

**ATLANTIC LUMBER BOARD INC.  
2019 ANNUAL REPORT**

## I. INTRODUCTION

The Atlantic Lumber Board Inc. (“ALB”) is a Canadian not-for-profit corporation that administers a Certificate of Origin (“COO”) program that identifies softwood lumber products first produced in the Provinces of Newfoundland and Labrador, Nova Scotia, or Prince Edward Island solely from logs harvested in one of these three provinces. Such certification is required for these softwood lumber products to enter the United States without the application of antidumping (“AD”) or countervailing (“CVD”) duties.<sup>1</sup>

The ALB’s corporate policies provide that, in the first quarter of each calendar year, the ALB shall issue a public report detailing the operation of the COO program during the preceding calendar year, including an identification of any issues relating to the effective administration of the program.

The ALB issues this report pursuant to its internal procedures, with the participation of the Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island as Members, with administrative support from Forest Nova Scotia, and additional support from Customs Direct LLC, Quality Services Consulting Inc. and E.M. MacAulay Consulting.

As discussed below, there were no substantive issues or concerns associated with the operation of the ALB Certificate of Origin program in 2019.

## II. OVERVIEW OF U.S. TRADE AND CUSTOMS MEASURES IN 2019

The U.S. Commerce Department (“DOC”) published AD and CVD Orders concerning imports of softwood lumber from Canada on January 3, 2018. The average calculated “all others” AD rate was 6.04 percent *ad valorem*, and the average calculated “all others” CVD rate was 14.19 percent *ad valorem*. The scope of the AD/CVD Orders excludes “softwood lumber products certified by the Atlantic Lumber Board as being first produced in the Provinces of Newfoundland and Labrador, Nova Scotia, or Prince Edward Island from logs harvested in Newfoundland and Labrador, Nova Scotia, or Prince Edward Island.”

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<sup>1</sup> See *Certain Softwood Lumber Products From Canada: Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances*, 82 Fed. Reg. 51,806 (Nov. 8, 2017).

In 2019, the following occurred with respect to trade in softwood lumber products with Canada:

- DOC issued a final “expedited review” determination concerning eight individual Canadian lumber producers.<sup>2</sup> Five of the reviewed producers were found to have *de minimis* subsidy rates and DOC announced these producers will be excluded from the CVD Order. The three other producers were found to have subsidy rates and will no longer be subject to the CVD “All Others” rate. The expedited review is currently subject to an appeal before the U.S. Court of International Trade in Court No. 19-122.
- Upon request from interested parties, Commerce initiated a first administrative review of the CVD Order for the period of April 28, 2017, through Dec 31, 2018 and a first administrative review of the AD Order for the period June 30, 2017 through December 31, 2018 on April 1, 2019.<sup>3</sup> These reviews remain on-going and are expected to complete by mid-2020.
- On Nov. 13<sup>th</sup> 2019, the U.S. Court of International Trade issued an opinion remanding to the U.S. Department of Commerce a scope determination that cedar shakes and shingles are included in the AD and CVD Orders.<sup>4</sup> No other scope determinations were issued.

### **III. THE ALB CERTIFICATE OF ORIGIN REMAINS A VALID PRODUCT EXCLUSION FROM THE EXISTING AD AND CVD ORDERS**

Following a request from the Committee Overseeing Action for Lumber International Trade Investigation or Negotiations (“COALITION”) during the course of the 2017 AD/CVD investigations, and with support from the Government of Canada and the Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island, the scope of the AD/CVD orders excluded “*softwood lumber products certified by the Atlantic Lumber Board as being first produced in the Provinces of Newfoundland and Labrador, Nova Scotia, or Prince Edward Island from logs harvested in Newfoundland and Labrador, Nova Scotia, or Prince Edward Island.*” As a result, U.S. importers need to present a valid ALB COO with each individual customs entry in order to qualify for exclusion from AD/CVD duties.<sup>5</sup>

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<sup>2</sup> See *Certain Softwood Lumber Products from Canada: Final Results of Countervailing Duty Expedited Review*, 84 Fed. Reg. 32121 (Dep’t of Commerce Jul. 5, 2019).

