



COALITION FOR FAIR LUMBER IMPORTS

**Softwood Lumber From Canada
Investigation Nos. 701-TA-414 and 731-TA-928
(Section 129 Consistency Determination)**

October 13, 2004

Dewey Ballantine LLP

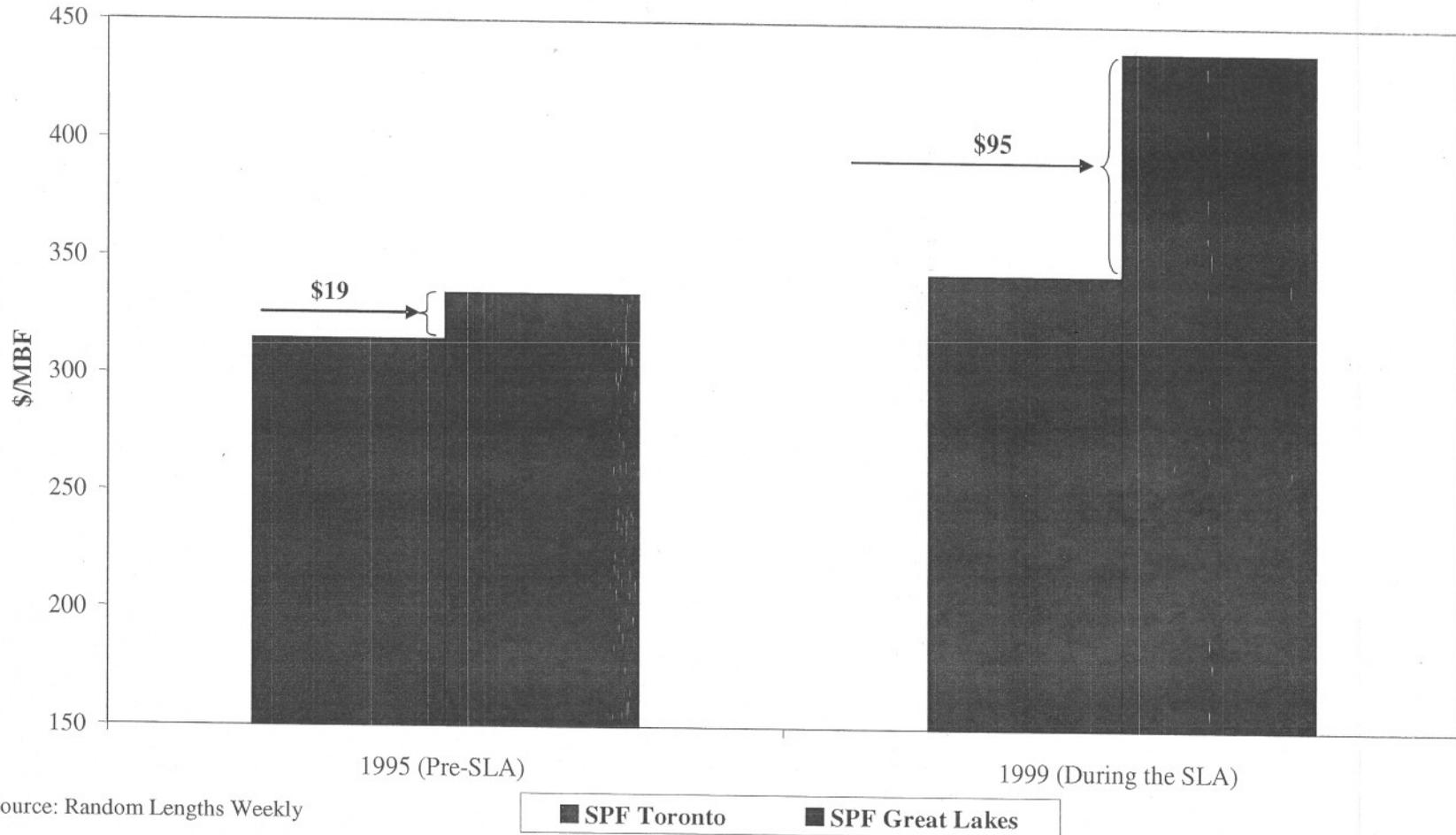
Overview

- The SLA Restrained Canadian Imports and Increased Prices
- Without Restraint, Canadian Imports Are Likely to Increase
- Demand Likely to Remain Flat in 2002
- Canadian Imports Will Depress U.S. Prices
- Domestic Industry Is Vulnerable
- No Other Known Causes of Injury Exist

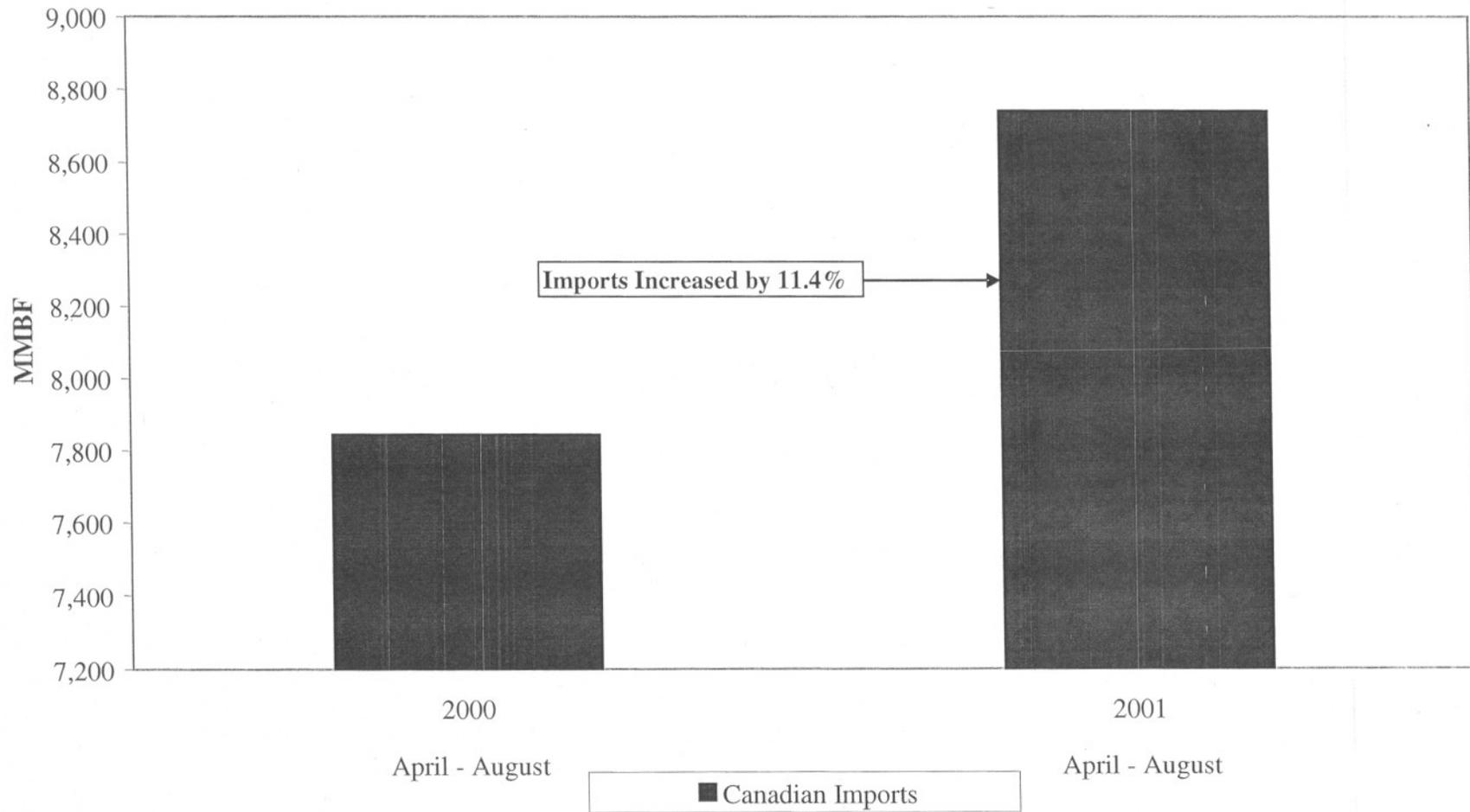
The SLA Restrained Volumes and Increased Prices

