

Testimony of

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Trade**

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Good morning. Thank you Chairman Terry, Ranking Member Schakowsky, and members of the subcommittee for this opportunity to share perspectives from our company and on behalf of the American wood products industry. We are proud to manufacture the materials that *literally* build America.

My name is Curt Stevens. I am the CEO of Louisiana-Pacific Corporation, known to our customers and employees as LP Building Products or LP. I have been CEO since last year, after spending 15 years as the company's Chief Financial Officer. Before joining LP, I had served since 1983 as the COO/CFO for Planar Systems (1983), a leading American manufacturer of flat panel displays

This year, Louisiana-Pacific celebrates our 40th anniversary. Over the years, we have managed millions of acres of forest land, operated hundreds of wood products mills and sold almost every building product that can be made from wood – from solid-sawn lumber to oriented strand board, plywood, exterior siding, particleboard, windows, and decking. A little more than a decade ago, we sold our forest lands and narrowed our focus to concentrate on what we do best – manufacturing and selling building products.

Today, we produce the wood products that build the roofs, walls, and floors of single and multi-family homes across the country. We pioneered and are the world's largest producer of Oriented Strand Board, or OSB, a structural product made of wood strands and resin. It is widely used as a substitute for plywood. Our second largest business makes engineered wood siding for homes, non-residential structures, and light industrial construction. We also make structural engineered wood products including I-joists, laminated veneer lumber, and laminated strand lumber.

The company operates 25 plants in the United States, Canada, Chile, and Brazil. LP's net sales in 2012 were \$1.7 billion and we are on a pace to exceed \$2.0 billion in sales as a result of the housing recovery.

More than half of these sales come from products made in fifteen manufacturing sites spread across thirteen states-- from Northern California to Maine to Alabama. We also operate administrative sites in Tennessee, Oregon, Washington and Idaho, and have a sales force spread across the U.S.

LP employs 2,630 people in the United States. 2,200 of these folks work in our production facilities, located in rural areas close to our wood supply. These are communities where jobs can be scarce and LP is often the major employer. We provide good, family-wage manufacturing jobs with full benefits that pay an average of \$46,000 a year. Besides these LP jobs, for every person LP directly employs, about three additional jobs are created in these communities for loggers, truckers, suppliers, and others. In addition, LP provides income to thousands of local family forest owners by purchasing the timber they grow.

As an industry, wood products companies operated almost one thousand manufacturing facilities across America, providing close to 400,000 jobs with a payroll of \$16.5 billion in 2011 –and that was during the market recession. The value of industry shipments in that year was \$239 billion dollars.

Over the years, LP has been through many up and down cycles in the housing market. But we have never seen a dip as severe as the recent housing downturn from 2007 to 2012. LP, along with others in our industry, was forced to shutter mills, reduce hours and shifts, and lay-off workers. Just months after it was opened in 2008, LP had to close its brand-new, state-of-the art OSB mill in Lower Alabama, built with an investment of more than \$240 million and providing 150 direct new jobs.

The good news is that over the last year housing starts are slowly, but consistently improving. Things are starting to turn around for the wood products industry and LP. LP recently re-started that new OSB mill in Alabama, which now employs 133 people. We have also begun to add back shifts and rehire people at other sites– but we are still not at pre-recession levels.

In the first quarter of 2013, after many years of losing money, we reported our best results in seven years.

We are cautiously optimistic about the next few years. The signs of continued growth are there, but we still face economic headwinds and regulatory burdens that could slow growth in income and jobs.

It is in this context that I would like to offer perspectives on several priorities to ensure that this fundamental American industry continues to strengthen and remain competitive as we emerge from a very depressed housing market.

Environmental regulation must be practical, achievable, and based in good science

Environmental stewardship and compliance is one of LP's core values, and incorporated into every employee's job. In fact, 11 of LP's 15 U.S. manufacturing operations have gone more than five years without an enforcement action of any kind!

The wood products industry has met many costly regulatory challenges over the years. Some of these investments have led to major improvements in air quality, while other mandated investments have had little environment benefit. Unfortunately, we face challenges from two recently released rules, as well as further regulatory proposals that could impose many millions of dollars in new capital obligations over the next 3-10 years with seemingly little overall environmental benefit. This "zero return capital" threatens jobs in communities that can ill afford to lose them, at a time when the U.S. is still struggling to add jobs and maintain growth.

