

# Softwood deal may be delayed until Nov. 1

## Canadian firms want time to sort out the tax-collection system

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The federal government is considering a new implementation date for the softwood lumber treaty — likely Nov. 1 — after industry leaders urged Ottawa to slow down.

Major Canadian companies say they want a delay to sort out issues around the need to switch from a U.S. duty to a Canadian tax-collection system.

"Everybody is working hard to address these issues. It's a \$5-billion transaction that combines an international treaty between two countries with huge commercial implications," said Rick Jeffery, CEO of the Coast Forest Products Association. "We are trying to match up the commercial implications with the timelines in the treaty, and we are just not getting there."

He said his members' efforts are not aimed at killing the deal, but "to get the details ironed out and the deal implemented as soon as is practical."

The deal was to have been implemented Oct. 1, replacing a 10.8-per-cent U.S. duty with a border tax collected in Canada. The tax, based on lumber prices, would be 15 per cent in the currently depressed lumber market.

International Trade Minister David Emerson said in a radio interview on Wednesday that the Oct. 1 deadline would not be met.

"We've received the request for an extension from industry, and are currently reviewing the request," Emerson's press secretary Jennifer Chiu said Thursday.

One sticking point is that litigation has to be dropped on both sides of the border on the

day the deal closes.

But a spokesman for the smaller lumber remanufacturing industry said members are still fighting to kill the deal and have no intention of dropping their legal actions.

"Most of our members don't want the deal at all because it is very damaging to the independent value-added industry," said Russ Cameron of the Independent Lumber Remanufacturers Association. "This is a way to stop it, or more importantly to slow it down until we receive a U.S. Court of International Trade ruling."

The members expect the court to order the U.S. to refund all \$5 billion in duties to Canada, a move Cameron believes would erode support for a negotiated settlement in Canada and preserve important legal precedents.

At the same time remanufacturers are carrying on the fight against the treaty, U.S. lumber companies who are not sharing in a \$500-million US portion of the Canadian duties going to members of the U.S. lumber lobby are petitioning Congress to stop the deal. The lumber companies fear the funds will allow lobby members to unfairly undercut them in the market.

More than 30 U.S. companies oppose the pay-out to their competitors, according to David Slaughter, who is heading the group, called Lumber Manufacturers for Ethics and Equality.

Cameron said as any of the outstanding issues could potentially destroy the deal, no Canadian company is going to agree to give up its legal remedies in advance. And the U.S. government is not going to release the \$5 billion in duties already collected until Canadian companies give up their legal remedies.

"It's a Catch-22," said Cameron.

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