

**Canadian Lumber Trade Alliance's Presentation
to the House of Commons Standing Committee on International Trade**

Tuesday, May 3, 2016
Ottawa, Ontario

**Duncan Davies, Chair, Canadian Lumber Trade Alliance
Presented with Kevin Edgson, President and CEO of EACOM Timber**

(check against delivery)

Thank you for the invitation to appear here today.

My name is Duncan Davies. I am the president and CEO of Interfor Corporation, one of the largest lumber companies in the world, based in Vancouver. I am also the co-chair of the BC Lumber Trade Council and co-chair of the Canadian Lumber Trade Alliance.

I'm joined here this morning by my colleague Kevin Edgson, the president and CEO of EACOM Timber.

The Canadian Lumber Trade Alliance was formed in 2001 to present a collective voice for the Canadian softwood lumber industry with respect to the U.S. industry's claim of injury from Canadian softwood lumber imports.

Today, the membership of CLTA includes provincial associations and companies from British Columbia, Alberta, Saskatchewan, Ontario, and Quebec representing 70% of Canada's softwood lumber production that is exported to the U.S. market. The CLTA regularly consults with Global Affairs Canada to provide constructive input regarding trade matters on softwood lumber.

Our industry is vital to the national economy and to the economies of many forest-dependent communities across Canada. This sector generates approximately 370,000 direct and indirect jobs and contributes more than \$20 billion to our national GDP. The vast majority of Canada's forest products are exported to global markets, which makes ongoing access to those markets critically important from a national economic standpoint.

For many generations, Canada and the United States have been engaged in a dispute over access to the U.S. market for softwood lumber. The dispute can be traced back to the late 1800s and over the last 35 years has resulted in four rounds of trade litigation.

The fact is, the U.S. can, and does, control the access to their market through their trade laws that are designed to protect U.S. interests. For that reason, over the last three decades, our industry has either operated under a negotiated treaty arrangement or has been engaged in litigation for 33 of the last 35 years.

In recent years, the CLTA member companies have been subject to the 2006 Softwood Lumber Agreement (SLA). In the five years leading up to the 2006 SLA, the Canadian industry faced punishing countervail and anti-dumping duties on productions shipped to the U.S. By the time the agreement was reached in 2006, the Canadian industry had more than \$5 billion on deposit with the U.S. Treasury, creating a massive financial burden on companies in our industry.

Entering into the 2006 SLA required Canada and Canadian softwood lumber producers to carefully weigh the costs associated with the agreement against the benefit of being able to access that marketplace. Some have characterized the 2006 SLA as “a bad deal” or “contrary to the interests of Canadians”. I respectfully disagree.

The 2006 SLA provided certainty of access to the U.S. market during one of the worst economic downturns we've seen since the Depression. It encouraged development of offshore markets; it provided an opportunity for the industries in Canada and the U.S. to work together constructively to grow the market for our products against competing products such as steel, cement, and composites; and it allowed companies like mine to make decisions on our investment in our plants in Canada that have been highly beneficial to the economic viability of those facilities and to provide greater security of employment for the people employed in our operations. While the 2006 agreement was not perfect, it did provide certainty of access to producers on both sides of the border for nearly a decade.

While we may all prefer to have free trade in lumber, that is not our reality. The U.S. has the right, under their trade laws, to control access to their market, and the choice we face is between managed trade and litigation. Managed trade agreements, if reasonable, can work to the benefits of producers in both countries. Without an agreement in place, we will return to the path of costly litigation to resolve this dispute.

Faced with these two options, members of the Canadian Lumber Trade Alliance believe it's in our collective interest to work constructively to find a new agreement that is fair and acceptable to producers on both sides of the border. We have and will continue to work collaboratively with Minister Freeland and her officials as they engage with their U.S. counterparts to try to achieve this goal. However, if the U.S. approach is punitive, and if a new agreement cannot be reached, we are equally prepared to work alongside our national government to aggressively defend our industry against any potential legal challenges brought by the United States, as we have done successfully in the past.

Eight weeks ago, President Obama and Prime Minister Trudeau underscored the need to find a long-term solution to this trade irritant between our two countries. We agree. This dispute should be settled once and for all and the time to do that is now. It will take political and industry leadership from all sides to find a way forward. For our part, the members of the CLTA stand ready to work with all parties to help achieve this goal.

Thank you for your interest. I'm more than happy to answer any questions you may have on this subject.