

This is a summary of the CWPCA response on the proposed schedule to terminate the bilateral exemption for heat treatment of wood packaging material (pallets and containers). Please forward to your colleagues. If you wish to comment or to endorse CWPCA's position, contact our office for guidance and further details.

Canadian Wood Pallet & Container Association

Association canadienne des manufacturiers de palettes et contenants

The wood packaging material (WPM) industry in Canada has employment of 5,000 and annual turnover of >\$800 million.

The US and CA governments had previously agreed to implement ISPM No.15 f by no earlier than January 2013; the USDA and CFIA now propose to start implementation early next year, with dunnage to be regulated by the middle of 2012.

Improved phytosanitary security is in the best interests of all parties on both sides of our border, and we trust that this accelerated phase-out is based on environmental goals only. It is misleading to claim that CA-origin WPM is the source of the increasing entry of invasive pests into the US.

We would prefer the bilateral exemption to terminate according to the original 2013 timing, but we can accept the US desire to accelerate this schedule subject to a number of suggestions:

1. The WPM industry has concerns that an accelerated requirement to apply the IPPC stamp could result in trade impediments if border officials are allowed to exercise arbitrary discretion over the movement of properly-certified WPM. Border officials must receive clear policy direction that a valid IPPC stamp is analogous to a national passport and should be treated with respect.
2. We seek greater enforcement at border crossings to identify WPM shipments from non-certified facilities.
3. A proposed time-lag between implementation for wood containers and for dunnage, is specious. A consolidated deadline of July 2012 (or later) should apply to full implementation for all WPM and dunnage moving across our border.
4. 'Informed compliance' should start as soon as possible.
5. Any additional cost to treat WPM will reduce the economic competitiveness of wood relative to non-environmental packaging options, such as plastic pallets.
6. Most WPM used for export to the US currently is not HT'ed, and the need to boost supply will strain existing certified facilities. We urge CFIA to prioritize research that would allow probes to be used in kilns and similar initiatives which address this probable constraint in production capacity.
7. The Canadian WPM industry concurs that a proposed lead time to next July will allow it to deplete inventories of non-HT'ed WPM.
8. We seek clarification of the expectations for documentation that will be required for WPM under load, which should be simple to complete and electronic if possible.

9. We assume that Canada will terminate its existing bilateral exemption in a transparent manner that is equitable to the proposed US action.
10. Governments should consider monetary compensation or fiscal assistance to affected industry sectors (WPM manufacturers & exporters) to offset the economic impacts of this accelerated implemented. US documents conclude that “the costs of complying with this rule would largely fall on Canadian manufacturers of pallets.”

CWPCA estimates that the industry will pay \$30m a year to HT new WPM for export, based on annual shipment of 26m units to the US, of which 80% now will need to be HT'ed at a unit cost of \$1.25 for softwood and \$2 for hardwood.

To HT the current inventory of 300m pallets which travel south under load, would incur a first-year 'hit' of \$300m, assuming 50% of inventory needs HT at an average cost of \$2 per recycled unit to comply with the accelerated rule. This incremental cost in second and subsequent years would diminish, but would remain above \$200m/a.

We have not estimated costs for production of US WPM for export, nor for non-HT units under load which move north (lower but still a very significant cost). It soon will be impractical for WPM manufacturers to segregate wood for domestic and for continental use, and the ensuing need to HT all wood will impose even more costs on industry and consumers.

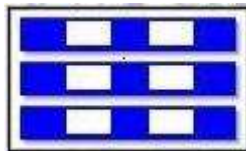
These new costs will boost phytosanitary levels under the international protocol agreed by both countries, but this accelerated economic impact comes at a time of reduced movement of goods between our countries which, in turn, has resulted in a significant negative downturn for the WPM industry. Bottom line: this is a bad time.

The Canadian WPM industry fully supports efforts to improve the integrity of the forestry system and to introduce a 'level playing field' in phytosanitary matters for all stakeholders. Environmental objectives often involve costs, but costs must be kept to a minimum and this accelerated termination must be taken for phytosanitary reasons, not as a hidden trade barrier against exports or WPM.

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#201 – 2141 Thurston Drive, Ottawa K1G 6C9
(613) 521-6468 (fax) 521-1835 cwpc@CanadianPallets.com
www.CanadianPallets.com