

Diesel Fuel Position Paper 2008

The Michigan Association of Timbermen represents a broad cross section of the forest products industry within Michigan. Our members have been greatly impacted by dramatic increase of diesel fuel over the past year. We are asking for your help addressing this fuel crisis.

As you are aware our state is facing a very difficult challenge of righting our economy of which our industry is an integral part. Unfortunately, it seems that the forest products industry is getting lost in the shuffle; our mills are closing and becoming less competitive both nationally and globally. As you are also aware, we have lost numerous mills in the last 36 months which puts an extreme strain on our members as operation cost continue to rise. Governor Granholm has stated that she wants Michigan to be the leader in the "Wood to Wheels" race; however in order to achieve this goal we must keep our infrastructure in place. The current fuel issue as well as other factors may jeopardize our industry's infrastructure.

This rise in operation or production cost is a result of the drastic increase of diesel fuel prices our members have to pay. Unfortunately, during this poor economy the consuming mills are not in a position to help the wood producer's fuel cost. As the cost of fuel increase this also increases the cost of the raw fiber, which results in Michigan mills not being as competitive as other mills around the country.

Logging and trucking companies may use as much as 2000 gallons of diesel a week. This fuel consumption is both on and off road fuel. Off road fuel does not have the taxes added to the price of on road diesel. It is illegal to run off road fuel in the log trucks. We are asking for your help in passing an exemption, much like the ones used during Hurricane Katrina Disaster Relief, allowing the use of off road diesel fuel for all logging operations, which would include over the road hauling of wood fiber in Michigan and the rest of the country.

Our companies are getting to the point where they can no longer operate if action isn't taken to somehow reduce the fuel cost. Some have proposed suspending the sales tax on diesel, which would be another solution, however, all commercial carriers would be benefiting too and this could result in larger financial loss to the State. Allowing off road fuel for logging companies and log trucking companies should be the remedy that keeps that last straw off the camel's back. If action is not taken we could face a scenario where log trucks are no longer transporting wood to our mills and we cannot survive if this is to happen.

Like any other industry the forest products companies need to be profitable and the transportation link is having a difficult time staying profitable. Like any industry we are only as strong as our weakest link and right now that is transportation costs, specifically diesel fuel cost. Our industry is asking for your help by providing relief in the diesel price by either allowing off road diesel in our log trucks or by our Governor to suspend the state sales tax on diesel fuel.

Submitted by

Brian Nelson
Board of Director
Michigan Association of Timbermen
April 2008