
STATEMENT

For Immediate Release
2017FLNR0127-001258
June 26, 2017

Ministry of Forests, Lands and Natural Resource
Operations

Softwood Lumber: Preliminary anti-dumping duty rate announced

VICTORIA – Minister of Forests, Lands and Natural Resource Operations John Rustad has issued the following statement today in response to the U.S. Department of Commerce preliminary determination of anti-dumping duties of 6.87% to be applied to the majority of Canadian softwood lumber shipments entering the U.S.

The anti-dumping duty is on top of the previously announced preliminary countervailing duties of 19.88%, for a total rate of 26.75%.

“We knew this decision was coming but that doesn’t soften the blow. Forestry built British Columbia and drives our economy. We will continue to stand strong and fight for the over 140 communities and over 60,000 British Columbians that depend on forestry for their livelihood.

“The only long-term solution is a negotiated trade agreement. We will ensure B.C.’s interests are protected in any such agreement. The alternative is to be subject to U.S. legal processes designed to favour a few select timber barons. These actions hurt Canadian companies and Canadian workers, but they also hurt U.S. homebuyers and the U.S. construction and renovation industry.

“In the meantime, our legal team in B.C. will continue to work with Canada and with the forest sector to fight these duties at every opportunity. History shows that the American decisions on duties do not withstand legal scrutiny. Once the final determinations have been made by the U.S. Department of Commerce, we’ll be working closely with the federal government and B.C. industry on launching appeals.

“Further to recommendations made by the ministerial Federal-Provincial Task Force on Softwood Lumber, of which British Columbia is a member, the federal government has committed \$867 million to assist workers and communities across Canada that may be affected by the softwood lumber tariffs. As reiterated in the speech from the throne, B.C. will continue to grow offshore markets for B.C. lumber, and also pre-purchase B.C. lumber for use in public housing projects.”

Learn More:

Taking a Stand: United Action on B.C. Softwood Lumber, summarizes actions the B.C. government has taken to date on the softwood lumber file. It and other frequently asked questions are available online: www.gov.bc.ca/softwoodlumber

A backgrounder follows.

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FREQUENTLY ASKED QUESTIONS

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Softwood Lumber: anti-dumping duty decision

What is an anti-dumping duty?

- An anti-dumping duty is a duty assessed by the U.S. Department of Commerce on Canadian exports of lumber to the U.S. The U.S. argues that the duty is required to offset unfair selling practices by Canadian lumber companies that are allegedly selling lumber into the U.S. at a price below their costs or sales value in Canada.
- British Columbia disagrees with this view.

What was the preliminary anti-dumping decision and what does it mean?

- The U.S. Department of Commerce investigated four companies and assessed preliminary anti-dumping duties as follows:
 - Canfor: 7.72%
 - Resolute: 4.59%
 - Tolko: 7.53%
 - West Fraser: 6.76%
- The preliminary anti-dumping duty assessed on all other companies is 6.87% (a weighted average of the duty rates assessed on the five companies).
- Companies will need to start paying the additional duties in the form of cash deposits effective around June 30, 2017 (once the decision is published in the U.S. federal register). According to the current litigation schedule, the preliminary anti-dumping duty will be in effect until the end of October 2017. If a full extension of the timeline for the investigative period is granted for the final duty orders, the preliminary anti-dumping duty will be in effect until the end of December 2017.
- The rate also applies retroactively to shipments made since about April 1, 2017 (90 days prior to the notice being published in the U.S. federal register, expected around June 30).
- Cash deposits are held in trust by U.S. Customs until all avenues for appeal are exhausted. Options for appeal will be assessed at the time all final duty orders are issued. The final duty orders could be issued as early as the end of November according to the current schedule, or in January 2018 if the decision schedule is fully extended.

What is a countervailing duty?

- A countervailing duty is a duty assessed by the U.S. Department of Commerce on Canadian exports of softwood lumber to the U.S. The U.S. Department of Commerce argues that in their view the duty is required to offset unfair subsidies that Canadian and provincial governments allegedly provide to lumber companies.

Does the anti-dumping duty replace the countervailing duty?

- No. The anti-dumping duty is in addition to the countervailing duty.

What was the rationale for the U.S. Department of Commerce's finding?

- So far the U.S. Department of Commerce only released the duty rates. The rationale for how each duty rate was assessed will be provided later.
- Federal government and provincial government staff and legal counsel will carefully review the rationale and then submit rebuttals to the U.S. Department of Commerce.

Is there expected to be a difference between the preliminary and final duty rate?

- It is possible. In the last lumber litigation (Lumber IV), the combined countervailing and anti-dumping duty rate was adjusted downwards from 32% to 27%.

