

# MADISON'S LUMBER REPORTER

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## News & Updates

### US Housing Starts

US home construction tumbled in February, with major snowstorms crippling business already hobbled by foreclosures. Housing starts decreased by 5.9 per cent to a seasonally adjusted 575,000 annual rate compared to the prior month, the US Commerce Department said Tuesday.

While that was the biggest decline in four months, it followed an upward revision in the previous month's data, when starts staged a 6.6 per cent gain. January starts were originally reported up 2.8 per cent.

February's homebuilding activity remained above the level of 573,000 registered in December. [READ MORE](#)

### UBC Aiming to Buy Western Forest Products Land

The University of BC remains interested in acquiring former Western Forest Products tree-farm-licence land on northern and southern Vancouver Island, but the stumbling block is a wide gap between the price UBC is willing to pay and the amount WFP is seeking, according to the Times Colonist.

Although no price is being publicly discussed, any offer would be considerably less than the \$50 million offered by UBC about 18 months ago. That offer was rejected by WFP, which was looking for between \$120 million and \$130 million.

The situation has now changed dramatically due to the amount of logging that has taken place over the past year and the sale of some of the northern Vancouver Island parcels, said Stephen Owen, UBC vice-president of external, legal and community relations.

"The [previous] offer was based on different log prices and a different forest base," Owen said. [READ MORE](#)

### Japan's Log Use

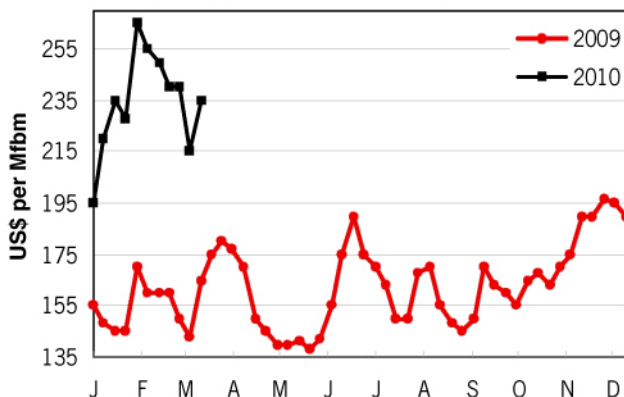
The percentage of domestic log use in Japan has been rapidly rising, now at 69 per cent for lumber, and at 64.8 per cent for plywood. These amounts have risen 2.3 times in five years, according to the *Japan Lumber Journal*.

Compiled by Japan's Ministry of Agriculture, Forestry and Fisheries, the amount of domestic logs for lumber use in 2009 was 15.356 million m<sup>3</sup>, a 13 per cent decrease compared to the previous year, and 3.103 million m<sup>3</sup> for plywood use, a 23 per cent decrease compared to the previous year, according to the *Journal*. [READ MORE](#)

### US Infrastructure Spending

A newly-signed stimulus package in the US will bring infrastructure spending on highways and surface transportation in that country for the next five years. An extension to the "Highway Act" to the end of 2010, and funding, tax credits and rebates, and other incentives, are now available in a new bill signed Thursday by US President Barack Obama. [READ MORE](#)

Douglas Fir Green Std&Btr 2x4



U. S. HOUSING STARTS

	Feb-10	Jan-10		Feb-10	Jan-10
<b>Starts</b>			<b>Permits</b>		
Actual	38,800	39,200	Actual	42,000	39,500
SAAR*	575,000	611,000	SAAR*	612,000	622,000
1 Unit	499,000	502,000	1 Unit	503,000	504,000
2-4 Units	(s)	(s)	2-4 Units	20,000	19,000
5+ Units	58,000	102,000	5+ Units	89,000	99,000
<b>Starts by Region</b>			<b>Permits by Region</b>		
Northeast	66,000	73,000	Northeast	73,000	73,000
Midwest	104,000	94,000	Midwest	105,000	94,000
South	268,000	317,000	South	294,000	312,000
West	137,000	127,000	West	140,000	143,000

\*Seasonally adjusted annual rate

Source: U.S. Census Bureau

Prices are in U.S. dollars per 1,000 fbm.

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	<b>284</b>	280	+4	296	-12	152	+132
WSPF KD R/L 2x6	<b>273</b>	275	-2	298	-25	152	+121
WSPF KD R/L 2x8	<b>270</b>	270	0	282	-12	146	+124
WSPF KD R/L 2x10	<b>340</b>	345	-5	360	-20	165	+175
WSPF KD PET 2x4 Stud	<b>297</b>	295	+2	300	-3	170	+127
Douglas Fir Green R/L 2x4	<b>235</b>	215	+20	250	-15	165	+70
Douglas Fir Green R/L 2x10	<b>238</b>	230	+8	250	-12	170	+68
ESPF KD 2x4 8ft Stud	<b>360</b>	350	+10	355	+5	225	+135
OSB Ontario 7/16" (CDN\$)	<b>244</b>	244	0	244	0	202	+42

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## Weekly News

### US Home Building

CONTINUED US building permits, an indication of future construction, fell 1.6 per cent to a 612,000 annual rate.