- Lindsey *et al*: Price effect of \$50-\$80/mbf or 15-25%
- Zhang: Price effect of \$59/mbf (16%) and volume effect of 17%
- Fukuda: Price effect of 15%
- Stoner *et al*: Price effect up to \$88/mbf (22%), and volume effect of 12%

The Gap Between Prices for Eastern SPF in Toronto and the Great Lakes Area Increased During the SLA

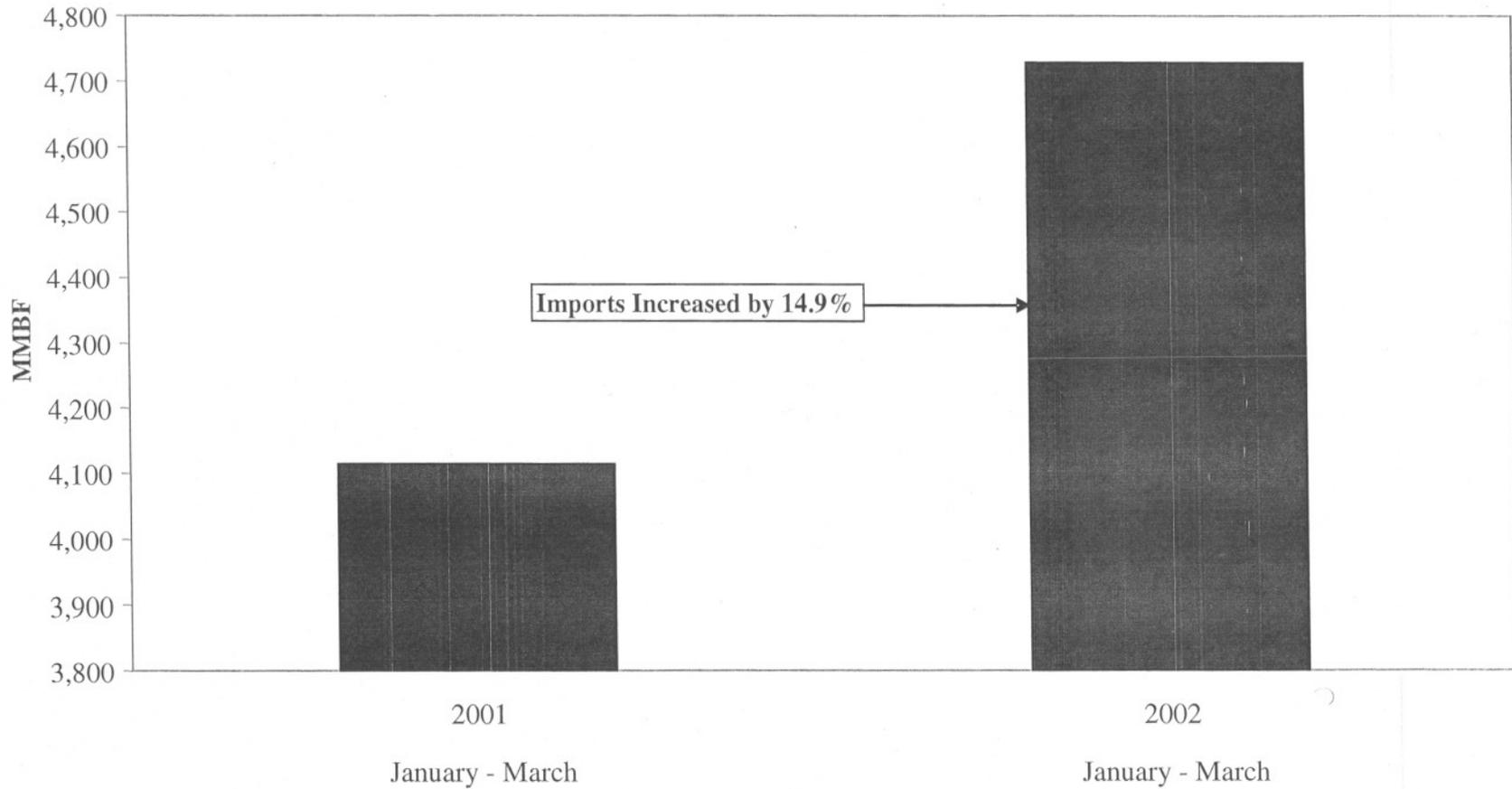


Canadian Imports Surged Between the Expiration of the SLA and the Imposition of Preliminary Countervailing Duties



Source: U.S. Department of Commerce Census IM-145

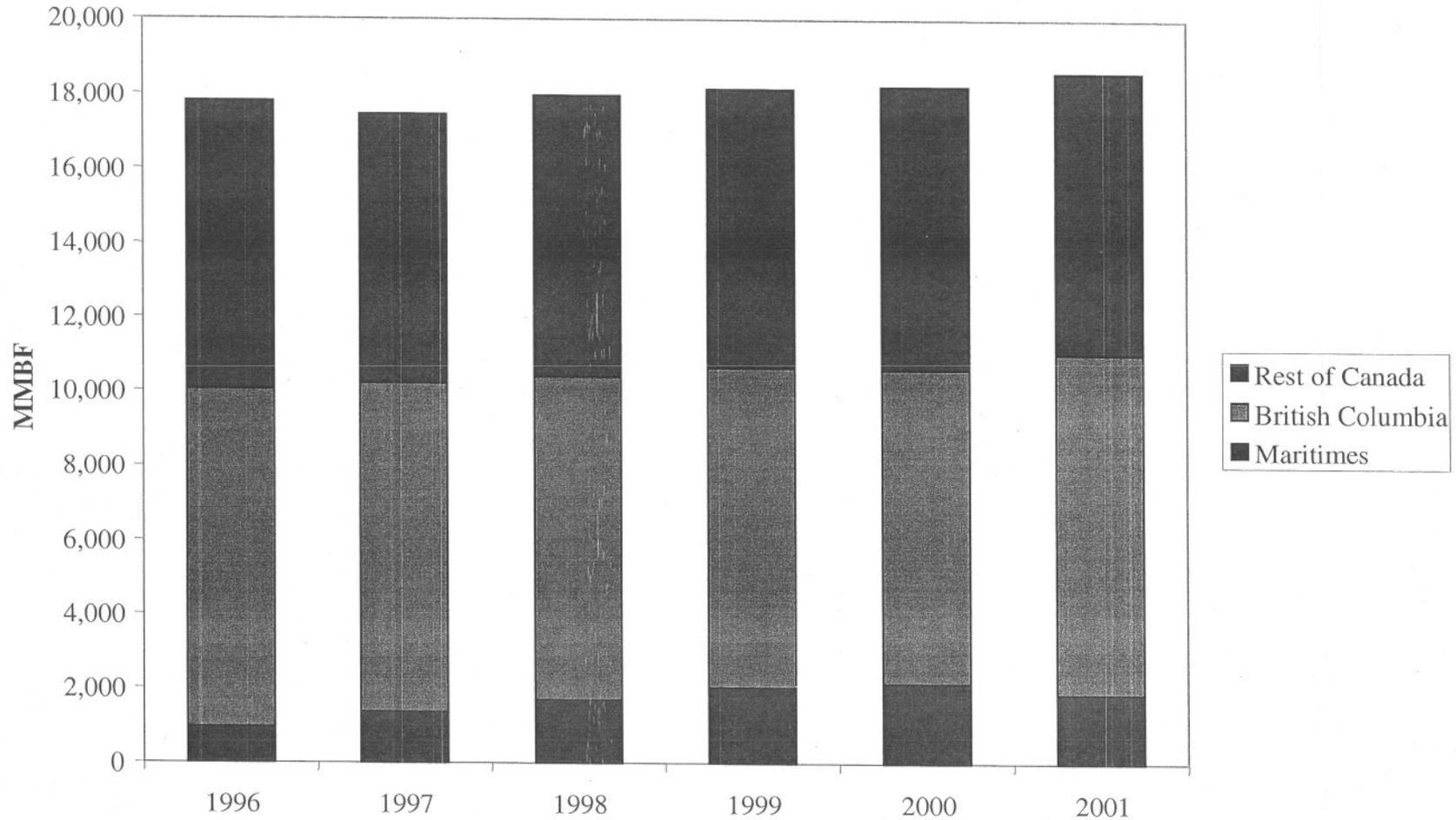
Canadian Imports Continued to Surge In the First Quarter of 2002



