

Regulus Stud Mills Inc.

October 6, 2003

The Honorable James J. Jochum  
Assistant Secretary for Import Administration  
U.S. Department of Commerce, Central Records Unit, Room 1870  
Pennsylvania Ave & 14<sup>th</sup> Street, NW  
Washington, DC 20230

Re: Section 201 Duties

Dear Assistant Secretary Jochum:

I am writing in response to your request for comment in the September 9<sup>th</sup> Federal Register as to the decision to deduct section 201 duties and countervailing duties from the cost of lumber in order to calculate anti-dumping duties. As a U.S. producer of softwood lumber and land owner, it is my opinion the commerce department immediately reverse their stance in deducting these two duties from the cost, and include them as a price of selling lumber into the domestic market.

I am the third generation of my family to be actively involved in the daily running of this sawmill. We have been in operation for over 44 years and currently employ 75 workers. Our fiscal year ended September 30<sup>th</sup> and during this past year our operation lost money in 9 months out of the year, was shut down 3 months due to poor lumber market conditions, in the months that we were operating we ran at approximately 75% capacity, and we have permanently eliminated 20 employees. Given recent interest rates and home starts, the only possible explanation for this poor financial scenario is cheap subsidized and dumped lumber imports.

We are unable to sell our product at a markup to prevailing market prices i.e. we are only able to price and sell our product at market price. Just as lumber prices are market based, logs are purchased on a fluctuating open market. Being the sole raw material in producing finished lumber, logs are the greatest expense of producing lumber. We must take into account all costs associated with buying them, if we are not able to recover these costs at the time the lumber is sold, we will never be able to recoup this loss. Canadian sawmills have recently demonstrated their ability to sell lumber into the domestic market at levels far below their production costs. The only way they are able to continue to operate in this manner is through the subsidy give to them in the form of under market value logs.

In an effort to level the playing field the Commerce Department has imposed the antidumping duties and countervailing duties; however in an attempt to gain market share the Canadian producers have **dumped** lumber into the domestic market at below their costs essentially absorbing a loss in an attempt to gain market share. The Departments current policy of not including countervailing and section 201 duties in calculating the value of the antidumping duties is a grave mistake. Duties are imposed to offset the subsidies give to foreign producers and by not including them in calculating the value does not accurately reflect the full cost of the foreign subsidy.

How is it that the Department stance on this issue is the exact opposite of both Canada and the European Unions? Both of these two trading partners include all relevant costs, including any duties when calculating the value of a subsidy given to a foreign producer.

Sincerely,

Eric Hern  
Vice-President  
Regulus Stud Mills Inc.