

An aerial photograph of a river valley. In the foreground, a dam is visible on the river, with water cascading over it. The river flows through a lush green forest. In the background, rolling hills and mountains are visible under a hazy sky. The overall scene is serene and natural.

# US & CANADA TRADE DUTY

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# **BRIEF HISTORY OF THE SOFTWOOD LUMBER DISPUTES**

- 1982 – First case was filed which Canada won
- 1986 – 15% tax on imports lowered each year until 6.2%
- 1991 - 15% tax reinstated
- 1996 – SLA signed quota of 14.7 bbf annually
- 2001 – CVD case right after SLA expired eventually reduced to 10.8% by 2006
- 2006 – SLA signed with quotas on some provinces and escalating tax rates on BC based on pricing.
- 2015 – SLA expires
- 2016 – Case filed CVD/AD awaiting final determination set for December 2017
  - Canada paying duties since April 17, during peak preliminary CVD/AD was 26.75%

# WHY IS THERE A DISPUTE

- Canadian market based pricing system on significant volume of logs. ( not open market )
- Log expert blocking out of Canada
- U.S public lands not supplying industry with enough resources, causing significant loss of U.S. infrastructure
- U.S. bigs own lots of private timber
- Canada bigs own significant production in U.S. south
  - ( Intefor 65% U.S. , West Fraser 36% U.S. , Canfor 26% U.S.

# HOW CANADA WORKS

- Canada has only 6% private timberland ownership. Most is owned by provinces. Its timberland is managed for value and health through private leases called “Timber Forest Licenses” and by the Government through a “Timber Sales Program”.
- Timber sales are a sealed bid competitive auction, while Timber Forest Licenses are priced based on a formula that includes current lumber prices, and recent auction values. The system works and is very productive and provides for a healthier forest.
- Canada harvests 27 bbf annually forested volume from a land base of 660 million acres. 4% of the land base available is harvested annually.  
( Sustainable Model )
- USFS harvests 3 bbf from a land base of 60 million acres. Less than 1% of land base available creates for overstocked unhealthy forests.

Colville National Forest A to Z project

After

Before



# THE UNFAIR ADVANTAGE

- Because Canada manages its lands well and provides its industry with a strong supply of timber it puts the US at a disadvantage in areas that are surrounded by USFS.
- In addition Canada has blocking rules which don't allow logs to be exported without being approved with an export permit. This permit can be blocked by a Canadian producer who hasn't exported recently.
- The USFS also struggles to provide the resource because of the lengthy and costly NEPA and ESA processes. Several US players are large land holders who want the USFS to not sell timber to help drive their timber values up.

# WHO IS AFFECTED

The US small mill owners in the pacific northwest and inland regions face the largest challenge. With not enough logs available from private land holders and significant amounts of public forest land not producing timber these mill owners feel the squeeze.

This is evident by the number of mill closures in Washington, Idaho, and Montana recently.

Also leaving the Canadian private land owners at a disadvantage.

# HOW COULD THIS BE AVOIDED

- The USFS needs to start managing its land.
- 6 billion feet of timber sales (Currently) 3.0 billion feet
- 2 billion feet of forest thinning's
- 2 billion feet of salvage
- NEPA streamed lined with a shorter timeframe and less cost.
- Rules need to be changed for litigation to level the playing field.

# UNTIL THEN

- The US will continue to be at an unfair advantage to it's northern neighbor who has figured out how to provide it's resource to the industry. While creating value in the forest and value to it's public.