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Uncertainty over softwood lumber weighs on B.C.

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The softwood lumber fight between the United States and Canada has thrown a wrench in the B.C. government's forecasting for the forestry sector.

"The budget 2017 economic and fiscal plan does not incorporate any estimates of potential impacts associated with the current trade dispute involving softwood lumber exports to the U.S.," according to a warning in budget documents released in Victoria.

Tribunals under the North American free-trade agreement have generally sided with Canada's position, the B.C. government said in the documents.

"Canada has steadfastly maintained and argued that lumber exports to the U.S. are not subsidized," the province said.

Bryan Yu, senior economist at Central 1 Credit Union, said hefty U.S. tariffs slapped on Canadian lumber would hurt mills in B.C. and other provinces.

"There is a clear negative impact if the softwood lumber dispute does not get solved," Mr. Yu said in an interview. "Even for B.C. mills that are highly efficient, it would be quite negative for capital expenditures, production levels and jobs."

B.C. Finance Minister Mike de Jong estimates that British Columbia accounted for 61 per cent of Canada's softwood lumber trade last year with the United States.

The province recently appointed former federal cabinet minister David Emerson to be B.C.'s special envoy on the lumber file.

"More than 140 communities in B.C. rely upon our forest sector," Mr. de Jong said during his budget speech on Tuesday.

Lumber exports to China have surged over the past 14 years, though the United States remains B.C.'s largest trading partner.

Mr. de Jong warned about the consequences of the U.S. erecting trade barriers, notably the impact on the residential construction south of the border. "The price of those homes goes up because of tariffs and barriers placed on the products needed to build those homes," he said.

The budget forecasts that revenue into B.C.'s treasury from the forestry industry will drop slightly to \$852-million in the 2017-18 fiscal year, compared with \$859-million in the current fiscal year that will end March 31.



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Annual forestry revenue in the province’s coffers is expected to be flat over the next three fiscal years, without factoring in the feared negative impacts from the lumber battle.

“The U.S. committed not to launch countervailing duty or anti-dumping litigation against Canadian lumber products before October, 2016,” budget documents pointed out.

Last month, the U.S. International Trade Commission issued its preliminary ruling that Canadian lumber is harming the American industry.

“These U.S. actions increase uncertainty and could negatively impact investment, economic growth and provincial revenues,” according to the budget papers.

Unless there is a negotiated breakthrough, the U.S. Department of Commerce is slated to announce its subsidy position at the end of April and its dumping view at the end of June.

The 13-member B.C. economic forecast council also warned about the uncertain outlook, which stems from the 2006 softwood lumber agreement that expired in October, 2015.

Domestically, B.C. forestry officials welcomed the budget announcement on Tuesday of plans to phase out the provincial sales tax on electricity by April, 2019.

The Council of Forest Industries, representing the B.C. Interior, said in a statement that forestry-dependent communities will benefit. “Reducing taxes frees up capital to be spent in facilities around the province,” COFI president Susan Yurkovich said.

Catalyst Paper Corp., which produces pulp and paper, said the change will help protect high-paying jobs at its mills in Powell River, Port Alberni and Crofton.

“Improving the competitiveness of our local mill will help keep my constituents working and our local tax base sustainable,” Powell River Mayor David Formosa said in a release.

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