<sup>3</sup> See *Certain Softwood Lumber Products from Canada: Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 Fed. Reg. 12209 (Dep’t of Commerce April 1, 2019).

<sup>4</sup> There are no producers of cedar shakes and shingles within Atlantic Canada that would qualify for certification by the Atlantic Lumber Board.

<sup>5</sup> During 2019, the Maritime Lumber Bureau (“MLB”) and Global Affairs Canada (“GAC”) separately and independently issued their Maritimes Certificates of Origin and Canadian Lumber Export Permits, respectively.

In order to qualify for the exclusion, U.S. Customs and Border Production (“CBP”) has advised<sup>6</sup> importers that:

*Filers must include the ALB certificate with each entry summary and the ALB certificate number must be identified on each electronic entry summary submission for such entries to be excluded from coverage ...*

*The instructions for filing the ALB Certificate and the ALB Certificate number with the entry summary are as follows:*

- 1. Transmit the ALB Certificate via the Digital Imaging System (DIS)... Until such time that a specific ALB Certificate code is available, please use the CBP03 ‘Other’ code and also provide the government agency code ‘ECO’, for the Department of Commerce, Enforcement and Compliance.*
- 2. The ALB Certificate number will be entered on the entry summary (AE) record identifier 52 (input) in the miscellaneous permit/license number field, using permit code indicator 11. Transmit the ALB certificate number without any dashes (i.e., 12-345-678 = 12345678). Follow the ACE ABI CATAIR formatting instructions for submitting a 52-record data element.*
- 3. Importers of softwood lumber from Canada who do not submit the ALB certificate number should continue to submit the dummy SLA 2006 permit number ‘P88888888’ under permit code indicator 11 as specified in CSMS #15-000744 issued October 6, 2015. Importers who submit the ALB Certificate number should not submit the dummy SLA 2006 permit number.*

There were no changes to this product exclusion since the imposition of the AD and CVD Orders.

#### **IV. ALB GOVERNANCE AND ADMINISTRATION**

The ALB was formed on March 29, 2017 (Corporation Number 1016652-9), with the stated purpose being, *inter alia*, “[m]aintenance of certificate of origin and similar programs to facilitate access by wood product producers to foreign markets.” The complete address of the ALB’s registered office is:

Atlantic Lumber Board Inc.  
1300-1969 Upper Water Street  
Suite 1300, Purdy’s Wharf Tower II  
Halifax, Nova Scotia B3J 3R7

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<sup>6</sup> CSMS Message #17-000753.

The ALB's membership includes primary softwood lumber sawmills with manufacturing operations in the Provinces of Newfoundland and Labrador, Nova Scotia, and/or Prince Edward Island, as well as wholesalers of softwood lumber products manufactured in these provinces. In addition, one representative from each of the Governments of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island serve as ALB members. A complete list of ALB members as of December 31, 2019 is included at ATTACHMENT 1.

The ALB held its Annual General Meeting on June 6<sup>th</sup>, 2019.

The five directors were re-nominated as originally elected, with no changes:

Richard Freeman of Harry Freeman & Son Ltd.  
 Jerome Pelletier of JD Irving, Ltd.  
 Doug Ledwidge of Ledwidge Lumber Company Ltd.  
 Mark Baillie of Scotsburn Lumber Ltd.  
 Mark Wilber of Elmsdale Lumber Company Ltd.

The Board of Directors continued to assign responsibility for the day-to-day management and administration of the ALB to Forest Nova Scotia and its Executive Director, Jeff Bishop. The ALB continued to engage Customs Direct LLC to optimize the software necessary to support an electronic certificate of origin program, accessible at [www.albcertification.ca](http://www.albcertification.ca).

ALB engaged PricewaterhouseCoopers' to audit its financial statement.

