the stage of issuing recommendations for managing forestry use in the region. In Maine, the controversy over the widespread practice of clear-cutting remains unresolved.

The U.S. lumber industry has responded to these conservation initiatives by applying concerted pressure on the Administration and Congress to release more forested land for commercial uses. To date, they have met with some success. For instance, in response to private landowners' concerns about restrictions against logging within owl circles established under the Endangered Species Act, the Clinton administration announced plans in February to lift logging restrictions on private lands in the Northwest.

Furthermore, Congress is considering including timber salvage provisions in the budget legislation which will increase timber cutting on federal lands through expedited salvage sales. The salvage proposals approved in the House and

Senate, with the strong support of the lumber and homebuilding industry, would free industry from regulatory constraints for two years. A broad coalition of environmental groups has criticized the proposals as making legal challenges under environmental laws almost impossible and are calling for a presidential veto of the bill. Similar measures are being considered as amendments to the Federal Lands Forest Health Protection Act in order to expedite federal salvage sales where forest "health emergencies" are designated.

The U.S. lumber industry has also been active at the state level, pressing for a reduction in regulations governing logging on private lands. While changes in state regulations have not received the media attention devoted to the battles in the Pacific Northwest, that does not mean they are unimportant to the communities affected. The industry is a strong supporter of the Right to Practice Forestry legislation introduced in Maryland and New Hampshire to limit the restrictions local communities can place on forestry regulations. High lumber prices have enticed many small landowners in the Southeast and Northwest to sell their timber to logging companies offering lucrative payoffs. In California, much controversy has arisen over the 3-acre exemption to the state forestry law that has led to a "clear-cutting binge" in a number of counties.

Lumber firms are also pursuing logging activities in controversial areas despite stiff opposition from local communities. Georgia Pacific Corp. recently won a legal decision allowing it to log in the Kumbrabow State Forest of West Virginia, and the Pacific Lumber Co. has announced its intentions to lift a five-year self-imposed moratorium on logging in Northern California's Headwaters Forest, the largest remaining privately-owned, old-growth redwood grove.

Restricting Canadian lumber imports will intensify the challenges faced by U.S. conservation and environmental interests. You only have to look at the hard numbers on U.S. timber supply and demand. The U.S. is not self-sufficient in lumber. In 1994, the U.S. softwood lumber industry produced 31 billion board feet (BBF) and exported more than two BBF of this total. Correspondingly, American consumer demand was approximately 46 BBF. Canadian softwood lumber imports filled the bulk of this shortfall, representing about 30% of the U.S. softwood lumber market. Any restrictions on Canadian lumber imports places further pressures on the available timber supply in the U.S.

Over the long-term, the U.S. timber supply problem will increase. Initiatives such as the salvage proposals currently before Congress are at best a short-term fix for the lumber industry - and even in the short-term there is controversy over the contribution salvage can make to increasing supply. We know that U.S. firms are looking to offshore tracts of forests to supplement domestic sources. But it is reasonable to expect they will also continue to press for greater access to public lands and less restrictions on their use of private lands. More local problems will be the end result.

May 2, 1995