Source: U.S. Department of Commerce Census IM-145

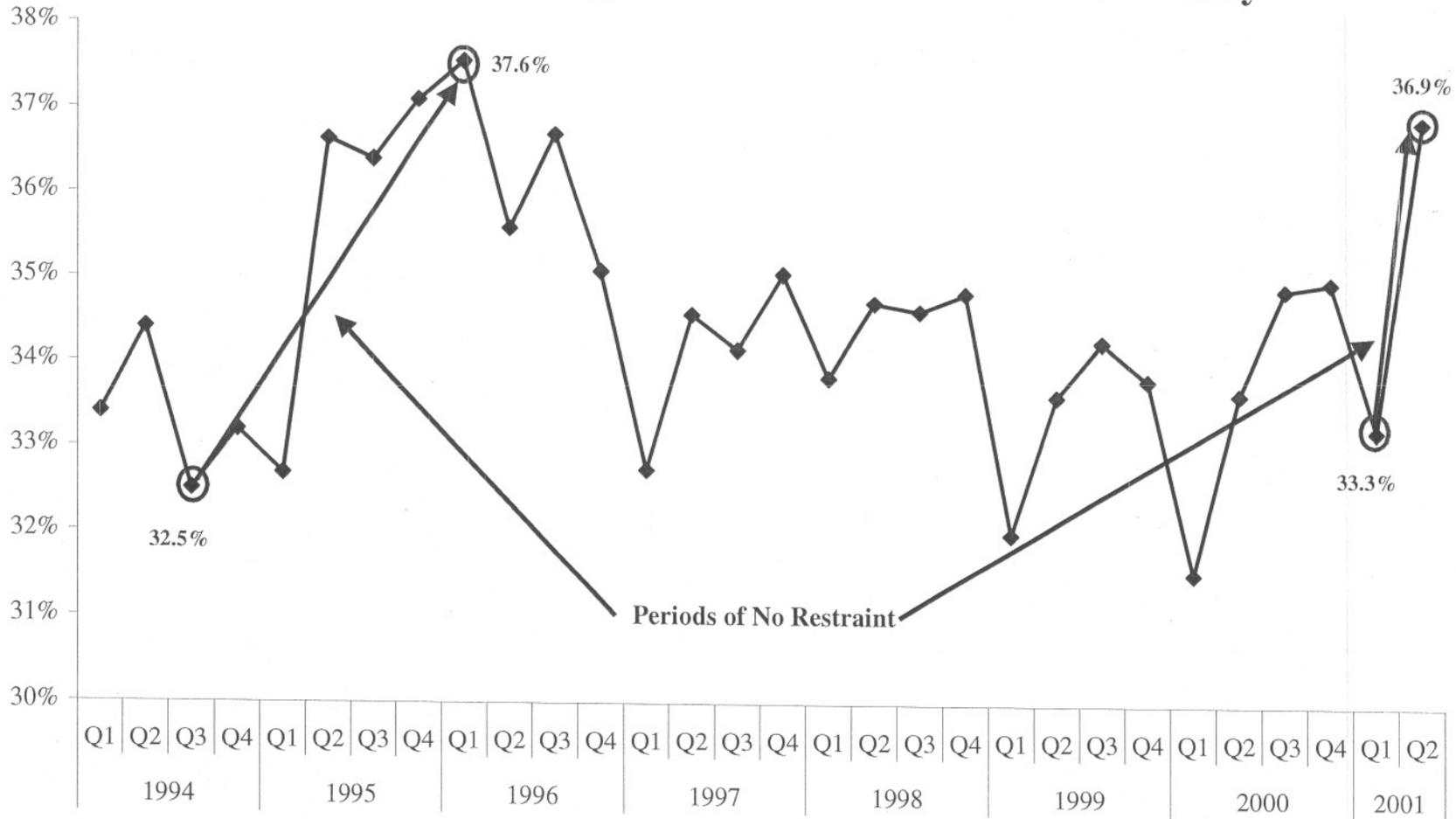
■ Canadian Imports

Distribution of U.S. Market Share Among Canadian Provinces Did Not Significantly Change Under the SLA



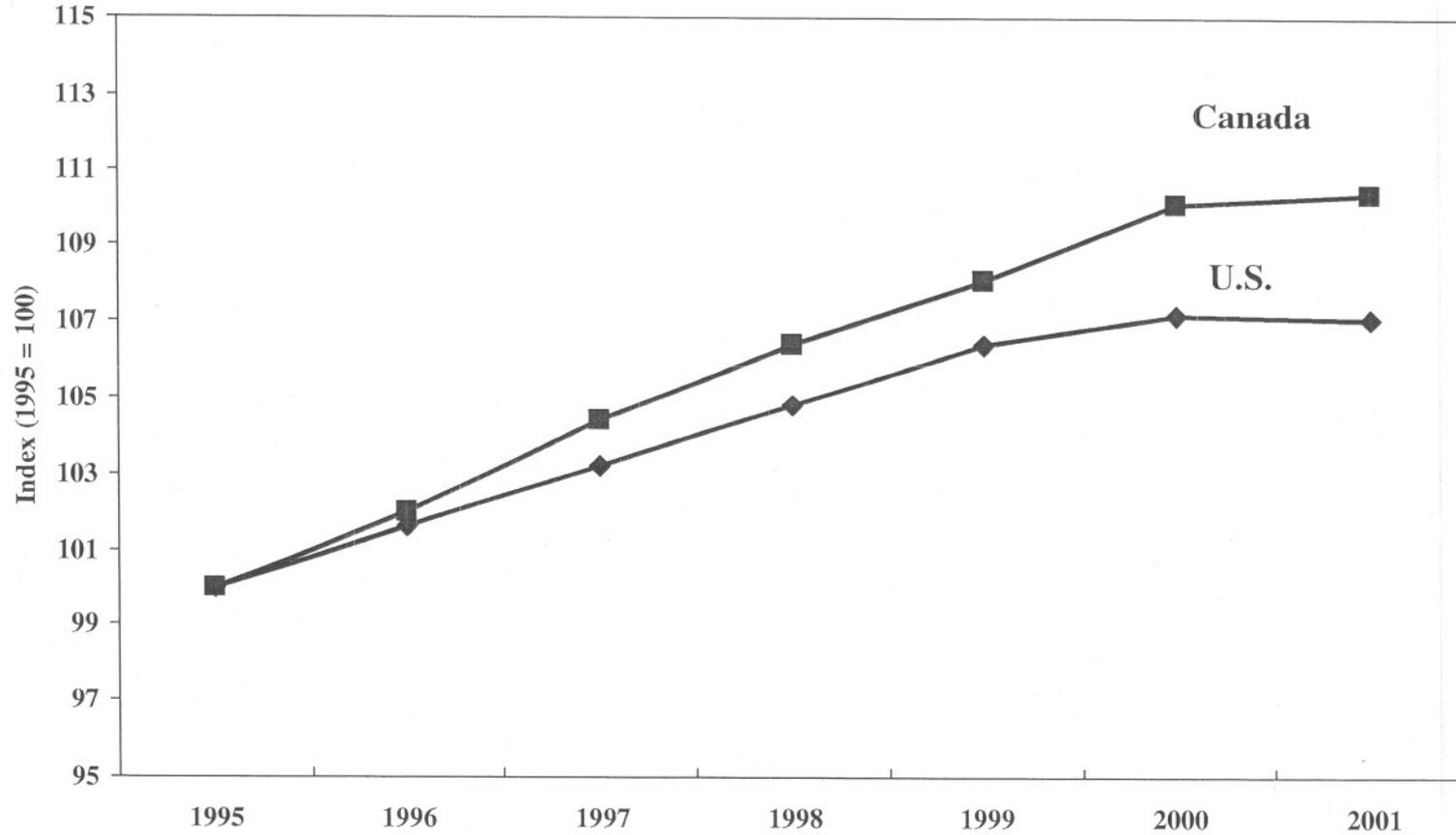
Source: PSR Tables IV-3, VII-8, Revised IV-2

