

STATEMENT BY CONGRESSMAN LES AU COIN
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 6, 1978

MR. SPEAKER, I RISE IN SUPPORT OF S. 1360, THE SUBSTITUTE TO H.R. 6362.

A LOT HAS ALREADY BEEN SAID ABOUT COLLUSIVE PRACTICES. THOSE OF US WHO FAVOR A RETURN TO THE HISTORICAL PRACTICE OF ORAL BIDDING FOR FEDERAL TIMBER OPPOSE COLLUSION AS MUCH AS ANY MEMBER OF THIS HOUSE.

IT'S NOT IN THE PUBLIC INTEREST. IT'S ILLEGAL. STEPS SHOULD BE TAKEN TO PROSECUTE WHENEVER EVIDENCE IS UNEARTHED INDICATING ALLEDGED COLLUSION. AND THAT SHOULD HAPPEN NOT JUST IN BIDDING FOR FEDERAL TIMBER, BUT IN ANY ACTIVITY BEARING UPON THE PUBLIC'S RESOURCES OR MONEY.

S. 1360 DOES NOT REMOVE AN OUNCE OF POWER FROM THE SECRETARY OF AGRICULTURE TO FIGHT COLLUSIVE PRACTICES. IT SPECIFICALLY DIRECTS THE SECRETARY TO MONITOR NATIONAL FOREST TIMBER SALE BIDDING PATTERNS. IF HE BELIEVES THAT COLLUSIVE BIDDING PRACTICES MAY BE -- NOT ARE, BUT MAY BE -- OCCURRING, HE IS DIRECTED TO REPORT SUCH BIDDING PRACTICES TO THE ATTORNEY GENERAL WITH ALL SUPPORTING MATERIAL. AND HE IS ALLOWED TO ALTER BIDDING METHODS USED IN THE AFFECTED AREA IF HE BELIEVES THIS WILL AID IN HALTING THE PRACTICES.

MR. SPEAKER, THE REAL PURPOSE OF S. 1360 IS TO ALLOW LOCAL MILLS AND TIMBER OPERATORS TO HAVE THE OPPORTUNITY TO FACE COMPETITION HEAD ON FOR TIMBER THAT IS NEARBY AND WHICH, MANY TIMES, IS THE SPECIFIC SPECIES AND TYPE OF TIMBER THAT THE PLANT IS UNIQUELY -- AND SOMETIMES SOLELY -- DEPENDENT UPON.

IN THE WEST COMPETITION IS FIERCE, WITH FROM 5 TO 15 COMPANIES USUALLY BIDDING ON A SINGLE TIMBER SALE.

IT HAS BEEN ARGUED THAT SEALED BIDDING IS USED SUCCESSFULLY FOR OTHER GOVERNMENT CONTRACTS, AND THEREFORE OUGHT TO BE USED FOR TIMBER SALES TOO.

THIS ARGUMENT IGNORES ONE VERY SIGNIFICANT DIFFERENCE.

IF A PRIVATE COMPANY IN ANY OTHER BUSINESS WHICH OFFERS BIDS TO THE GOVERNMENT LOSES WITH ITS BID, IT CAN TURN TO THE PRIVATE SECTOR IN ORDER TO STAY IN OPERATION. TIMBER MILLS, FOR WHICH THE FEDERAL GOVERNMENT IS THE SOLE SUPPLIER OF TIMBER, DO NOT HAVE THIS OPTION AVAILABLE.

THERE ARE SEVERAL MILLS IN MY DISTRICT WHICH DEPEND ON NATIONAL FOREST TIMBER FOR THEIR CONTINUED EXISTENCE.

THESE ARE NOT THE LARGE TIMBER COMPANIES WHICH FACE DISASTER. THE LARGE COMPANIES ARE USUALLY THE ONLY ONES THAT HAVE AN INDEPENDENT SUPPLY OF TIMBER. IF THEY LOSE A TIMBER BID THEY CAN ABSORB THE LOSS IN THEIR OTHER SECTORS OF OPERATION.

