

EXECUTIVE OFFICE OF THE PRESIDENT  
 OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
 WASHINGTON, D.C. 20508

August 26, 1999

Mr. Douglas Waddell  
 Chargé d'affaires a.i.  
 Canadian Embassy  
 501 Pennsylvania Avenue NW  
 Washington, DC 20001-2114

Dear Mr. Waddell:

I am pleased to receive your letter of today's date, which reads as follows:

I have the honour to refer to the Softwood Lumber Agreement between the Government of Canada and the Government of the United States of America, signed in Washington on May 29, 1996 (the Agreement).

I am providing the information below on actual shipments and allocations under the Agreement of softwood lumber first manufactured in British Columbia and am proposing an approach for Years Four and Five under the Agreement, in settlement of the arbitration pursuant to Article V of the Agreement on British Columbia's June 1, 1998 stumpage reduction.

Actual shipments of softwood lumber first manufactured in British Columbia as of May 1, 1999 (subject to data reconciliation procedures as set out in Article IV of the Agreement) were as follows (million board feet):

	Year 1	Year 2	Average Year 1&2	Year 3
<b>EB</b>	8,367	8,347	8,357	8,158
<b>Bonus</b>	26.5	110.9	68.7	23.4
<b>Total Fee Free</b>	8,394	8,458	8,426	8,181
<b>LFB</b>	281.2	320.6	301	357
<b>UFB</b>	159.1	60.8	110	114