During Periods Without Trade Restraints, Canadian Softwood Lumber Import Penetration Rose Dramatically



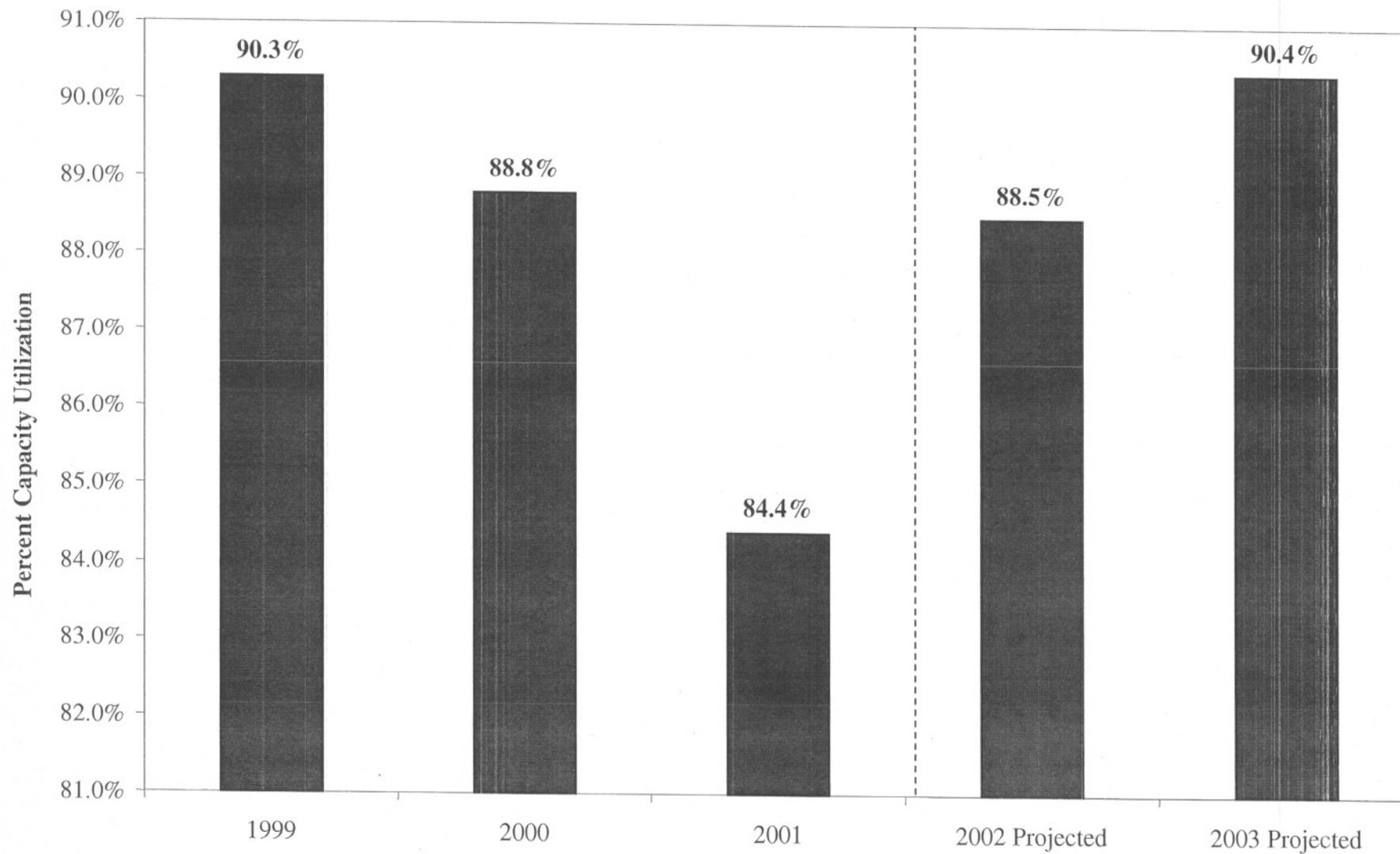
Source: U.S. Department of Commerce Census IM-145; American Forest & Paper Association

Canadian Lumber Capacity Grew More Rapidly than U.S. Capacity



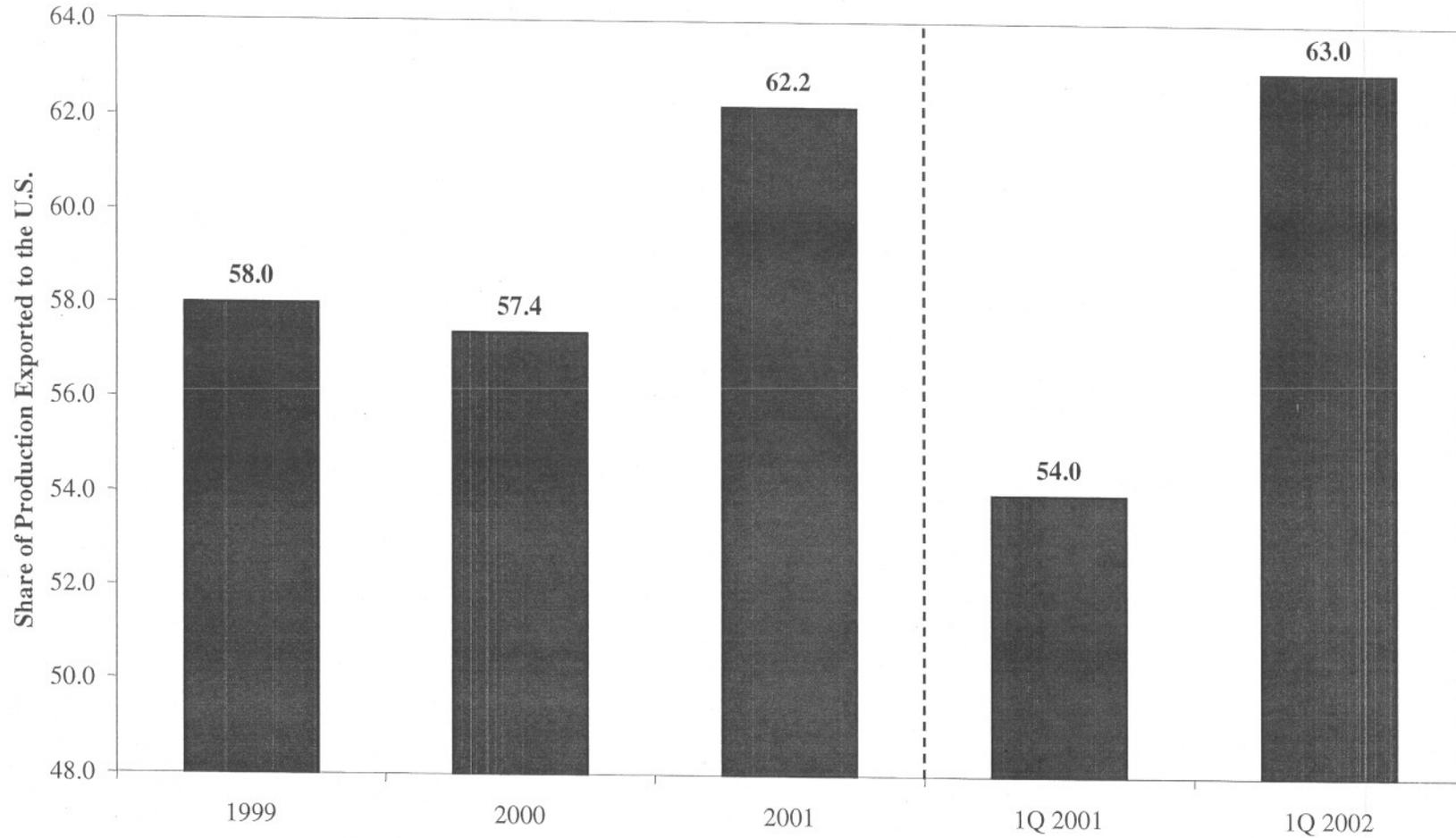
Source: Final Staff Report at III-11, Table III-6 and VII-1, Table VII-1 (Public Version)

