The
CHAMBER.

Support Ontario's Forestry Industry by Establishing an Ontario Commercial Loan Guarantee Program

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Issue

As a direct result of United States duties on softwood lumber, the Ontario forest sector has more than $245 million in deposits currently being held at the border. [1] In the face of these baseless trade actions, our forest industries are unable to reinvest in their employees and operations, putting mills and communities at significant risk. To ensure we keep mills open and people working, we encourage the Province to establish a Made-in-Ontario Commercial Loan Guarantee Program to ensure our Forest sector continues to grow and thrive.

Background

The Canada / United States (U.S.) softwood lumber dispute is the longest running trade dispute between our two countries. We are currently in the fifth individual trade action spanning four decades.[2] The U.S. alleges that Canadian timber is sold at below-market prices, and this assertion is used as the basis to impose punishing duties on the Canadian industry.[3] However, these duties are arbitrary and punitive, and have never survived Canadian appeals under the North American Free Trade Agreement and the World Trade Organization.

In 2017, the U.S. imposed new import duties as high as 24 percent on Canadian lumber as part of its most recent trade action.[4] As time goes on, the cash tied up in duty deposits becomes an increasing threat to the viability of lumber producers in Ontario and across the country.

The Ontario forest sector accounts for 21 percent of the nation's forest industry employment, employing 172,000 people, and spurs $15.5 billion in economic activity,[5] yet as one of the largest sectors contributing to our provincial economy, they are continually face insurmountable barriers with respect to U.S. border tariffs.

Supporting Ontario's renewable industry in a tangible way by providing the lumber sector with commercial loan guarantees, will help preserve the industry's credit and enable it to borrow against cash deposits so that litigation and costly duties cannot hinder the industry as in previous years.

The Federal Government has established a mechanism to help companies seeking to diversify their product line, make efforts to develop new markets overseas, help Indigenous communities and groups improve their performance and participation in forestry, and extend work-sharing agreements in order to minimize layoffs.[6] These programs may be helpful in provinces where lumber market diversification is an option, but for Ontario, whose natural market is the United States, the Federal programs are

[1] Dunn, Ian. "OFIA's 2019 Pre-Budget Submission." OFIA 2019 Pre-Budget Submission, Ontario Forest Industries Association, 23 Jan. 2019, www.ofia.com/ofia-2019-pre-budget-submission.html.
[2] Rahman, Osman, and Stephen Devadoss. "Economics of the US-Canada Softwood Lumber Dispute: A Historical Perspective." The Estey Centre Journal of International Law and Trade Policy, vol. 3, no. 1, 2002, pp. 29–45.
[3] Ibid.
[4] Baker, Peter, and Ian Austen. "In New Trade Front, Trump Slaps Tariff on Canadian Lumber." The New York Times, The New York Times, 25 Apr. 2017, www.nytimes.com/2017/04/24/us/politics/lumber-tariff-canada-trump.html.
[5] "Canada's Forest Industry: By the Numbers (35 Facts)." Canada Action, canadaaction.ca/forest_sector_by_the_numbers_economic_contribution.
[6] https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/plansperformancereports/dpr/2018-19-DP-NRCan-EN.pdf

not realistic. Ontario's lumber producers need to have adequate liquidity to survive the U.S. lumber trade action, and to do that it requires support to maintain access to cash until the legal process is concluded.

Without the establishment of a Provincial loan guarantee program, many of our provinces' sawmills will not be able to finance deposits at acceptable rates without the support of the Provincial government. While such intervention may be claimed by the United States as a countervailable subsidy, such a finding could not have any impact for at least two years and, even then, would not calculate to anything detrimental to the government or the industry.

Keeping Ontario open for business means establishing a Provincial commercial loan guarantee program. As a natural resource-rich province, the government must do all it can to realise the success of our industries who are responsible in maintaining our forests for generations to come.

Recommendations

The Ontario Chamber of Commerce calls on the Provincial Government to:

1. Establish an Ontario Commercial Loan Guarantee Program that supports the Ontario forest sector with working capital by:

    a. offering loan guarantees to assist the industry in maintaining credit and borrow against cash deposits.

    b. providing access to any Ontario lumber producer that has paid an anti-dumping tariff and countervailing tariff.

    c. allowing the forest industry access to 75 percent of the paid anti-dumping and countervailing tariff through loans at a commercial rate comparable to current bank rates.