

U.S. Value-Added Wood Products Alliance

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November 30, 2004

Ambassador Peter Allgeier
Deputy U.S. Trade Representative
Office of Special Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Allgeier:

The U.S. Value-Added Wood Products Alliance (VWPA) wants to acknowledge the hard work and numerous actions that have been taken by your office in an attempt to resolve the now three-year-old debate regarding softwood lumber imports from Canada. I am writing on behalf of the members of the VWPA, who employ more than 390,000 workers, to both reiterate the large number of U.S. jobs at stake not represented by the U.S. Coalition for Fair Lumber Imports (Coalition) who has brought the petitions, and to underscore the continued urgency of finding an enduring solution.

This tariff has a direct impact on the value-added wood products sector because the products manufactured by Canadian industries use lumber not subject to any tariffs. As such, they have a competitive raw material purchasing advantage in both a high demand and low demand marketplace. This disparity in production costs puts U.S. value-added wood products manufacturers, particularly those in states close to the border, at a significant competitive disadvantage.

While negotiations between stakeholders in the U.S. and Canada appear to have stalled, there has been a disturbing action taken in the Senate. Senator Max Baucus, the Ranking Member of the Senate Finance Committee, recently introduced S. 2992, the *Softwood Lumber Duties Liquidation Act*. This measure threatens to liquidate over \$3 billion in cash deposits collected on softwood lumber imports from Canada and distribute the money to the Coalition who represent roughly half of the U.S. lumber industry. Doing this provides those inside the Coalition with a dual benefit — trade protection through the CVD and AD orders, and a Byrd cash subsidy that provides a competitive advantage using money taken directly from competitors. The VWPA believes this is patently unfair. This bill also sends a negative signal around the globe about the U.S. commitment to a rules-based international trading system.

We believe the only long-term solution that protects our industry and its employees is a negotiated settlement between Canada and the U.S. built upon the implementation of the agreed upon market reforms as published in the DOC's spring 2003 "Policy Bulletin."

Without an economically sound and enduring resolution, unintended consequences are certain, and Canadian value-added wood products companies gain the benefit of a continuing competitive advantage over their U.S. counterparts.

Please let us know how we can assist you in convincing the interested parties in this dispute to resume their places at the negotiation table.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Kirk Grundahl". The signature is written in a cursive style with a large initial "K".

Kirk Grundahl
U.S. Value-Added Wood Products Alliance Administrator

P.S. Attached to this letter are two tables illustrating the size of the U.S. softwood lumber industry compared to the size of the value-added wood products industry.

Current U.S. policy protects U.S. softwood industry producers, roughly 50% of which are NOT members of the Coalition for Fair Lumber Imports as follows:

Primary Product — Census Data ^{1,2} ¹ Source: U.S. Bureau of Census. 2001 Annual Survey of Manufacturers – 2. Value of product shipments. Dec. 12, 2002. ² Source: U.S. Census Bureau, 2000 Annual Survey of Manufacturers	NAICS Code	All Industries Shpts of primary product (\$ Billions) ¹	Number of Employees ²	Total Payroll (\$ Billions) ²
All Sawmilling Softwood and Hardwood	321113	\$22.66	116,904	\$3.332
Softwood	3211133	\$12.57	64,910	\$1.850
Hardwood	3211131	\$4.55	23,993	\$0.684
Other Products (chips, ties,etc.)		\$5.54	28,001	\$0.798

As the following data indicates, there are more jobs at stake in this debate – many more – than are being represented by U.S. softwood industry producers. Thoroughly understanding the impact of any proposed resolution on these industries and attendant jobs is mandatory before a fair and enduring resolution can be completed.

Primary Product — Census Data ^{1,2} ¹ Source: U.S. Bureau of Census. 2001 Annual Survey of Manufacturers – 2. Value of product shipments. Dec. 12, 2002. ² Source: U.S. Census Bureau, 2000 Annual Survey of Manufacturers	NAICS Code	All Industries Shpts of primary product (\$ Billions) ¹	Number of Employees ²	Total Payroll (\$ Billions) ²
Truss Industry	321214	\$4.37	38595	\$1.083
Wood Windows & Doors	321911	\$10.07	58305	\$2.133
Wood container & Pallets	321920	\$4.83	51311	\$1.122
EWP (ex. trusses)	321213	\$1.72	5709	\$0.185
Pre fab wood Bldg.	321992	\$3.35	26363	\$0.748
Mobile Homes	321991	\$8.50	82104	\$1.679
Cut Stock & Reman	321912	\$6.00	41805	\$1.029
Other Millwork, incl. flooring	321918	\$4.81	41540	\$1.084
Other misc. wood	321999	\$4.27	44831	\$1.048
Total Value Added Wood Products Industry		\$47.93	390,563	\$10.111