Canadian Producers Projected Increased Production in 2002 and 2003



Source: FSR at Table VII-2

The Export Orientation of Canadian Producers Increased Substantially in the First Quarter of 2002



Source: ITC Questionnaire Responses; PSR at Table VII-2, VII-2B; U.S. Department of Commerce Census IM-145

Other Markets Will Not Absorb Increased Canadian Production

- The Rogers report predicted a slowdown in Canadian housing starts in 2002 and 2003 and “continued slowing” of the Japanese market

(Rogers Report Oct. 2001)

- RISI characterized the Japanese market as “horrible” and facing “deep structural problems”

(RISI January 2002)

- RISI projected that Canadian demand would increase by only 100 MMBF in 2002

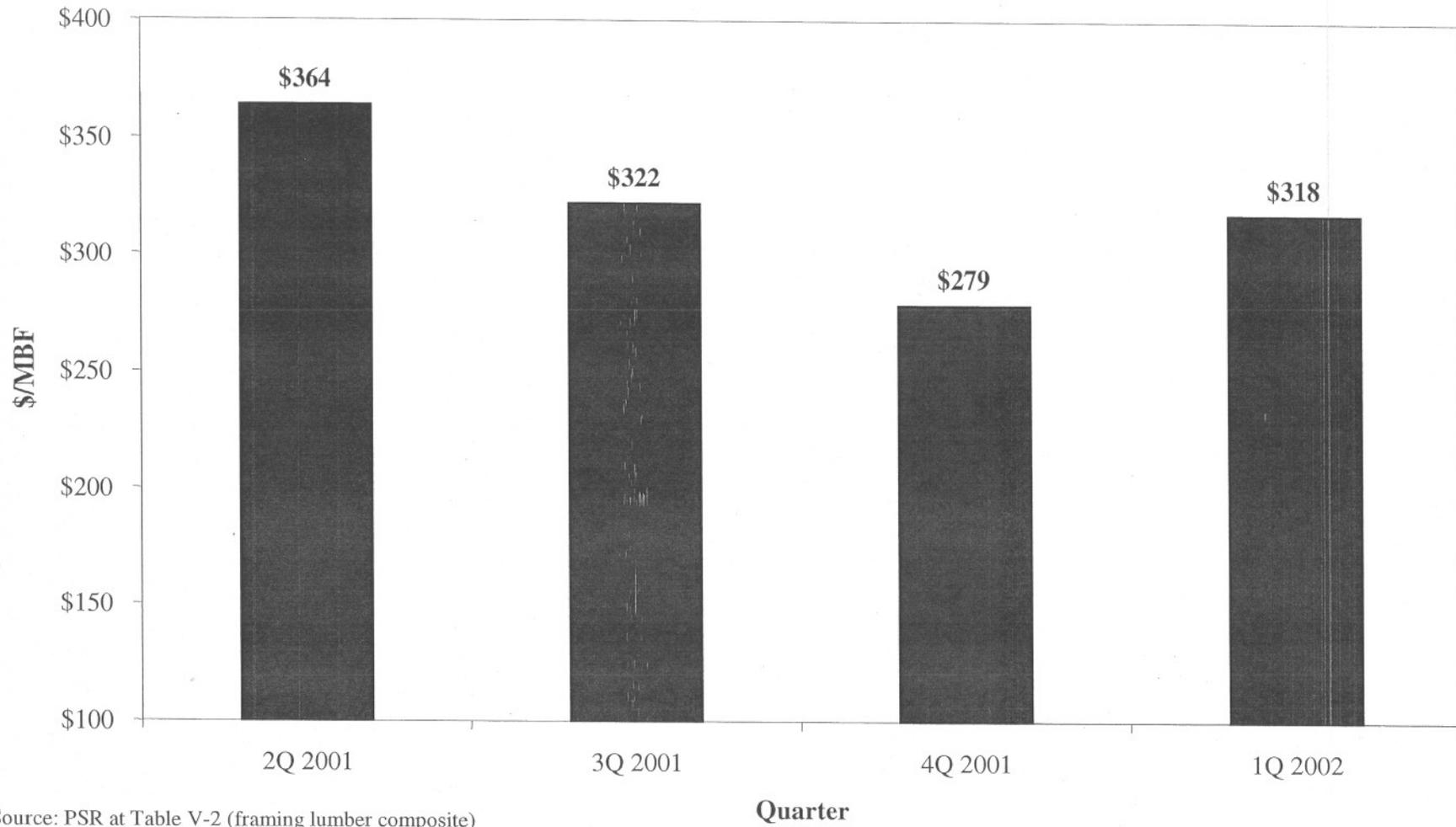
(RISI March 2002)

Demand Forecasts Were Mixed in Early 2002

- Forecasts Available in January 2002 When Canadian Producers Predicted 8.9% Production Increase:
 - BC Economic Forecast Council: 2002 down 2.5%, 2003 up 2.9%
 - Rogers Study for BC MoF: 2002 down 2.0%, 2003 up 0.6%
 - BOA Report: 2002 down <1%, 2003 up about 2%

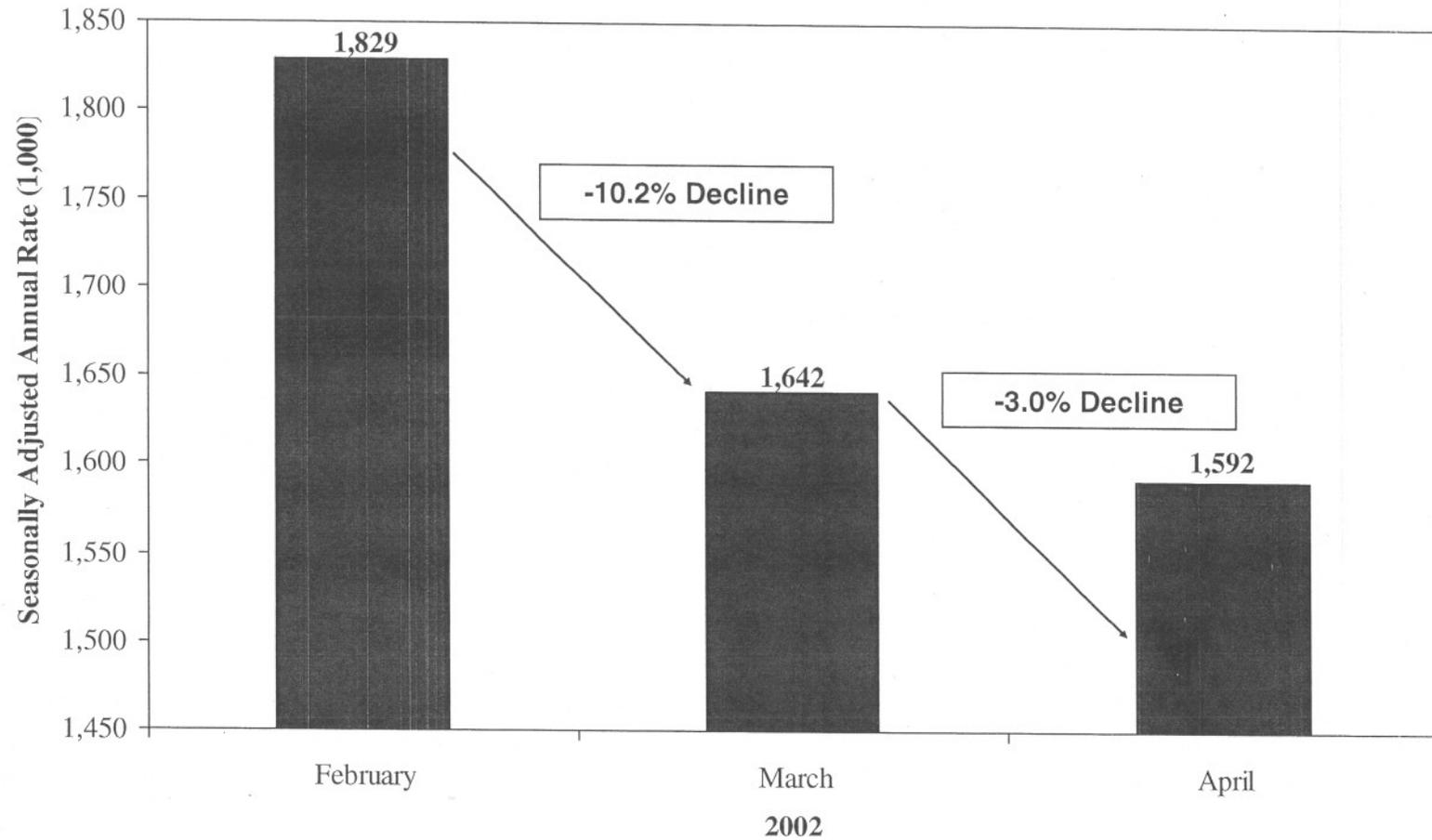
- Forecasts Accounting for Slowdown in Housing Starts in March-April 2002:
 - RISI March 2002: 2002 up 0.9%, 2003 up 4.3%
 - NAHB: Apr. 2002: 2002 up 1.7%, 2003 down 2.9%

