

Softwood deal worries coastal producers

Current draft not addressing B.C.'s need for autonomy to implement domestic policies, group says

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Coastal lumber producers are warning Ottawa that they are growing increasingly concerned that issues crucial to the survival of their industry will be negotiated away in the rush to meet a June 15 softwood treaty deadline.

In a letter to International Trade Minister David Emerson, Coast Forest Products Association president Rick Jeffery said it is imperative for Canadian negotiators to press the U.S. hard in softwood negotiations over the coming week.

The current draft document of the agreement now being circulated leaves the coastal industry vulnerable on several fronts, he said. Specifically, coastal producers say the U.S. is not bending on B.C.'s need for autonomy to implement domestic policies, such as market-based timber pricing for this province. The draft has tough anti-circumvention language.

Also, there are no assurances that the coast, which is already shipping logs to American mills, will get access to the U.S. for its lumber.

"We have seen a merged Canada-U.S. draft, and that draft clearly indicates that there are still quite wide divergences between the Canadian position and the American position," Jeffery said in an interview on Tuesday. "Our letter urges the minister to ensure that our guys are bargaining hard to get the things that are important to us."

By setting a June 15 deadline, he said Canada could be vulnerable to hard bargaining by the U.S.

The federal government has indicated that date is its deadline because it needs to put the final treaty to the House of Commons before Parliament rises for the summer on June 23.

That leaves only eight days, which, Jeffery said, is a cause for concern among those producers who support the deal, let alone members of his association who oppose it.

"What we are saying is, don't let the political imperative to get a deal done more quickly undermine the goal of getting a deal done that works for the forest industry."

Industry analyst Paul Quinn, of Salman Partners, said the coastal industry has some genuine concerns.

"I could see a number of these guys looking at it and saying, 'We are dead if this goes through.' And they will be dead."

He said the coastal industry has had restricted access to the U.S. market for 10 years, first under the

1996 softwood lumber agreement and then because of punitive duties in place since 2001.

The current proposal perpetuates that lack of access.

Quinn said coastal mills will be unable to attract capital needed to restructure if they don't have improved market access for their lumber.

In a research paper to clients, Quinn said producers are reluctant to openly express their concerns, but that "internal Canadian opposition to the deal is simmering under the surface."

Jeffery concurred that support for a deal is wavering.

"I have companies that are outright opposed to the agreement as it stands, and others who desire to find a negotiated settlement that works -- and those companies have an increasing level of concern that we can get to an agreement that works."

However, U.S. industry support for the deal is growing, Quinn said. He noted that U.S. companies stand to gain a \$500-million US share of Canadian duties, which they want to get their hands on.

A report in Inside U.S. Trade identifies 13 companies and the law firm of Dewey Ballentine, which handled the U.S. legal case, as the main beneficiaries of the \$500 million.

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