

Madam Chairwoman, Members of the Committee we are here today to provide testimony regarding issues that impact small businesses such as our company, Pleasant River Lumber Company. Pleasant River Lumber owns and operates four sawmills and a trucking company in the State of Maine. Our current employment is 300 people and we are in the middle of a \$25 million capital expansion that will increase our employment by close to 50 people and expand our production capacity by 50%. We are primarily a producer of softwood lumber that is used for housing construction throughout the United States. Our testimony today will briefly address four areas of concern for our small business: trade, taxes, labor, and infrastructure.

Trade

Pleasant River Lumber Company employs 300 and supports an additional 250 well-paying jobs in our communities. Small businesses throughout the United States face many challenges. Some companies, such as our company, face the additional disastrously harmful challenge of foreign unfair trade practices. Left unchecked, Canada's unfair trade practices in the softwood lumber and forestry products industries is a U.S. jobs killer, period. The softwood lumber trade issue between the United States and Canada may appear complicated. I will provide an explanation in my testimony. But at the heart of it, this issue is very simple. Canadian provincial governments provide billions of dollars in subsidies to prop up their softwood lumber industries and safeguard Canadian jobs. Those companies in turn ship their subsidized and dumped products into the United States where severe market disruptions result. These market disruptions kill U.S. jobs. In effect, Canada's subsidies preserve Canadian jobs at the expense of U.S. jobs and their communities.

Canada's government aid allows Canadian producers higher profits during normal market environments – with increased ability to make capital investments and build cash reserves. Canadian producers gain market share in the U.S. – especially during down markets – and maintain employment while operating longer, driving the market down further.

Meanwhile, here in the United States, market down cycles are accelerated and deepened for U.S. producers while Canadian producers are protected from normal market fluctuations. The resulting extreme low lumber pricing forces U.S. mill closures -- in effect, Canada exports its mill closures to the United States. Additionally, U.S. private timberland values are depressed as the manufacturing sector declines.

To sum it up, left unchecked, Canadian trade practices would yield ever increasing market share for Canadian product and producers – displacing and harming U.S. producers, private timberland owners, mill workers, loggers, and many other local U.S. businesses and jobs and their communities.

The United States always has been, and will remain, Canadian producers' primary target market and the Canadian subsidy system relies on the ability to unload subsidized finished product into the U.S. market. About half of Canadian lumber production is shipped to the U.S. market. In contrast, virtually no U.S. lumber is sold into Canada's protected market. When Canada's unfair

trade practices allows its industry to gain market share in the United States, those gains in market share come at the direct expense of U.S. producers, workers, and their communities.

The differences between Canada's government controlled system and the U.S. private timber system must be proactively managed through the application of the U.S. trade laws, or through an effective bilateral quantitative restraint agreement.

With the failure by Canada to engage in constructive bilateral softwood lumber negotiations with both the Obama and Trump Administrations, the U.S. industry initiated a set of AD and CVD trade cases against unfairly traded lumber imports in November of 2016. It is important to understand that AD and CVD trade cases under the U.S. trade laws involve a complex, exhaustive, and detailed oriented administrative adjudication process before any duties are imposed.

The imposition of the AD and CVD duties against unfairly traded Canadian imports has helped level the playing field. With the full benefit of their massive subsidies offset by these duties, Canadian companies decreased their shipments of lumber into the United States by an estimated 1.4 billion board feet of lumber. Meanwhile, with a level playing field, U.S. producers have increased their shipments by an estimated 2 billion board feet.

With an adequate offset against unfairly traded imports, U.S. companies such as Pleasant River Lumber company are able to make the investments to make more U.S. lumber, produced by more U.S. workers, to more than adequately supply the U.S. housing market. This is a win, win, win for U.S. industry, workers, their communities, and U.S. homebuyers.

Taxes

The Tax Cuts and Jobs Act, TCJA, passed last year has been very helpful to our industry and our business. Reducing the corporate tax rate allows us to be much more competitive in a global market. The reduction in the corporate tax rate and continuance of bonus depreciation are two areas that allow us to grow and add good paying jobs to our mills in rural Maine. In particular, the 100% bonus depreciation has allowed us to enter into a \$25,000,000 expansion program which will add nearly 50 jobs at our mills and countless indirect jobs to benefit our communities.

We are in an extremely competitive industry and must continually upgrade our facilities in order to be a low cost producer and keep good paying jobs in Maine. On average, we reinvest nearly \$4,000,000 each year to keep our mills competitive.

One negative of the 100% bonus depreciation is that it will be gradually phased out starting in 2023 and be completely gone in 2027.

Another negative of TCJA is the elimination of the net operating loss deduction carryback. As mentioned, our industry is extremely competitive and has incurred losses in nearly as many years as we have turned a profit. Prior to TCJA, losses incurred in one year could be carried back to

affect profits from the prior two years and thus recoup some of the taxes paid in the prior 2 years. These losses now must be carried forward to partially reduce taxes to be paid in the future.

Addressing these few issues would be beneficial to businesses like ours but overall the TCIA has helped us and other small businesses invest and grow.

Infrastructure

Infrastructure is an essential component of forest products industry operations. From securing raw materials to delivering finished products our industry relies on all aspects of infrastructure, including our nation's roads, rails, and bridges, broadband and the power grid.

The need for repairing and upgrading the nation's roads, rails and bridges is well documented. Our roads in Maine are in desperate need of repair and their condition is a major hindrance on our business. The majority of our raw material is delivered by truck and rail as is our finished products. The inefficiency created by sub par roads, bridges, and rail are a major competitive burden on our business. Our Country is in need of massive infrastructure investment in order to be efficient and competitive going forward.

Safe, secure and abundant broadband and the power grid are also vital to our industry and our nation.

Sawmill operations require enormous amounts of electric power. Our concerns include the safety and security of our power grid and the clear and present danger of the vulnerability from bad actors, including domestic and foreign terrorists.

Similarly, adequate, safe and secure data processing and management are indispensable. In fact our company, as well as many others, has first-hand experience with computer hacking and we can attest to the high cost in time and treasure caused by such activity.

That these needs have not been adequately addressed is perplexing inasmuch as investment in infrastructure will actually create good jobs for many years to come and enhance the value of our nation's assets making them attractive to entrepreneurs globally.

These matters are in the best interest of our industry as well as our nation.

Labor

Labor is one of the biggest issues facing our mills currently. The unemployment in our State is effectively zero as anyone who wants to work can easily find a good paying job. As the economy has improved and grown, we are faced with a shortage of people willing to work with their hands in manufacturing and a shortage of trades people in areas such as electrical, mechanical and truck drivers. Our education system is geared up to produce lawyers, accountants, and computer programmers but is not preparing enough people to do the work necessary to actually make things. Making lumber is a highly automated process in our mills and we need good lawyers, accountants, and computer savvy people but we are severely lacking

in people willing to do the other jobs necessary to operate a manufacturing facility and transport product to customers. We believe that this problem will greatly affect our company's ability to grow going forward and needs to be addressed through our education system and our immigration policies. We need our kids to be trained and encouraged to work with their hands and learn a valuable trade. We also need to allow anyone who is honest and willing to work hard legally into our Country to help fill these jobs and fuel our economy.

Thank you for allowing us to provide this testimony and thank for your service to our Country.

Jason Brochu

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