ALB engaged Quality Services Consulting Inc. to audit key elements of the COO program for the period from Jan 1 to Dec 31, 2019. In addition, ALB engaged E. M. MacAulay Consulting, in association with Mr. Peter MacQuarrie, to perform mill audits for any mills that processed non-eligible fibre and other general program support.

## **V. OVERVIEW OF THE CERTIFICATE OF ORIGIN PROGRAM**

There are two different COO forms used in the normal course of business within a secure electronic environment.

*First*, "short form" COO covers only shipments from primary softwood lumber sawmills directly to the United States, *i.e.*, cases where the first movement was to a U.S. destination.

Each ALB Short Form COO issued in 2019 included the following information:

- ALB Certificate of Origin Number
- Date of Creation
- Producer Information (Name, Address)
- GAC SWL Export Permit Number (If Known)
- Shipment Date
- Reference Number (*e.g.*, order number, shipment number)
- Method of Transportation
- Sold to (Name, Address, EIN #)
- Ship to (Name, Address, EIN #)
- Exporter Information (Name, Address)

- Description of Product, including:
  - # of Packages
  - Total MFBM
  - Species
  - Grade
  - Thickness
  - Width
  - Planing (e.g., S4S)
  - Dryness (e.g., kiln dried)
  - Heat Treatment
  - HTSUS Classification
- Declaration of log origin and production location
- Name and Title of Certifying Party
- Signature of Certifying Party

*Second*, and in place since January 1, 2018, the ALB also administers a “long form” COO, which is used for shipments from primary softwood lumber sawmills where the first shipment was within Canada to brokers, wholesalers, and/or remanufacturers and where the ALB-originating softwood lumber is subsequently exported to the U.S. destination. The electronic long form COO can be split to identify multiple secondary destinations/users, while linking with the original certification number and origin information.

Each ALB Long Form COO issued in 2019 included the following information:

- ALB Certificate of Origin Number
- Date of Creation
- Producer Information (Name, Address)
- GAC SWL Export Permit Number (If Known)
- Shipment Date
- Reference Number (e.g., order number, shipment number)
- Method of Transportation
- Sold to (Name, Address, EIN #)
- Ship to (Name, Address, EIN #)
- Exporter Information (Name, Address)
- Description of Product, including:
  - # of Packages
  - Total MFBM
  - Species
  - Grade
  - Thickness
  - Width
  - Planing (e.g., S4S)
  - Dryness (e.g., kiln dried)
  - Heat Treatment
  - HTSUS Classification
- Declaration of log origin and production location

- Name and Title of Certifying Party
- Signature of Certifying Party
- Fields for secondary user including:
  - Reference number, method of transport, sold to, ship to, exporter information, description of product (including # of packages, total MFBM, species, grade, thickness, width, planning, dryness, heat treatment, HTSUS classification)

## **VI. 2019 IMPROVEMENTS TO THE CERTIFICATE OF ORIGIN PROGRAM**

Continued enhancements to the certificate website application for 2019 included the following items:

1. Revised Quarterly reporting  
Reporting matrix was developed to include the Quarterly Declarations to be tracked in the reporting module. Includes data for the previous quarters in the application that rolls back to the reporting in the application.
2. Completion of the splitting process for Long Form Certificates  
Functionality to track multi-level splits across various User levels.
3. Credit card processing for monthly payments  
Initiated a credit card process that allows Users to pay their monthly invoices via a card processing mechanism. This was put in place late 4<sup>th</sup> quarter 2019
4. Web page security was enhanced  
The web security framework was re-engineered to ensure the application stays secure and stable, and to ensure the application is handling security cookies in the most efficient and secure way.
5. 1<sup>st</sup> phase Audit module was built  
Established a module to assist the on-site auditors with the review of mills documentation. Provides a process to randomly generate sample ALB Certificates to review. Provides a notification process for COO Users subject to audit.
6. Certificate use in a Blockchain environment  
Continued to work with government agencies to adopt Blockchain technology in identity management and provenance tracking of products. Demonstrated ALB certificate management in a proof of concept with the U.S. Department of Homeland Security.
7. Continued the build out instructional videos on the website regarding the operational aspects of the application.