THE COMPANIES THAT STAND TO BE HURT THE MOST ARE THE SMALL- AND MEDIUM-SIZED FIRMS WHICH HAVE NO SUPPLY OF THEIR OWN, BUT WHICH PROVIDE NEEDED COMPETITION IN THE BUSINESS.

OFTEN TIMBER MILLS DESIGNED TO HANDLE A CERTAIN SPECIES OF WOOD LOCATE NEAR THE NATIONAL FOREST WHICH IS COMPOSED OF THAT SPECIES. IF THE COMPANY LOSES ITS BID FOR THE TIMBER BEING SOLD FROM THAT PARTICULAR FOREST IT HAS NOWHERE ELSE TO TURN.

AN ARTIFICIAL FINANCIAL BOOM MAY THEN OCCUR. COMPANIES WILL BID RUINOUSLY HIGH FOR NEEDED TIMBER. IT WILL APPEAR THAT LARGE PROFITS ARE BEING REAPED BY THE FOREST SERVICE, AND THEREFORE BY THE PUBLIC.

BUT IN THE LONG RUN ONE OF THREE THINGS WILL OCCUR. THE HIGHER BIDS WILL BE REFLECTED IN HIGHER HOUSING COSTS, OR HIGHER UNEMPLOYMENT AS COMPANIES MECHANIZE TO CUT COSTS.

COMPANIES WILL BEGIN TO GO OUTSIDE OF THEIR LOCAL AREAS IN SEARCH OF TIMBER, THEREBY CUTTING OFF OTHER FIRMS FROM THEIR SUPPLY; THIS "RAIDING" IS ALREADY OCCURRING IN A LIMITED FORM.

OR COMPANIES WILL FIND THAT THEY CANNOT MAKE ANY PROFIT AND WILL BE FORCED OUT OF BUSINESS. A RETURN TO ORAL BIDDING WILL ELIMINATE THIS THREAT.

A MAJOR CONCERN IS THAT THIS BILL WILL FORCE ORAL BIDDING ON AREAS THAT DON'T WANT IT. THIS CONCERN IS UNFOUNDED. THE BILL ALLOWS THE SECRETARY TO SELECT THE BIDDING METHOD TO BE USED IN BIDDING FOR NATIONAL FOREST TIMBER. THERE IS NO MANDATE ON HIM TO CHOOSE ONE METHOD OVER ANOTHER. HE MAY CHOOSE SEALED BIDDING IF HE THINKS CONDITIONS CALL FOR IT.

ALL HE IS REQUIRED TO DO IS CHOOSE A BIDDING METHOD WHICH INSURES OPEN AND FAIR COMPETITION, A RATE OF RETURN TO THE FEDERAL GOVERNMENT NOT LESS THAN THE APPRAISED VALUE OF THE TIMBER, AND WHICH TAKES INTO ACCOUNT THE ECONOMIC STABILITY OF THE COMMUNITIES WHOSE ECONOMIES ARE DEPENDENT ON THE TIMBER.

IT IS IMPORTANT TO NOTE THAT IN NO CASES WILL BIDS BE ALLOWED WHICH ARE FOR LESS THAN THE APPRAISED VALUE OF THE TIMBER.

MR. SPEAKER, MY CONCERN IS THAT THE TIMBER INDUSTRY REMAIN AS DECENTRALIZED AS POSSIBLE. THAT IS THE BEST ASSURANCE THE NATION HAS THAT TIMBER EARNINGS WILL REACH THE MOST PEOPLE THAT WOOD COSTS WILL REMAIN LOW. IT IS ALSO THE BEST INSURANCE THAT THERE WILL BE A GOOD CROP OF BIDDERS WILLING TO RISK ALL THEY OWN ON THEIR ABILITY TO CONVERT A TOO-HIGH BID INTO A PROFIT THROUGH HARD WORK AND INGENUITY. I ASK FOR A YES VOTE ON S. 1360.

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