Breaking down the figures on starts, construction of single-family homes starts decreased 0.6 per cent from the prior month to 499,000.

Apartment groundbreaking - housing with two or more units - slid 30.3 per cent, to 76,000. Within that multi-family category, starts of homes with five or more units registered their biggest drop since January 1994, falling 43.1 per cent at 58,000.

Year over year, February housing starts in the US were 0.2 per cent higher than the pace of construction in February 2009, which was the pit of the recession.

The Commerce Department said actual housing starts fell in February compared to the prior month, to 38,800 from

39,200. The seasonally unadjusted number is closely watched by the lumber and commodities markets as a sign of demand.

The National Association of Home Builders on Monday reported US home-builder confidence fell a fourth time in six months.

"Builders of new homes are simply having a very difficult time competing against 'nearly new' homes being dumped on the market by burned speculators and banks," Weiss Research analyst Mike Larson said following the NAHB report.

There are currently 3.8 million homes for sale and that is 8.4 months of supply at current rates of sale. Moreover, we estimate that another five to six million homes may yet be foreclosed. In total, that would be 21 months of supply," said Paul Dales, a US economist at macroeconomic research consultancy Capital Economics.

### UBC Eyes WFP Real Estate

CONTINUED The pending sale of more than 2,000 hectares to the Capital Regional District for parkland is not a problem, as areas such as the Jordan River waterfront and Sandcut Beach were earmarked for conservation in the original UBC business plan, Owen said. "I am just delighted at the CRD's actions," he said.

However, large numbers of clearcuts in the 28,000 hectares removed from three Vancouver Island tree-farm licences in 2007 are more of a problem.

UBC planned to use the forest lands for light logging, ensuring a sustainable stream of logs to mills, research and intensive silviculture.

### Japan Lumber Industry

CONTINUED The total amount of logs for lumber use and plywood use in Japan for 2009 was 18.459 million m3, a decrease of about 7.00 million m3 in three years, says the *Japan Lumber Journal*.

The amount of domestic logs for lumber use decreased 8 per cent to 10.599 million m3. The amount of imported logs decreased 23 per cent to 4.757 million m3.

For plywood use, domestic logs decreased 5 per cent to 2.011 million m3, and imported logs decreased 43 per cent to 1.092 million m3.

With the move to change to domestic logs for plywood, a fierce competition for softwood logs between domestic manufacturers suddenly broke out, so the balance between the cost of domestic logs and the price will be a hot topic for the near future, according to the *Journal*.

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# US "Highway Bill"

## Job Creation

The most recent multiyear federal highway bill, SAFETEA, (the Safe, Accountable, Flexible, Efficient Transportation Equity Act) was passed in 2005, providing US\$42 billion per year nationally to fund highway and bridge projects for cities, counties and states. When it expired in September 2009, Congress extended SAFETEA, but only at a \$30 billion annual level. The HIRE (Hiring Incentives to Restore Employment) Act passed on Wednesday by the US Senate and signed Thursday by President Obama extends funding for SAFETEA through December 31, 2010. The bill pumps US\$19.5 billion into the Highway Trust Fund to ensure its solvency just in time for the spring construction season, restores US\$8.7 billion in funding for states, and restores the funding to the federal highway program's 2009 level of US\$42 billion.

In addition to the highway funding, the bill provides hiring tax incentives, extends a tax break for small businesses buying new equipment, and modestly expands an initiative that helps state and local governments finance infrastructure projects. The bill will also allow the Highway Trust Fund to collect interest in deposits and pay fuel-tax exemptions for government vehicles out of the General Fund rather than the Trust Fund.

For US\$18 billion in hiring tax credits, the Congressional Budget Office predicted the bill won't create more than 300,000 jobs. Optimistically, this moves forward US job creation by about a month and a half.

"The beauty of this bill is; it's simple, it's focussed on private-sector job growth and it's paid for," said New York Democratic Senator Charles Schumer, one of

the measure's co-authors. "It's modest, but ... it's almost a legislative dream."