First Quarter 2002 Prices Were Lower Than Second and Third Quarter 2001 Prices



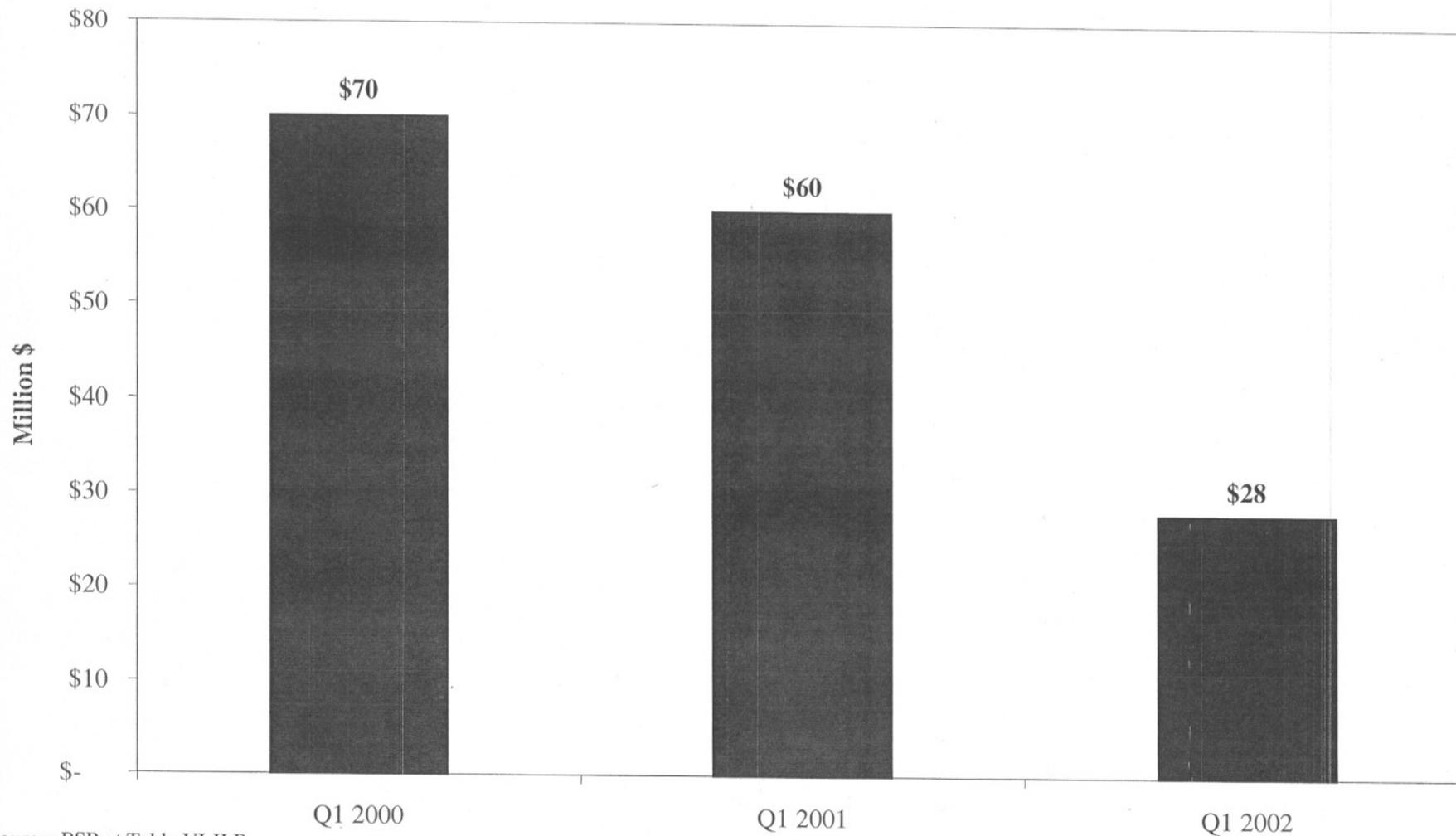
Source: PSR at Table V-2 (framing lumber composite)

Housing Starts Declined in Each Month from February to April 2002



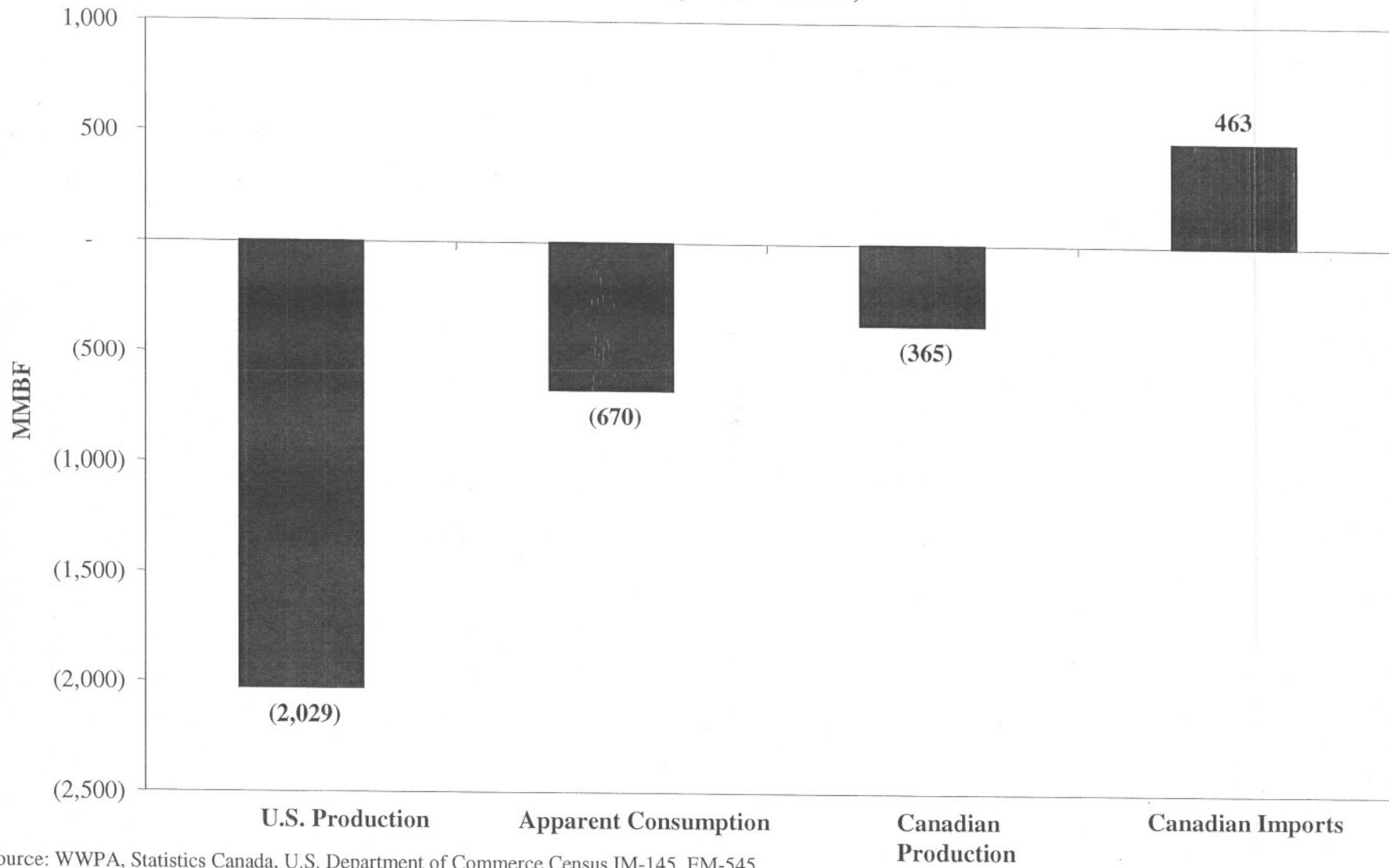
Source: U.S. Census Bureau, New Residential Construction, Housing Starts

