

TESTIMONY BY CONGRESSMAN LES AuCOIN  
Interior Appropriations Subcommittee  
May 14, 1980

Mr. Chairman, let me compliment you and your subcommittee -- particularly my Colleague from Oregon, Mr. Duncan -- for your leadership in ensuring adequate funding for the management of our national forests. Without that leadership, our situation today would be much more difficult.

Since coming to Congress, I have served on the House Banking Committee's subcommittee on Housing. In 1978, I was selected to chair a Task Force on Home Ownership, charged with examining the causes for skyrocketing housing prices that deny average American families of a chance to realize a dream by owning their own home. The current median price for a new home in the United States is \$63,800.

I come here today to talk about one significant factor in rising housing prices -- higher building material costs.

Wood products represent 15 per cent of the cost of a new home, or about half of the overall costs of materials going into housing. That percentage is on the rise as price increases for wood products have outpaced other increases. Some economists predict a doubling of wood products prices within 5 years.

I am very familiar with the Congressional Budget Office report that concluded even with substantial increases in timber harvests from national forests, the effects on lumber prices and therefore on housing would be, in its words, "small," perhaps not more than 1 per cent annually.

I am not in a position to argue with that conclusion, but I would like to note that percentages can be misleading. For example, who would think that the mere increase of 1 per cent in mortgage interest rates would freeze out up to 1.3 million American households from home ownership? Yet, it is true.

We must do whatever we can, regardless how small, to combat inflation. If there were any simple, single-stroke actions to cut inflation and lower housing costs, we would have stumbled on them by now. Our best hope is to wage many actions against inflation. One per cent here and 1 per cent there mount up.

Therefore, I am here today to support an additional \$43 million appropriation to permit the Forest Service to prepare timber sales in 1981 at the 12.2 billion bf level. I also support an additional appropriation of up to \$100 million as advance money for timber sale preparation.

Combined, these actions represent investments that will permit the harvest of timber closer to the allowable cut, and that will mean more available timber to be processed into lumber. This investment will mitigate against inflation in real terms by helping increase the supply of lumber. It also will ease inflationary expectations because it represents a sound investment of public tax dollars.

Mr. Chairman, the housing industry, and its cousin the timber industry, are facing a very real crisis in this country. Relentless boom/bust cycles have crippled the industrial capacity of lumber mills and homebuilders. This is not surprising, because you cannot build 2 million housing units one year and 1 million units the next and expect the millworkers, the homebuilders and the carpenters to sit idly by. They have families to feed and they move on.

While our ability to produce housing is hamstrung, our demand for housing grows even more insatiable. Estimates now put our total annual demand for housing, both for new households and replacements for old housing stock, at 2.3 million. That demand is compounded every year we fail to produce enough housing to keep pace with demand. This year, for example, we may not even reach 1 million new housing starts. That means we start this decade 1.3 million housing starts in the hole.

I have no illusions we can halt the boom/bust cycles of the housing and timber industries. But I am convinced we can make a contribution to a more stable industry through sound, constant management of our national forests. That includes having the timber ready to be cut when it is needed for processing into lumber. That includes steady progress toward eliminating our backlog of unreforested timberlands. That includes more research into ways to increase utilization of waste wood in the forest.

Mr. Chairman, I was fascinated to note in the Forest Service's report that a timber sale last year in Region 6 cost \$324,000 to prepare -- and yielded \$5.5 million, for nearly a 17 to 1 return on investment ratio. Even more important, sound investments in our national forests produce modest, but significant dividends for America's homebuyers, especially those who want to own, but just haven't quite made it. If we can hold down the price of a new house by a mere 1 per cent, we help a few thousand Americans afford home ownership. I can't think of many situations where the investment of tax dollars will produce that tangible of a result.

Let me conclude by underscoring a point my Colleague from Oregon has hammered away on for a number of years, and that is the issue of jobs.

The Pacific Northwest is on its knees because of the housing crash, brought on by engineered high interest rates. At the end of April, 108 lumber mills in Oregon alone were closed or operating under curtailed schedules, putting almost 9,000 workers out of jobs. Another 56 plywood mills were shut down, sending 7,500 workers to the bread line. Before giving a recent speech on the plight of the timber industry, I called a young millworker to talk with him about how he was coping.

He told me he was struggling to support his wife and 4-year-old son on \$375 a week the week he worked. He got \$125 in unemployment benefits the week he was off. To pay his bills, he had drained his savings. Last month he had to let his life insurance lapse to keep up with his rent payments. He said his family's dinner menus had been reduced to things like hotdogs, beans and rice, and that he worried sick. He and his wife celebrated their wedding anniversary last month, and their parents took them out to dinner. Do you know where they went? -- to McDonalds.

Hard times are no stranger to any part of our land, but in my region we can take steps to put people back to work, and keep them there. Investing dollars to ensure that timber is ready to be harvested when it is needed is an investment in the economy and it's an investment in jobs.