

Subject: FW: Softwood Tax/Stumpage Fees

Date: Tue, 2 Apr 2002 06:59:05 -0800

From: Ernie Crist <CristE@dnv.org>

To: "FONVCA (E-mail)" <fonvca@fonvca.org>

A MESSAGE FROM ERNIE CRIST;

I AM FORWARDING THIS E-MAIL FROM PAT MUNROE ON THE SOFTWOOD LUMBER ISSUE SINCE PAT IS REALLY ON TOP OF THIS AND HAS SOMETHING VERY WORTHWHILE TO SAY.

PAT WAS AN OUTSTANDING COUNCILLOR - THE BEST WE HAVE EVER HAD. HE BECAME THE VICTIM OF THE CCA (Billboard Council) MISINFORMATION BLITZ DURING THE LAST MUNICIPAL ELECTION.

[Ernie Crist]

-----Original Message-----

From: Pat Munroe [<mailto:pat.munroe@shaw.ca>]

Sent: Tuesday, April 02, 2002 1:59 AM

To: Ernie Crist

Subject: Softwood Tax/Stumpage Fees

Ernie,
Did you already receive a copy of my following email?
Pat.

Hi Anita,

Regarding the softwood export market to the USA, I am sure that inasmuch as the dispute between Canada and the USA in the issue of the countervailing duties we stand together in support of our efforts to ensure that we receive fair treatment for our Canadian industry.

The concern of Canadians for the well-being of Canadian Companies as well as the survival of government programs serving the essential needs of Canadians is uppermost with us at this time.

If your stated opinion in defense of international corporations regarding tariff kick-backs to their American subsidiaries or affiliates is correct, it will help to relieve that concern.

Because of limited government revenue, the essential services such as Health, Education, Social Services, Canadian Small Businesses support, etc., are being eroded.

The survival of the programs which define Canada in Health, Education, Social Programs, etc., as well as the support of Canadian Business relies on tax revenues from large corporations as well as the incomes of ordinary Canadians.

It is important to note that it is not easy for ordinary Canadians to find information and whenever possible the research of others must be used to apply to the question.

Regardless of the interest we all have in wanting the conclusion of the Countervailing Duties to favour our side, it is important to review the issue of royalties/stumpage fees when we have information available.

To ensure that progress is made in Canada in the struggle to receive government tax revenues through Crown timber harvest royalties/stumpage, we must address the discrepancies pertaining to residual value of Crown Timber Harvesting licences.

We must have a closer look at the Market Pricing System and the process of the International Trade Commission, the Dispute Settlement Panel of NAFTA and the rights under the Dispute Settlement Understanding of the World Trade Organization.

Canada's argument does not seem to be against the accuracy of the royalty/stumpage figures used by the USA as the basis of the Countervailing Duties dispute.

The argument appears to be in how the figures are used in fair market pricing.

These same figures for royalties/stumpage fees on Crown Timber harvests are used in the Fact Sheet on Final Determination in Anti-Dumping and Countervailing Duty by the United States Department of Commerce, International Trade Committee.

The USA has found that some 20 Canadian companies do not use Crown timber harvested logs or at least "are not subsidized above 'de minimus' ", and have exempted them from the tariff. Also not included in the Duty are companies in the maritimes which do not use Crown timber, unless they use "Crown timber harvested in other provinces".

The companies which are using Crown timber harvested logs and are not exempted, are found to be 'subsidized' by reduced royalty/stumpage fees at differing levels. The Fact Sheet shows the Final Margin as follows:
Weyerhaeuser - 15.83%; Abitibi - 14.60%; Tembec - 12.04%; Slocan - 7.55%;
Canfor - 5.96%; West Fraser - 2.26%.

Apparently, about 34% of our export softwood sales is to the USA. For the year 2001, the value of softwood sales to the USA is identified at 5.668 BILLION US DOLLARS. At today's exchange rate that is some 9 BILLION DOLLARS Canadian.

If that is 34% of our sales, then our total export softwood sales for the year 2001 would have been 3 times that or nearly 30 BILLION DOLLARS.

Government revenue from royalties/stumpage fees collected for the forest resources are of grave importance to the government programs for all


Canadians.

As much as it is important to support Canadian industry, it is at least as important to protect the Canadian public revenues which pay towards our essential services.

The questioning of whether or not there are discrepancies in the system of taxation should not be discouraged and should certainly not be frowned upon.

Regards

Pat

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