What is the current timeline for litigation?

- **Nov. 25, 2016** – U.S. industry (COALITION) filed a petition with the U.S. Department of Commerce asking them to investigate Canadian softwood lumber products.
- **Dec. 15, 2016** – U.S. Department of Commerce initiated its investigation.
- **Jan. 6, 2017** – The U.S. International Trade Commission found that Canadian softwood lumber products were “injuring” American companies. As a result, the U.S. Department of Commerce continued its investigation.
- **April 24, 2017** – U.S. Department of Commerce issued preliminary countervailing (subsidy) determination.
- **April 28, 2017** – Preliminary countervailing determination published in U.S. federal register. Canadian companies start paying cash deposits on lumber shipments to U.S. until August 27, 2017. Given the preliminary finding of “critical circumstances” all Canadian companies, except for Canfor, Resolute, Tolko and West Fraser are subject to duty liability on lumber shipments made since about January 28, 2017.
- **June 26, 2017** – U.S. Department of Commerce issues preliminary anti-dumping determination.
- **Approximately June 30, 2017** (once notice of the preliminary dumping determination published in U.S. federal register) – Canadian companies will be required to start paying cash deposits at the anti-dumping duty rate. Given the preliminary finding of “critical circumstances” all Canadian companies, except for Canfor, Resolute, Tolko and West Fraser will be subject to anti-dumping duty liability on lumber shipments made since about April 1, 2017.
- **Aug. 27, 2017** – Cash deposits for the countervailing duty are NOT required until the final decision is published, which is expected any time between early November to early January, dependent on whether U.S. Department of Commerce extends the timelines.
- **Approximately Oct. 28, 2017** – Cash deposits for anti-dumping duty NOT required until final decision order is published.
- **Late November 2017** – Final countervailing and anti-dumping orders published. If full extensions are granted for the final countervailing and anti-dumping determinations, then the final decision orders will be published in early January 2018.

What is the status of exclusions granted for cedar, other high-value products, lumber harvested from private lands and companies without tenure?

- The U.S. Department of Commerce has yet to release its decision on exclusions.

What are the avenues for appeal?

- Appeals can be made to WTO and either NAFTA or the U.S. Court of International Trade. Avenues for appeal will be explored after the final orders are issued by the U.S. Department of Commerce. Appeals can be filed after the final decision orders are published.

Why are the five companies each assessed a different duty rate?

- The different duty rate reflects the differences in their operating regions and environments.

Why is there a difference between the rates for Tolko, Canfor and West Fraser?

- While the three companies are all based in B.C., they all have operations in other parts of Canada, which has affected the preliminary duty that was assessed for each company.

What is the current status of negotiations for a new agreement? Are any talks scheduled?

- No formal talks are currently scheduled.
- Minister Freeland and Ambassador McNaughton continue to meet with U.S. Department of Commerce Secretary Ross in an effort to restart negotiations.

Workers and Communities

Will the assessment of duties lead to more mills closing and/or mills closing sooner?

- We expect there will be mill closures or curtailments over the next five years as companies rationalize their operations due to the decline in timber supply as a result of the mountain pine beetle infestation. It is possible that in light of the duties, some mills may take slightly longer maintenance shutdowns during the summer.
- Since 2001, the provincial government has invested in programs to mitigate the environmental and economic impacts of the mountain pine beetle infestation. This includes the \$75-million BC Rural Dividend to help rural communities diversify their economies. Funding of \$25 million per year is available in four categories:
 - community capacity building;
 - workforce development;
 - community and economic development; and
 - business sector development.
- A cross-government team is also working with Interior communities through focused outreach sessions to help communities determine their best future.
- Also see “Government Support for Forestry-Dependent Communities”:
<https://news.gov.bc.ca/13884>
- As well, on June 1, 2017, the federal government announced \$867 million to assist workers and communities across Canada that may be affected by the softwood lumber tariffs. The announced funding was based on recommendations from the Federal-Provincial Task Force on Softwood Lumber made up of provincial ministers responsible for forestry and chaired by the federal Minister of Natural Resources.

Will softwood lumber duties mean the end of B.C.’s forest sector?

- Government's 2016 Forest Sector Competiveness Agenda outlines the provincial government's approach to address the challenges and take advantages of opportunities in B.C.'s forest sector.
- The agenda includes 49 strategic actions to support three inter-related goals of healthy, resilient forests, a globally competitive and diverse forest sector, supporting communities and First Nations.
- These actions include:
 - Expanding markets for B.C.'s forest products in Asia, most notably through annual trade missions.
 - Restoring our forests, through programs such as Forests for Tomorrow and investments in the Forest Enhancement Society of B.C., and strategic inventory.

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