

Coalition for Fair Lumber Imports Chairman Comments On Effects Of Canada's Log Export Restraints On Cross-Border Dispute

VANCOUVER (Jan. 14, 2009) -- Steve Swanson, President of the family-owned Swanson Group in Oregon and Chairman of the Coalition for Fair Lumber Imports, participated today during a panel discussion before the Truck Loggers Association convention in Vancouver. Mr. Swanson highlighted the Coalition's support for full bi-lateral free trade in logs, cautioned against temptation to provide new SLA inconsistent aid to Canada's forestry industry, and reiterated the Coalition's position that the recent changes in the BC Interior stumpage system that have dramatically increased the use of 25 cent stumpage to produce softwood lumber constitute a clear violation of the Softwood Lumber Agreement.

Mr. Swanson stated that "both U.S. and Canadian industries are experiencing some of the most difficult market conditions in history," adding that Canada's federal and provincial governments should resist the temptation to increase already large subsidies in violation of the SLA. Instead, Mr. Swanson urged that meaningful and concrete steps should be considered to bring about an open and fully competitive market in timber. Log export controls, Mr. Swanson explained, "have frustrated free and fair competition in North America by creating and sustaining an artificial, price-depressing oversupply of fiber in Canada." Mr. Swanson said that removing all BC log export controls, for example, would go a long way towards eliminating the distorting effects of government intervention, eliminating an important cornerstone of the provincial subsidy system, and would also allow BC taxpayers to reap the full value of their natural resource.

"The log export controls artificially depress Canadian fiber prices," stated Mr. Swanson, adding that "removing them would constitute a significant step towards resolving the crossborder dispute." Mr. Swanson said that the Coalition shares the BC Truck Loggers Association's view that restraints on log exports in Canada should be lifted. He added that "Canada has imposed anti dumping and subsidy duties on imports of Chinese steel and aluminum products for similar reasons." Mr. Swanson added that while the Coalition continues to support the Softwood Lumber Agreement, that support is severely strained as many members of the Coalition have "grave concerns" regarding the level of Canadian non-compliance and the failure of the agreement to help create a level playing field for the entire North American industry during "good times and bad." Recent developments in BC Interior have significantly heightened these concerns.

In conclusion, Mr. Swanson stated that he believes "the Softwood Lumber Agreement has the potential to be an effective alternative to a resumption of trade litigation," but to do so the agreement must be honored before it can serve as a platform for constructive dialogue to bring both sides closer to a permanent resolution to this 150 year old cross-border trade dispute.

About the Coalition for Fair Lumber Imports

The U.S. Coalition for Fair Lumber Imports is an alliance of large and small Lumber producers from around the country, joined by hundreds of thousands of their employees, and tens of thousands of woodland owners. The Coalition is united in opposition to Canada's unfair lumber-trade practices, including its gross under-pricing of timber. For more information including Swanson's full text and other issues, please visit the Coalition's website at www.fairlumbercoalition.org.

Remarks of Steve Swanson, Chairman of the Coalition for Fair Lumber Imports
At Truck Loggers Association Convention
Vancouver, British Columbia

January 14, 2009

Where We Are Today

Thank you for inviting me here today. It is an honor to speak to the members of the B.C. Truck Loggers' Association and to share the perspective of the Coalition for Fair Lumber Imports regarding log export restraints and the U.S. / Canada Softwood Lumber Agreement. The Coalition is an alliance of large and small lumber producers from around the United States.

It would be great to be here under happier economic circumstances. The sharp downturn in the U.S. housing market has profoundly affected logging and mill operations on both sides of the border. Both U.S. and Canadian industries are experiencing some of the most difficult market conditions in memory. It may not surprise you to hear me highlight that there are distinct differences between the two industries. The differences center on our respective governments' roles during such down cycles. Particularly renewed pressure in Canada to further subsidize and assist its forestry industries. As we all know, the United States and Canada have long disagreed on softwood trade. The disputes go back over 150 years. I suspect that until Canada changes its approach to subsidizing its lumber industry, a permanent resolution to this dispute will remain elusive, if not impossible.

The fact that Canada subsidizes its lumber industry is in my opinion beyond a topic of discussion. I am reminded of this fact almost daily by news organizations covering the latest subsidy announcements or discussions of new aid programs for Canada's forestry industry. It is not surprising that every U.S. Administration since the Reagan Administration has found that Canada subsidizes softwood lumber production. The subsequent unfairly traded exports to the United States have either injured or have threatened to injure U.S. sawmill operators, their workers and communities.

On October 12, 2006, the U.S.-Canada Softwood Lumber Agreement came into effect, ending more than 20 different and expensive legal disputes surrounding Canada's softwood lumber subsidies. The U.S. Coalition for Fair Lumber Imports has grave concerns regarding the level of Canadian compliance with this agreement. We are working daily with our government and elected representatives to find ways to ensure real and meaningful compliance.

