



VWPA Urges Negotiated Settlement Through Letter to DOC & USTR

March 18, 2005

Today, March 18, 2005, the Value-Added Wood Products Alliance (VWPA) sent a letter to newly appointed Commerce Secretary Carlos Guterrez and Ambassador Peter Allgeier, Acting U.S. Trade Representative, outlining the detrimental impacts the current tariffs placed on Canadian softwood lumber are having on the value-added wood products industry in the United States. Copies of this letter were also sent to every member of the 109th Congress.

While recognizing the positive efforts of the Office of the U.S. Trade Representative (USTR) and the U.S. Department of Commerce (DOC), particularly Under Secretary Grant Aldonas, the VWPA asserts in the letter the time has come for both sides to return to the negotiation table to secure a lasting solution to this dispute.

A copy of the VWPA letter is located below.

Component Manufacturer Impacts:

- The current tariffs placed on softwood lumber imported from Canada, create market uncertainty and an un-level playing field between U.S. and Canadian producers of value-added wood products.
- The current litigation, posturing, and trade penalties between the two countries put at risk a \$47.93 billion U.S. value-added wood products market that obtains roughly one-third of its total raw material from Canada.
- The letter clearly states the Coalition for Fair Lumber Imports (CFLI) does not represent the value-added wood products industry, or its interests in this dispute.

U.S. Value-Added Wood Products Alliance

6300 Enterprise Lane
Suite 350
Madison, WI 53719-1190

March 16, 2005

The Honorable Carlos Gutierrez
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Avenue
Washington, DC 20230

The Honorable Peter Allgeier
Office of Special Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: March 22nd Softwood Lumber Dispute Settlement Negotiations

Dear Secretary Gutierrez and Ambassador Allgeier:

We are very encouraged to hear that there is movement toward discussions between the U.S. and Canada toward finding an enduring solution to this long-standing dispute. The U.S. Value-Added Wood Products Alliance (VWPA) wants to acknowledge the hard work and numerous actions that you and your staff, particularly Grant Aldonas, have taken over the last three years. I am writing on behalf of the members of the VWPA to both remind you of the large number of U.S. jobs at stake that are not represented by the U.S. Coalition for Fair Lumber Imports (the Coalition) who has brought the petitions and to underscore the urgency of finding a permanent solution.

As several Senators said last July — “Now is not the time for American products to take a back seat to what the rest of the world produces. When American products are allowed to compete on a level playing field, they come out on top. American workers deserve to compete fairly in our global economy, and Congress must assure American families that unfair and illegal practices in foreign markets won’t lead to job losses at home.” We could not agree more. Our analysis, based on federal government statistics, indicates that all the litigation and ongoing penalties put at risk a \$47.93 billion value-added wood products market in the U.S., with more than 390,000 U.S. jobs and \$10 billion in payroll. These industries rely on a predictable supply of softwood lumber products from throughout North America. The U.S. market needs for lumber cannot be met without Canadian lumber companies supplying roughly one-third of total needs.

When you compare VWPA production to the softwood lumber industry, the U.S. value-added wood products industry has 389% more in dollar shipments, 602% more employees, and 546% more payroll than the entire sawmilling industry. A key point here is that 46% of the sawmilling industry itself are NOT members of the Coalition and do not support the petitions, so the impact of this trade dispute is even more significant when jobs affected versus jobs protected are compared. Quite simply it seems as though the proverbial tail is wagging the dog.

Our fundamental message is that you strongly consider the important and growing U.S. value-added wood products industry as these negotiations begin anew. The Coalition does not speak for us. Our position on this issue has remained consistent:

1. We must recognize there are real differences (political, economic, and geographic) between the two countries and that these differences must be recognized as a solution is formulated.
2. The longer the trade dispute goes on with tariffs in place to manage trade, the more likely it is that market-based business solutions will be developed whose sole purpose will be to bypass them, thereby creating new competitive advantages and disadvantages (winners and losers) within both the U.S. and Canadian markets.
3. These uncertain conditions do not allow businesses to create a long-term sustainable and strategic business model that serves the best interests of their customers, employees and shareholders.
4. Any long-term solution must necessarily take into account all interests and issues fairly. For example, providing the Coalition with any of the collected CVD and AD deposits is patently unfair, as it results in a double subsidy and also results in a competitive disadvantage to the 46% of U.S. lumber companies that are not part of the Coalition.
5. All solutions should be formulated in the overall best interests of both countries, so that no region or country (e.g. Europe, Russia, etc.) outside the agreement has an unfair access and competitive advantage in either market.
6. Any single softwood lumber product, producer or specific geographical region in either country should not be placed at a competitive disadvantage because of any agreement that is implemented.
7. It is also imperative that the solution be enduring.

Again, we thank you for your serious and positive steps to bring about an enduring resolution of this very important trade issue, and for taking into account the concerns of the VWPA member manufacturers. We particularly applaud the efforts to find a forest policy based, long-term answer. We hope however that a solution can be found – and soon – that is in the best interests of the majority of U.S. workers who are impacted by this dispute.

As always, our members stand ready to explain our perspective and explore ways to work together with you to complete a negotiated settlement.

Respectfully Submitted,



Kirk Grundahl
Value-Added Wood Products Alliance Administrator

Current U.S. policy protects a relatively small number of U.S. softwood industry producers, a large percent 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