The industry needs a reasonable and sustainable regulatory path based in quality science, and we stand ready to work with EPA, the administration, and Congress to:

- Implement a cost-effective approach to mandatory obligations, such as the Wood Maximum Achievable Control Technology, or MACT, by working with the inherent flexibility of the statute. We anticipate that compliance with MACT as it is currently structured will cost LP upwards of \$13 million.
- Work with states to grant an extra year to comply with Boiler MACT requirements where justified by significant investments or other difficulties in implementation.
- Assure a practical approach to the development and implementation of the National Ambient Air Quality Standards Programs. It must recognize the limitations on

monitoring data, and use realistic air quality models that allow projects to proceed and mills to stay competitive.

Energy policy must maintain a level playing field among industries

The wood products industry is a leading user of wood fiber and producer and user of carbon-neutral renewable biomass energy to run our plants. Our use of biomass energy is among the most efficient in the world. It uses residues that would otherwise be waste to create both thermal and electrical energy for our manufacturing facilities.

While other technologies are being developed, today's biomass energy heavily depends on wood fiber. This same woody biomass is the essential raw material for the wood products we make. Policymakers should be mindful of the growing demand for U.S. biomass to meet domestic and international renewable energy policies and the impact it could have on the mature wood products industries already in place, which rely on wood fiber both as a raw material for our products and a means of energy creation for our plants; and employ hundreds of thousands of people across America.

Government policies that pick winners and losers by mandating a particular use for a raw material or fuel that would otherwise not be viable are misguided and should be avoided. Mandates and incentives, including the federal Renewable Electricity Standard, climate policies and the Renewable Fuel Standard promote the use of biomass for energy. The combined effects of these mandates could affect the balance between the many users of forest resources and affect the long-term sustainability of our forests.

Mandates and incentives that distort the market for wood biomass raw materials are detrimental to our industry. Policy must treat existing industry biomass generation equally with newly-created energy generation.

We must have a sustainable and competitive wood supply. Forests have a long growing cycle. Government policies that encourage additional demand for biomass should be coupled with those that increase the available long-term supply of wood, including increasing wood availability from public lands.

Despite their positive energy and environmental benefits, wood products face a threat from the U.S. Department of Energy-supported 2012 International Energy Conservation Code (IECC). Either product can contribute to equivalent thermal performance, yet the 2012 version of the IECC unjustifiably gives preferential treatment to one product – foam sheathing – over structural wood panels, such as OSB. That preference could result in a loss of 20 percent of the structural wood market and thousands of jobs.

We encourage Congress to provide oversight to the DOE to ensure it is supporting the elimination of product-specific preferences and providing a level playing field in the 2015 version of the code, which is currently under development.

Comprehensive tax reform is overdue

Comprehensive tax reform, though not easy, is long overdue. Lowering the corporate tax rate and bringing about a reformed, competitive international tax system will help attract and retain business operations and good paying jobs in the U.S.

The United States has the highest statutory corporate tax rate among OECD countries. A significant reduction in statutory corporate income tax rates to approximately 25%, which would be more in line with the average among other OECD countries, is needed for U.S.-based companies to be able to compete in America and abroad.

At LP, these are real issues that affect daily decisions about where we make our products and hire our people. For example, Canada is one of many OECD member countries that have lowered corporate rates during the past two decades, while U.S. corporate rates have remained nearly stagnant. We make many of the same products in our Canadian operations that we produce in the U.S.

Tax structure is one of the costs we consider when we have business choices to make about where to invest in manufacturing assets. In the U.S., our combined state and federal tax rates are about 39%. In contrast, combined federal and provincial tax rates in Canada are almost 30% lower. With such a large disparity between U.S. and Canadian taxation, our American mills are frankly at a disadvantage.

In addition, a tax system with the lowest possible tax rates for all businesses is desirable to foster capital investment, jobs creation, exports, and economic growth.

Business investment is another crucial driver of economic growth and jobs. Wood products is a capital-intensive industry. Appropriate treatment of depreciation, interest expenses, and research expenditures is important to ensure that capital intensive manufacturers like LP continue to upgrade existing facilities and invest in new and more efficient equipment.

Challenges in finding skilled labor for our mills

LP supports immigration reform that helps ensure we can find qualified labor to operate our mills, plant trees for sustainable forests that supply our raw materials, and construct the homes our products help to make.

We encourage Congress to support employment and training policies and incentives to increase the workforce for skilled trades, such as manufacturing maintenance workers and electricians. These are positions at LP that can take many months to fill, at a time when we are working to ramp up our production to meet growing demand.

In summary, Louisiana-Pacific and the Wood Products industry play an important role in the economy of our nation, and the Building of America. We are on the upswing, but need your help in enacting and supporting policies to ensure that we have reasonable, science-based environmental regulation, energy regulations and codes that maintain a

level playing field and fair competition, corporate tax reform, and policies to address labor needs and skills gaps.

Thank you for the opportunity to speak at this hearing.