Capital Expenditures Declined Precipitously in the First Quarter of 2002



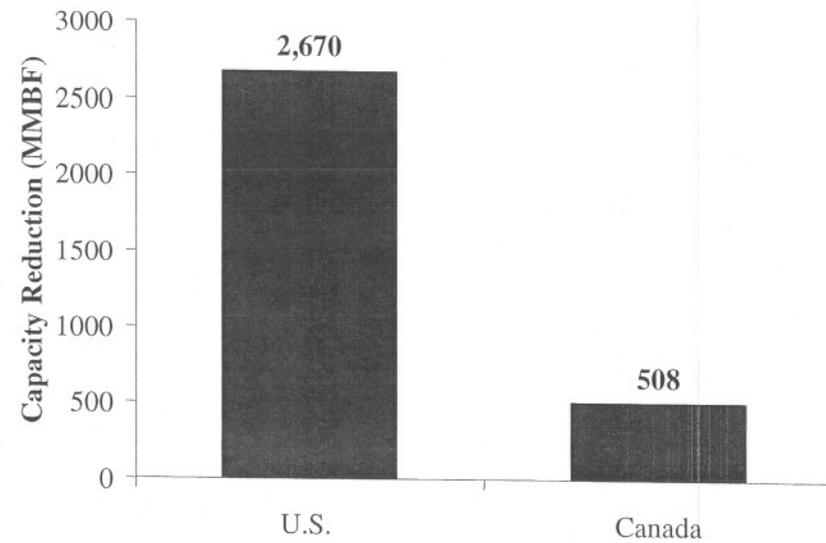
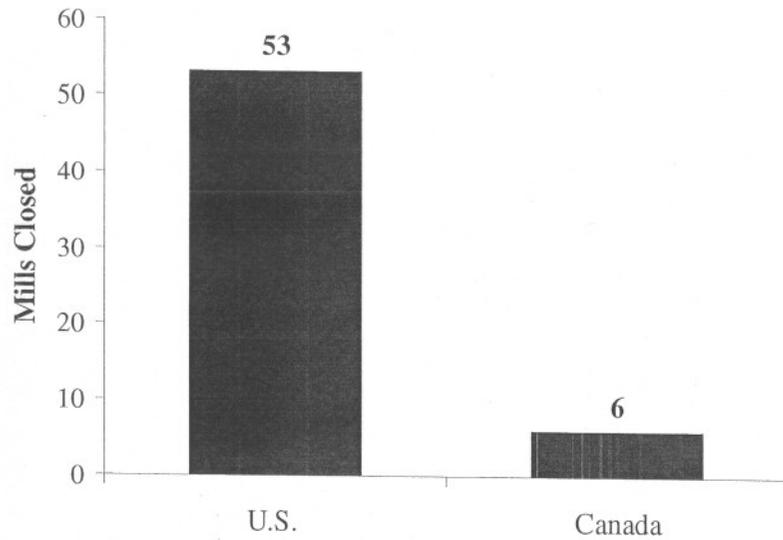
Source: PSR at Table VI-II B

The U.S. Industry Curbed Production Much More than Did the Canadian Industry (1999 - 2001)



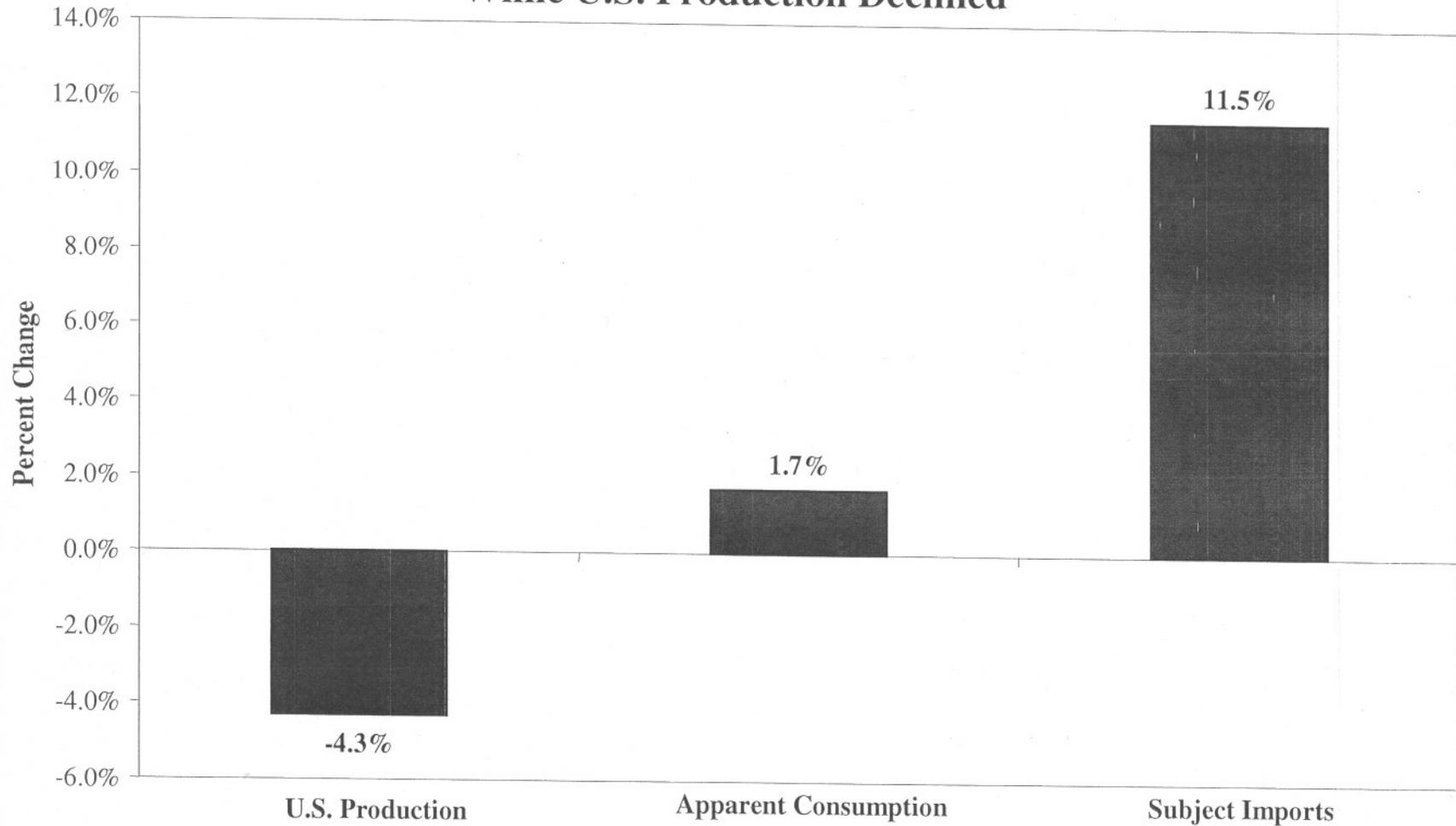
Source: WWPA, Statistics Canada, U.S. Department of Commerce Census IM-145, EM-545

Mill Closures and Capacity Reduction in the U.S. Far Exceeded Those in Canada (1999-2001)



