

You've got to know when to hold 'em, know when to fold 'em...



... Know when to walk away, and know when to run. I couldn't help but think of Kenny Rogers'—The Gambler—at last night's highly informative, jam-packed regional meeting of the North American Wholesale Lumber Association (NAWLA). With softwood duties on everyone's mind, keynote speakers Susan Yurkovich (COFI), Duncan Davies (Interfor) and Jason Fisher (BC Government), didn't hold back.

By Kelly McCloskey
Tree Frog News Editor-in-Chief
www.woodfrog.ca



US proposals designed to seed division - soften Canada up for the inevitable negotiations

The North American Wholesale Lumber Association held its Vancouver Regional Meeting last night to a sold-out crowd of 260 lumber manufacturers, wholesalers and related service providers. Given the US government's preliminary determination of duties against Canadian softwood lumber and the expert panel assembled—the standing room only event was no surprise.



Leading off the discussion with some history on the lumber issue was **Susan Yurkovich, CEO of the Council of Forest Industries and President of the BC Lumber Trade Council**. After reminding the audience how important the forest sector is to the province in the form of jobs, trade and future growth, Yurkovich said—despite what you read in the news—“the managed trade relationship that has existed between Canada and the US for the vast majority of the past 30 years, has worked well”.

Asked about possible solutions, Yurkovich noted that “BC opposes quotas because they are divisive (north-south and east-west), difficult to allocate and disruptive as a market force”. And like most of what the US has said to date, she





believes “these proposals are designed to seed division, play into national and regional politics and soften Canada up for the inevitable negotiations”.

On NAFTA and the disputed settlement panels, Yurkovich is not surprised the US wants to avoid an unbiased panel looking at the facts and ruling on their legality. “Given their lack of fair play”, Yurkovich believes that “Canada needs to strengthen the dispute safeguards that exist in NAFTA”.

Yurkovich took some solace in the fact that “lumber prices are up, mill and growth capacity in the US is limited, and duties will hurt US home builders and consumers first and foremost”. The National Association of Home Builders is already speaking out and other businesses (like Home Depot and Lowes), and consumer groups are expected to follow suit.



US Preliminary Countervailing Duty

NAWLA’s second speaker, **Jason Fisher, Associate Deputy Minister, Forest Sector at Ministry of Forests, Lands and Natural Resource Operations, Province of BC**, provided an overview of the current (and many) dispute processes, which includes Injury Determination, the Preliminary Countervailing Duty (CVD) and Anti-dumping.

Noting that the US finding of injury was “unsurprising”—given the Department of Commerce’s history of creativity in reaching their objective, and because injury is required to continue the case— Fisher highlighted the “unusual approach” pursued with the CVD investigation (e.g., the sample-company approach rather than an aggregate assessment of the sector) and the critical circumstances decision (that led to the duties being retroactive). Although he did well to retain his bureaucratise, Fisher described how the subsidy calculation and the retroactivity “twisted the rules”, which he found—given his legal background—“quite galling”.



Asked about log exports and whether a change in BC’s laws would address any of the US concerns, Fisher said “the softwood dispute is not about log exports. In fact, a more restrictive log export policy would likely be used against Canada in this regard”.

Fisher closed by noting that although the BC Government is playing the long game, they've been "active for two years preparing the evidence required to fight the case in courts, which includes NAFTA, WTO and possibly the Court of International Trade".



Calling a spade a spade, the US softwood effort is a "simple shake-down"

Known for calling a spade a spade, **Duncan Davies, Interfor CEO and Chair of the BC Lumber Trade Council**, described the US softwood effort as a "simple shake-down". Like its four predecessors, he noted that the dispute is all about "increasing the value of US tim-

berlands, which occurs every time trade litigation is launched, Canadian supply is restricted and lumber prices rise". Further, "rather than invest in their mills to increase profits, US lumber manufacturers achieve better returns by ratcheting up lumber prices". Ironically, Davies notes, it's this lack of US reinvestment in their mills (and their low log cost) that "has encouraged Canadian companies to invest in the US South."

With respect to what's next, Davies is confident the dispute will be settled, but whether that's in "six months or six years", he can't say. Further, rather than a bottom of the market adjustment (like the SLA), Davies expects a market share ceiling approach, with the US not wanting to settle above 25%. With Canada's current share at 32%, this would represent a reduction in Canadian exports of 3.5 BBF, "with huge job and unimaginable market impacts".

Finally, on whether the deposits will be returned upon settlement (80% of the \$5 billion collected by 2006 was returned), Davies suggests "the change in Washington means the past is not necessarily a precedent for future action".



On strategy, Davies notes that the US is “focused on market share but can’t supply current demand, which is growing at the equivalent of about 20 sawmills a year”. As such, BC and Canada need to “stay calm, stay united and let it unfold. The US Administration cares about America First, about US jobs and about a win for President Trump. How much that will cost (likely more than in 2006) and how long that will take are the big unknowns”.

Noting that this cycle of “sue-settle-profit & repeat is expected to continue with Softwood VI and VII”, Davies expressed his concern for the sector’s future and for those in the room that will have to live through it. He also noted the significant risk we take as each round “undermines the excellent work that is being done to grow the market for wood while increasing price volatility, a factor that is particularly advantageous to our non-wood competitors”.



North American Wholesale Lumber Association Vancouver Regional Team Members



Ian McLean, Spruceland Millworks Inc.



Marc Saracco, Executive Director, NAWLA



Kip Fotheringham, Hampton Lumber Sales



Paul Harder, Dakeryn Industries Ltd.