

Backgrounder

SOFTWOOD LUMBER

HISTORICAL BACKGROUND

For the past 40 years, the United States has consumed more softwood lumber than it has produced. Canada has been, and continues to be, an important and dependable supplier of quality lumber products. As a result of the U.S. need to import softwood lumber, Canada has had a relatively constant share of the U.S. market during the last decade.

Despite constant U.S. demands for Canadian lumber, softwood lumber continues to be an area of trade friction between Canada and the United States.

LUMBER I (1982-83)

In October 1982, certain U.S. lumber interests filed a petition alleging that Canadian federal and provincial governments were subsidizing Canadian softwood lumber producers through their "stumpage" systems. Stumpage refers to the right to cut timber on government lands, subject to certain fees and other obligations.

In May 1983, the investigation was terminated when the U.S. Department of Commerce (DOC) issued a final determination that Canadian stumpage programs did not confer a subsidy, because they were not provided to a specific enterprise or industry, or group of enterprises or industries, and conferred no subsidy in any event.

LUMBER II (1986)

In May 1986, U.S. lumber interests filed a second petition repeating the 1982 allegations that Canadian stumpage programs were subsidizing Canadian softwood lumber products exported to the United States. No material changes had been made to the Canadian forestry programs or stumpage fee systems.

In October 1986, the DOC issued a preliminary determination contradicting its 1983 finding. In this preliminary decision, the DOC found that Canadian provincial stumpage systems were providing a subsidy of 15 per cent — exactly half the amount alleged by the U.S. industry group — and that this subsidy was provided to a specific industry or group of industries.

The DOC calculated the amount of the subsidy by comparing provincial governments' forestry-related costs with revenues from stumpage (invoking the "cost to government" methodology). However, in determining costs, the DOC added to the actual costs incurred by the provincial governments a so-called "imputed cost" for the value of