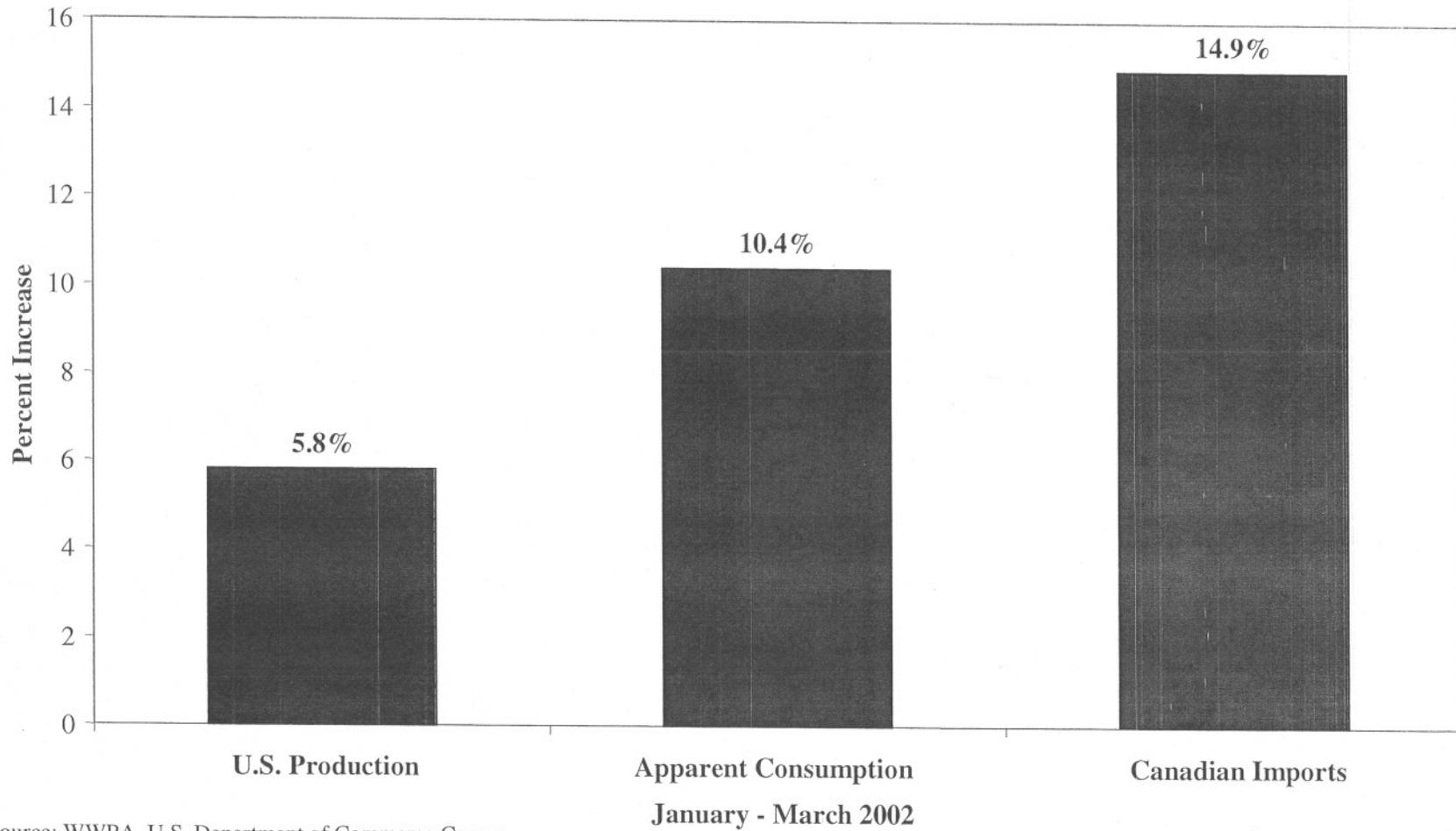
Source: Spelter Study at 1

In the Second Quarter of 2001, the Increase in Subject Imports Swamped the Increase in Apparent Consumption While U.S. Production Declined



Source: U.S. Department of Commerce Census IM-145 and EM-545; WWPA; Statistics Canada

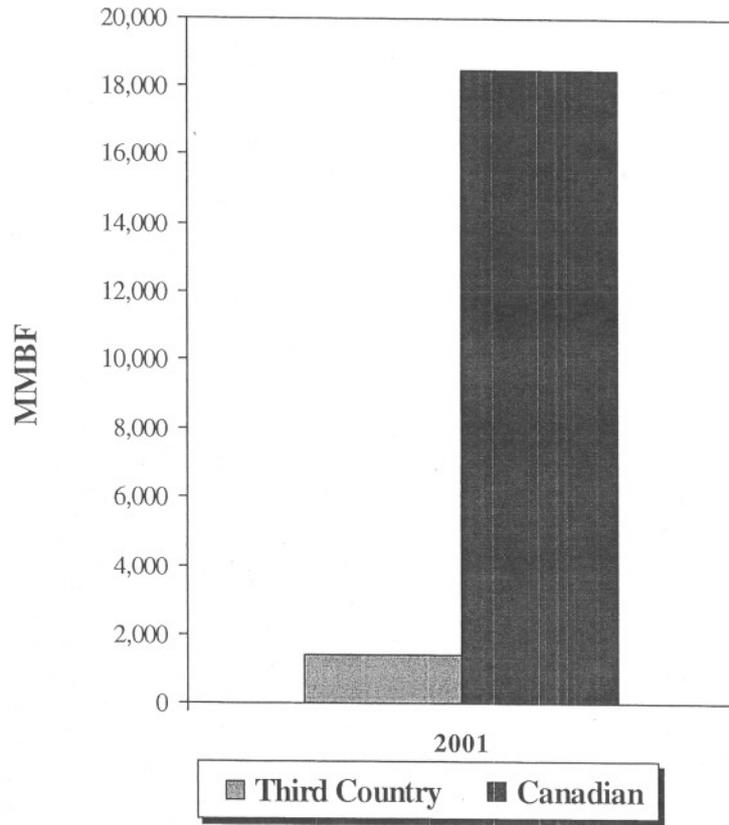
Canadian Imports Continued to Outpace U.S. Demand and Production During the First Quarter of 2002



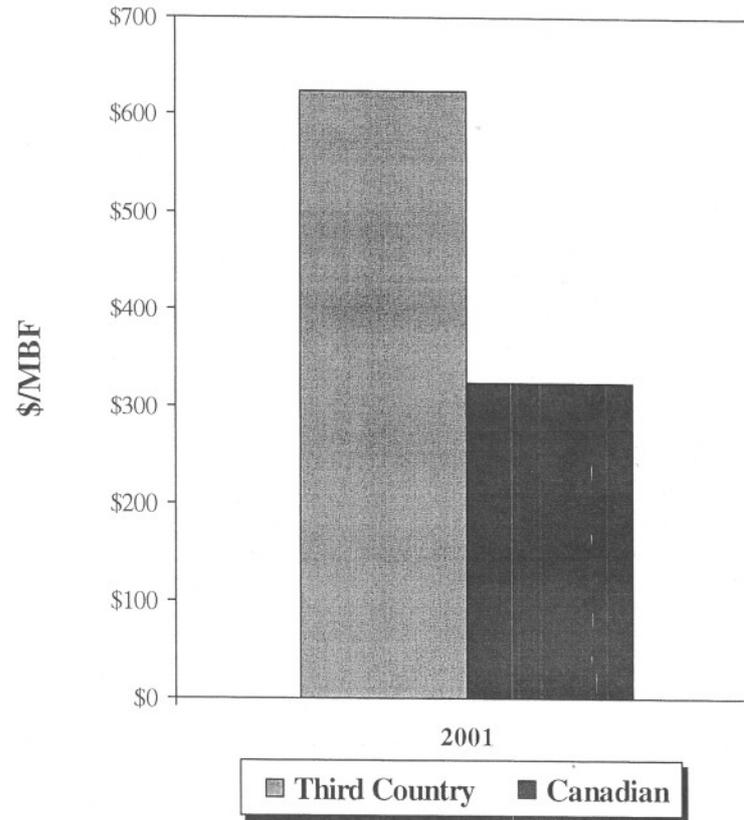
Source: WWPA, U.S. Department of Commerce Census
IM-145 and EM-545

Third Country Imports: Low Volume, High Price

Import Volumes



Import Prices



Source: Final Staff Rep. at Table IV-1, P.R. 423

