

low mortgage rates will probably boost housing starts to 1.25 million units in 1994, exceeding the mid-1980s peak.

Lumber analysts suggest that high lumber prices have yet to impact significantly on mortgage affordability. In 1993, a \$3000-4000 increase in new home prices due to lumber was more than offset by declining mortgage rates. However, as a result of lower transportation costs, market demand is expected to shift to cheaper materials, such as oriented strand board, paperboards and plastics, in 1994. Otherwise, U.S. lumber demand would exceed available domestic and import supplies by a wide margin (at least several billion board feet).

Canadian companies were able to meet some, but not all, of the increased demand for lumber. Overall, lumber exports to the United States in 1992 increased by 14 per cent over 1991. The market remained relatively strong in 1993, and this trend is expected to continue.

FINAL PLAN FOR PACIFIC NORTHWEST

On February 23, 1994, the U.S. administration announced a plan to protect a host of endangered species by significantly reducing logging levels in the Pacific Northwest to 20 per cent of those in mid-1980s peak years (slightly more than one billion board feet vis-à-vis five billion). The new policy is largely similar to a draft that President Clinton presented last summer. The final plan further reduces logging and nearly doubles the draft's estimated number of jobs that will be lost from 5500 to 9500. The Government estimates that there are 2.2 million hectares of old-growth forest left in the Northwest, with about 600 000 of that protected in national parks or wilderness areas. The Administration would allow logging in 280 000 hectares, but would keep most of the remaining old-growth forest off limits. In Canada, increased restrictions on the allowable cut in some major British Columbia timber management areas have also been imposed by the province, with additional reductions expected in the coming years.

THE COUNTERVAILING DUTY INVESTIGATION

During the countervailing duty investigation, the DOC investigated provincial stumpage programs and Canadian log export restrictions.

A preliminary affirmative determination of injury was made on December 12, 1991, by the United States ITC.

On March 5, 1992, the DOC made an affirmative preliminary determination that stumpage programs and log export restrictions in British Columbia conferred subsidies to softwood lumber exported to the United States at a national rate of 14.48 per