## VII. OPERATION OF THE CERTIFICATE OF ORIGIN PROGRAM IN 2019

Below is a summary of key statistics relating to the ALB COO program for 2019.

The values in Tables 1 and 2 represent the certified volumes produced in 2019. Some of this production will not be shipped until 2020.

<b>Table 1 Aggregate Results*</b>	
Number of active Producer Mills	11
Certificates Issued (primary)	7,850
Primary FBM Certified	390,161,616
Number of active Brokers, et al	14
Certificates Issued (secondary) <i>(Count not included in primary certificates above)</i>	3,513
Secondary FBM Certified <i>(FBM amounts are included in Primary volume above)</i>	80,049,177

\*Values represent volumes produced and certified in 2019

<b>Table 2 ALB Primary Certification by Province of Primary Sawmill*</b>		
Newfoundland and Labrador	Certificates Issued	1,190
	FBM Certified	46,035,529
Nova Scotia	Certificates Issued	6,660
	FBM Certified	344,126,087
Prince Edward Island	Certificates Issued	0
	FBM Certified	0
All Provinces	Certificates Issued	7,850
	FBM Certified	390,161,616

\*Values represent volumes produced and certified in 2019

The values in Tables 3, 4 and 5 represent the certified volumes shipped to the USA in 2019. Some of these shipments would have been produced in 2018.

<b>Table 3 ALB Primary Certification by Species Groups (FBM)+</b>	
SPF	483,467,698
Eastern White Pine	7,358,840
All Other Species	194,351
Total All Species	491,020,889

+ Values represent volumes shipped to the USA in 2019

<b>Table 4 ALB Primary Certification by Lumber Dimension(FBM)+</b>	
1" Thickness (all widths)	33,818,560
2" x 4"	230,183,065
2" x 6"	98,128,423
All Other Dimensions	128,890,841
<b>Total All Dimensions</b>	<b>491,020,889</b>

+ Values represent volumes shipped to the USA in 2019

<b>Table 5 ALB Primary Certification by HTSUS Classification(FBM)+</b>	
4407.19.05.00	470,372,955
4407.10.01.15	9,831,349
4407.11.00.43	5,546,052
4407.11.00.42	1,868,714
4421.99.97.80	1,360,615
4409.10.90.40	899,142
4407.19.10.01	352,884
4407.10.01.20	224,200
All Other Categories	564,978
<b>Total all Categories</b>	<b>491,020,889</b>

+ Values represent volumes shipped to the USA in 2019

## VIII. 2019 VERIFICATION AND AUDIT OF THE CERTIFICATE OF ORIGIN PROGRAM

In order to validate the accuracy of its certificates, the ALB conducted multiple levels of oversight.

*First*, Forest Nova Scotia ("FNS") reviewed user-generated certificates on a day-to-day basis. This manual oversight addressed issues with user-generated certificates, including but not limited to, total volumes being exported on a certificate, correct HTSUS tariff classification of products described, and destination field information. FNS requests, receives, and reviews Quarterly Declarations from all producers. This manual oversight led to instances of follow-up on a user-by-user basis, but no serious issues were discovered and many such issues ceased as registered users became more familiar with the system.

*Second*, ALB compared the data reported to the ALB with the company's commercial records maintained in the normal course of business, and after accounting for differences based on unit of measure and/or date, the ALB found no discrepancies.

*Third*, Quality Services Consulting Inc. conducted an audit of the COO program, in accordance to the requirements outlined in the ALB audit procedures. To verify compliance with the COO program, Quality Services Consulting Inc. selected a 10% (maximum) sample of COOs generated by each user per quarter through the use of an automatic randomizer system. In 2019, Quality Services Consulting Inc. conducted 42 audit reviews of all active producer mills and secondary users (e.g., brokers, wholesalers, and/or remanufacturers) throughout the year. Two Primary producers and five Secondary users, who are registered to use the system, did not actually issue any new certificates in 2019. All active Users had one audit and larger users had two during the course of the year.

