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

October 8, 2010

The Honorable Peter Van Loan
Minister for International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2

Dear Minister Van Loan:

Pursuant to paragraph 4 of Article XIV of the Softwood Lumber Agreement between the Government of the United States of America and the Government of Canada done at Ottawa on September 12, 2006, as amended (the "Agreement" or the "SLA 2006"), I am writing to request consultations with the Government of Canada on the apparent under-pricing of timber provided by the Government of British Columbia ("BC") to producers of Canadian Softwood Lumber Products and the resulting apparent circumvention of the Export Measures provided for under the SLA 2006.

Under the BC provincial timber pricing system in existence as of July 1, 2006 – the provincial timber pricing system "grandfathered" under the SLA 2006 – timber harvested from public lands in the Interior region of BC meeting the definition of "Grade 4" is priced at a fixed rate of 25 cents per cubic meter, while timber meeting the definitions of "Grade 1" or "Grade 2" is priced at a variable rate, which in no case can be lower than 25 cents per cubic meter and often has been significantly higher.

Since the SLA 2006 went into force, the share of timber harvested from public lands in the BC Interior region and provided as "Grade 4" (or otherwise priced at 25 cents per cubic meter) has increased dramatically. This increase does not appear to be justified under the grandfathered BC provincial timber pricing system, even when known factors affecting timber quality in BC (such as the mountain pine beetle) are taken fully into consideration.

It appears that timber in BC's Interior region is being provided improperly for a low fixed price. Further, it appears that improperly providing timber at a low fixed price is resulting in lower prices for other timber.

This apparent under-pricing of timber in the BC Interior region appears to be providing a benefit to producers of Canadian Softwood Lumber Products that has the effect of reducing or offsetting the Export Measures provided for in the SLA 2006, contrary to paragraph 1 of Article XVII of the Agreement, as elaborated by paragraph 2 and 4(a) of Article XVII. Further, because the apparent under-pricing conflicts with the BC provincial timber pricing system as it existed on

July 1, 2006, it does not appear to be justified under any of the provisions of paragraphs 2 or 4 of Article XVII of the SLA 2006.

Accordingly, the United States wishes to consult on the apparent provision to producers of Canadian Softwood Lumber Products of under-priced timber harvested from BC's Interior region which appears to be inconsistent with the provisions of paragraph 1 of Article XVII of the SLA 2006.

I look forward to your prompt response so that we may arrange a mutually agreeable time and place for the consultations. The United States hopes that our two governments are able to reach a satisfactory resolution of these matters during the consultations.

Sincerely,

Ambassador Ron Kirk