



## U.S. LUMBER COALITION

### **U.S. Lumber Coalition Disappointed by Arbitral Decision Regarding British Columbia Softwood Lumber Agreement Timber Pricing Violations**

#### **FOR IMMEDIATE RELEASE**

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WASHINGTON (July 18, 2012) – The U.S. Lumber Coalition is disappointed by today's London Court of International Arbitration (LCIA) ruling that British Columbia's (BC) timber pricing practices do not circumvent the U.S.-Canada Softwood Lumber Agreement (SLA).

By selling large volumes of timber for a lower price than should have been charged under the BC Interior timber pricing system grandfathered in the SLA, BC moved Crown timber prices even further from market value – giving back to lumber producers with one hand the export taxes it had collected with the other.

In the arbitration, the United States provided a compelling demonstration that the effects of the mountain pine beetle on the suitability of logs for producing lumber could not begin to justify the increase of timber graded and priced as mostly unsuitable for producing lumber in BC. The LCIA did not take issue with this conclusion as a factual matter, but concluded it could not rule against Canada on this basis alone. Rather, the LCIA tribunal found that the United States also had to demonstrate that a particular amount of misgrading could be attributed to each specific BC government action.

Because there were multiple BC actions that had the effect of misgrading timber, together with the legitimate damage caused by the mountain pine beetle, the specific effect of any one BC action on the grading of logs that no longer exist could not be determined. Regrettably, the LCIA concluded that without data connecting specific BC actions to specific changes in grading outcomes, it could not find an SLA violation – notwithstanding Canada's manifest inability to explain how half the BC Interior harvest could be graded as unsuitable for producing lumber, even as BC Interior mills were producing just as much lumber from the harvest as they always have.

"The Coalition is very disappointed that the LCIA did not find that compensatory export taxes were justified to collect the export taxes imposed under the SLA that BC producers have been effectively evading since 2007," said Steve Swanson, Chairman of the Coalition and President of the family-run Swanson Group in Oregon. "While the Coalition vehemently disagrees with the LCIA panel conclusion, we respect and appreciate the efforts of this panel and the U.S. government to grapple with the complex issues involved in this case," added Mr. Swanson.

"This case has clearly defined the limitations of this trade agreement to curtail Canadian manipulation of its stumpage pricing for the exclusive benefit of the Canadian industry. Unfortunately, this means that the U.S. industry will need to assess the value of the SLA at an appropriate time," stated Mr. Swanson.

Mr. Swanson concluded, "Canadian compliance with this agreement continues to be a serious problem. Only improved compliance would give the U.S. industry the confidence it needs in Canada's compliance with its trade obligations to consider future long-term trade agreements instead of returning to traditional trade litigation."

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### **About the U.S. Lumber Coalition**

The U.S. Lumber Coalition is an alliance of large and small lumber producers from around the country, joined by hundreds of thousands of their employees, and tens of thousands of woodland owners. The Coalition is united in opposition to Canada's unfair lumber-trade practices, including the gross under-pricing of timber on government-owned lands. For more information, please visit the Coalition's website at [www.uslumbercoalition.org](http://www.uslumbercoalition.org).