For the producer mills, verifications between the ALB and MLB data revealed a 98.9% accuracy by volume. Variances in board footage from ALB COO compared to MLB COO<sup>7</sup> and supporting company documentation did not exceed 0.3% for all mills.

For the secondary users, Quality Services Consulting Inc. found that the total volumes documented were accurate when compared to the MLB COO and the supporting documentation with minimal clerical and data entry errors observed. Quality Services Consulting Inc.'s audit confirmed that all ALB producer and secondary facilities have deployed the ALB COO program effectively and are compliant with the audit criteria outlined in the ALB audit procedures.

Quality Services Consulting Inc. also physically examined documentation at two ALB producer mills that held an inventory of logs that originated from a region other than within the Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. Quality Services Consulting physically viewed and audited the process and controls of these two ALB producer mills that have been implemented to segregate the non-eligible lumber from other than the Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. Quality Services Consulting confirmed that the processes and controls implemented were effective in preventing non-originating wood fibre from being shipped with an ALB COO. Quality Services Consulting Inc. found that only eligible originating fibre was shipped pursuant to an ALB COO for these two mills.

*Fourth*, E.M. MacAulay Consulting in association with P. MacQuarrie performed a more in-depth examination of procedures and records at the ALB member facilities that declared receiving non-eligible logs or lumber during 2019, i.e. originated from other than the Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. In a two-phase process, E.M. MacAulay Consulting physically viewed and audited the process and controls of two ALB members that have been implemented to segregate the non-eligible logs and lumber from other than the Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. E.M. MacAulay Consulting confirmed that the processes and controls implemented were effective in preventing non-originating wood fibre from being shipped (inadvertently or not) with an ALB Certificate. E.M. MacAulay Consulting found that only eligible fibre was shipped under

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<sup>7</sup> An MLB Certificate of Origin is required in order to obtain Government of Canada authorization to export lumber originating from Atlantic Canada. The MLB's audited data have consistently balanced 99.9% with federal export permit data pursuant to recurring reconciliations performed with Global Affairs Canada. See <http://mlb.ca/portfolio/certificate-of-origin-program/>.

the ALB COOs issued by these mills. In this process, E.M. MacAulay Consulting also provided confidential reports of findings to each of the two mills and to the ALB.

In response to audit recommendations from 2018, the ALB revised and expanded the information required from ALB members handling non-eligible fibre, as part of their Quarterly Declarations of production and shipments.

*Finally*, during 2019, the ALB received no expressions of concern from any party in the United States regarding the administration of the program.

## IX. 2019 FINANCIAL POSITION OF THE ALB

**Table 6. Atlantic Lumber Board Inc. -- Statement of Financial Position**

As at December 31, 2019 (In thousands of Canadian Dollars)		
	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Assets</b>		
Cash	450	278
Accounts receivable	160	67
Prepaid expenses	4	4
	<b>614</b>	<b>349</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	65	65
<b>Net Assets</b>	<b>549</b>	<b>284</b>
<b>Liabilities and Net Assets</b>	<b>614</b>	<b>349</b>

**Table 7. Atlantic Lumber Board Inc. -- Statement of Revenue and Expenses**

For the year ended December 31, 2019 (In thousands of Canadian Dollars)		
	<b>2018</b>	<b>2019</b>
	\$	\$
<b>Revenue</b>		
Certificate fees	472	378
Membership fees	46	48
	<b>518</b>	<b>426</b>
<b>Expenses</b>		
Database maintenance	125	107
Office and administration	34	23
Professional fees	88	64
Bad debt	6	-
	<b>253</b>	<b>194</b>
<b>Excess of Revenue over Expenses</b>	<b>265</b>	<b>232</b>

During 2019, funding for ALB operations was derived from operations. First, primary sawmills in the Provinces of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island made a fixed contribution to be registered Users of the COO program, according to the following schedule:

Producers > 25 million FBM in 2016:	\$5,000
Producers of 5-25 million FBM in 2016:	\$2,500
Producers < 5 million FBM in 2016:	\$1,000

In addition, during the course of 2019, Users were assessed usage fees on a \$1.00/MFBM basis for short form certificates generated and \$2.00/MFBM basis for long form certificates. The Board of Directors retains the authority to adjust these amounts from time to time to ensure adequate funding for the operation of the ALB.