The Senate vote came as the House Ways and Means Committee approved a bill that lawmakers hope will generate jobs through infrastructure spending and tax cuts for investing in some small businesses. This bill would exempt long-term investments in certain small businesses from capital gains taxes, and would expand the Build America Bonds program, which subsidizes interest costs paid by local governments when they borrow for construction projects. The bond program would be extended through June 2013, at a cost of US\$7.6 billion. The entire bill would cost about US\$17 billion over the next decade.

These are the first of several jobs bills passed that had been promised by Democrats. Optimistic estimates predict the tax break could generate perhaps 250,000 jobs through the end of 2010, but that would be just a tiny fraction of the 8.4 million jobs lost since the start of the recession.

"The impact on hiring will be small," writes Augustine Faucher, director of macroeconomics for Moody's Economy.com. "Before business will really boost payrolls they need to be convinced that the recovery will strengthen."

According to Moody's prediction, America's jobless rate will peak near 10.3 per cent in the second half of 2010 – a forecast the firm said it did not change as a result of the legislation Mr. Obama signed Thursday. This is a worrisome prediction for politicians since it means unemployment rate would be in the double digits when voters go to the polls in November.

The Highway Trust Fund extension will enable states and local agencies to advance mass transit and highway projects, creating and preserving 1 million jobs, said Democratic Senator for California, Barbara Boxer, who chairs the Senate Environment and Public Works Committee, in a prepared statement. "Now ... we will

focus on moving forward with a transformational transportation authorization that will create jobs and build the infrastructure America needs for economic recovery and long-term prosperity," she said.

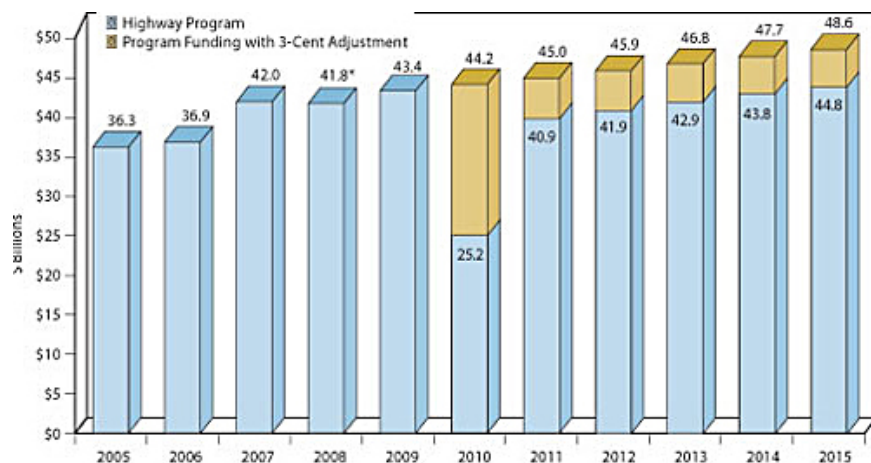
Senator Byron Dorgan, the retiring North Dakota Democrat with a track record of economic prescience, warned that real progress in job creation will only come if the administration addresses the toll of uncontrolled globalization. Likening today's jobs bill to opening a (small) faucet, Dorgan noted: "Even as we do that, we've got a wide open drain."

But he said that the minute you start talking about protecting American jobs in this town, "you are called some sort of xenophobic isolationist stooge who just can't see over the horizon."

"We are delighted that the House and the Senate have reached final agreement on this significant piece of legislation," said John Horsley, executive director of the American Association of State Highway and Transportation Officials in a statement. "It's a win for the economy and a win for workers and the communities which will benefit from the transportation projects to be built across the country."

"The vast majority of the public understands that a commitment to congestion relief and safety investments on our roads and bridges will help every part of America become stronger," said Greg Cohen, president and CEO of the American Highway Users Alliance. "This bill should provide stable guaranteed funding for our highways from 2011 to 2016," Cohen said. "But Congress also needs to prepare the American people to pay for this bill 'as-we-go' with adequate highway user fees on gasoline and diesel. [ . . . ] Without a new six-year bill, a weak and unstable highway program will be funded only in drips and drabs – leaving thousands of projects stuck on drawing boards and motorists stuck in congestion," Cohen said.

Matthew Lewis of the US Center for Public Integrity notes, in an excellent examination of transportation lobbying, that political support for a particular project tends to be a far higher priority than the economic benefit a particular project may bring. As a result of this need to curry political favour, rural projects tend to get an outsize return on their tax investment and the pet projects of powerful politicians tend to get precedence. More egregious examples include Alaska's "road to nowhere", which leads to a non-existent bridge meant to connect Ketchikan with Gravina Island, where Ketchikan International Airport is located, and John Murtha Airport, which is located in a small Pennsylvania town and receives just three commercial flights a day.



SOURCE: transportation1.org