The Softwood Lumber Agreement represents a compromise agreement. This has Made compliance with the agreement, both in good times and bad, a critical issue as we weigh our continued support for the agreement. I believe that the Softwood Lumber Agreement continues to have the potential to be an effective alternative to a resumption of trade litigation. But from the Coalition's perspective, both compliance and enforcement of the agreement need improvement. This, I believe, is critical as I also believe that the agreement can serve as a platform to engage in constructive dialogue that may bring us one step closer to a permanent resolution to this century old cross-border trade dispute. Let me now turn to the topic which I was asked to comment on - that is Canada's log export restraints.

Log Exports

The Coalition supports a fully free bilateral trade in logs. This has been a long-standing position of the Coalition, and remains so today. As you know only too well, the Canadian and provincial governments severely Restrict exports of softwood logs, especially logs of high enough quality to be milled into lumber.

To be fair, the U.S. restricts raw log exports from federal and state controlled lands west of the 100 degree longitude. But this has little real economic impact because the vast bulk of logs milled in the U.S. comes from private lands -- and are not subject to any type of export restriction. The restrictions on Canadian log exports have had a severe impact on free and fair competition in North America.

For one, it creates an artificial, price depressing oversupply of fiber since most Canadian provinces export less than 1% of their total softwood log harvests. Even here in B.C, where most of Canada's log exports originate, only a small fraction is exported. Log export restrictions keep more fiber in Canada which subsidizes Canadian sawmills. This provides Canadian mills with significant advantages, allowing them to better maintain production and employment. And that means log export restrictions simply reinforce unfair trade practices by creating an artificial disparity between U.S. and Canadian prices. Canadian mills are insulated from true competition by having access to a government engineered oversupply of undervalued fiber.

Instead, these companies remain viable at taxpayers' expense. There is also an irony involved. Canada recognizes the unfairness of this practice as is demonstrated by its application of countervailing measures against China on behalf of Canadian steel producers and aluminum processors. In that case, Manufacturers benefit from basic steel and aluminum raw input materials at artificially low prices as compared to the rest of the world due to a similar structure of export restraints and state ownership of basic production. Without log export restraints, a significant step toward resolving the cross-border dispute would have been taken. That is why we share the truck loggers' view on log exports. We also would want to see free trade in logs and a fully open and competitive market.

Where Do We Go From Here?

The economic malaise started by the housing and mortgage crisis in the United States has now spread globally, pushing what we all hope and expect is an inevitable recovery further down the road. The downturn has created a unique opportunity for provincial governments to move to a fully open and competitive market. That would go a long way in the coming years to mitigating the distorting effects of government intervention. As I have said many times before, the lumber industry in the United States can compete against any lumber industry in the world, but we can't compete against their governments, too.

Steve Swanson Biography

Steve Swanson is President and Chief Executive Officer of the Swanson Group -- a family owned company started in 1951 as Superior Lumber Co. Mr. Swanson's career with Swanson group began in 1977, when he started working as an Accounting Manager for Superior Lumber Co. In 1982, Mr. Swanson assumed the position of Assistant General Manager of Superior Lumber, and then assumed the role of General Manager in 1989. In 2001, Mr. Swanson became President and Chief Executive Officer of Swanson Group. Under Mr. Swanson's leadership, Superior Lumber/Swanson Group underwent Dramatic growth, increasing its workforce from 90 to approximately 1,000 employees with manufacturing divisions that include five mill locations in Oregon. Combined, the Swanson Group mills have the capacity to produce over a billion feet of wood products a year - including dimensional lumber, studs, and plywood. Swanson Group also started its aviation division in 1995 under Mr. Swanson's leadership -- Swanson Group Aviation. Today, Swanson Group Aviation includes a fleet of 6 helicopters utilized for aerial logging operation as well as any task that requires lifting heavy loads at high altitudes. Mr. Swanson is a

Trustee on the Timber Operators Council Multiple Employer Pension Fund, and has also served as President of Southern Oregon Timbers Association, and as Chairman of the Independent Forest Products Association (which became the American Forest Research Council "AFRC" upon the merger with North West Timber Association). Mr. Swanson has also been a member of the board of the Douglas Timber Operators, and is currently a Board Member of the American Family Business Institute (Estate Tax reform). Since late 2005, Mr. Swanson has served as the Chairman of the Coalition for Fair Lumber Imports. As Chairman of the Coalition for Fair Lumber Imports, Mr. Swanson guided the U.S. industry during the negotiations and implementation of the U.S. - Canada Softwood Lumber Agreement - an agreement involving one of the largest trade disputes between the United States and one of its trading partners, Canada. Mr. Swanson continues to lead the Coalition for Fair Lumber Imports today - a period of unprecedented challenges in the industry as well as the century old cross-border dispute.