#### **X. 2020 PLANS FOR THE CERTIFICATE OF ORIGIN PROGRAM**

In calendar year 2020, the ALB will continue to improve its software system by:

1. Continue to work with government agencies in various proofs of concept to help understand the best use of Blockchain technology in identity management and provenance tracking of products.
2. 2<sup>nd</sup> phase Audit Module, which will include support for reconciling ALB and MLB certificates.
3. Enhanced training techniques.

## **XI. REQUEST FOR COMMENTS**

This report is being provided to the Governments of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The report is also being provided to the COALITION. Finally, the ALB intends to offer to provide this report to the Government of Canada, DOC, and CBP.

The ALB welcomes comments on this report and suggestions on how to strengthen the effective administration of the Certificate of Origin program in 2020.

Please direct all comments to [atlanticlumber@gmail.com](mailto:atlanticlumber@gmail.com).

Signature Page

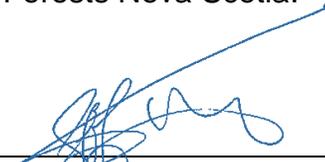
For the Board of Directors:

For Forests Nova Scotia:



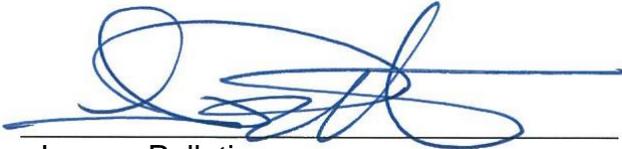
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Richard Freeman  
Harry Freeman & Son, Ltd.



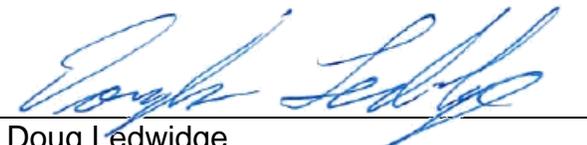
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Jeff Bishop, Executive Director



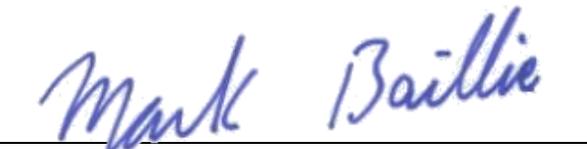
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Jerome Pelletier  
JD Irving, Ltd.



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Doug Ledwidge  
Ledwidge Lumber Company, Ltd.



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Mark Faillie  
Scotsburn Lumber Ltd.



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Mark Wilber  
Elmsdale Lumber Company, Ltd.



## ATTACHMENT 1

Members\* of ALB as of December 31, 2019 were as follows:

Cottle's Island Lumber Company Ltd.  
Burton's Cove Logging & Lumber Ltd.  
Brunswick Valley Lumber Inc.  
EACAN Timber Ltd.  
Elmsdale Lumber Company Ltd.  
Harry Freeman & Son Ltd.  
J.A. Turner & Sons Ltd.  
J.D. Irving, Ltd.  
Ledwidge Lumber Company Ltd.  
Scotsburn Lumber Ltd.  
Sexton Lumber Company Ltd.  
Taylor Lumber Company Ltd.  
Williams Brothers (2013) Ltd.  
Government of Nova Scotia  
Government of Newfoundland & Labrador  
Government of Prince Edward Island

*\*Members of the ALB are distinct from registered users of the COO system.*