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Department of Finance Canada

Backgrounder: Relief for Fort McMurray Families and Western Canadian Construction Industry

Backgrounder

From [Department of Finance Canada](#)

In September 2016, anti-dumping duties were imposed on drywall imported from the United States into Western Canada. Subsequently, Western Canadian stakeholders raised concerns that the duties threatened the stability of the Western Canadian construction industry and could affect rebuilding efforts in Fort McMurray.

Given the exceptional circumstances in this case, in October 2016, the Government of Canada asked the Canadian International Trade Tribunal (CITT) to conduct an inquiry into whether the imposition of anti-dumping duties on imported drywall from the United States into Western Canada was contrary to Canada's economic, trade or commercial interests. In its January 2017 report to the Government, the CITT made five recommendations to address the unintended effects of the duties in Western Canada, while also remedying injury to domestic producers due to the unfairly traded imports.

On February 27, 2017, the Minister of Finance announced that the Government is taking the following actions to respond to the recommendations made by the CITT:

1. A reduction in anti-dumping duties applicable to drywall imported from the U.S., effective February 24, 2017; and
2. The creation of a program to provide relief to Fort McMurray residents, builders and contractors in Western Canada, who were adversely affected by the higher cost of drywall resulting from the imposition of anti-dumping duties.

Reduction of Anti-Dumping Duties

The Government is implementing an ongoing reduction in final anti-dumping duties, as recommended by the CITT, effective February 24, 2017. By Order in Council P.C. 2017-175, the Government established new minimum import prices ("reference values") applicable to drywall imported from the U.S. for use or consumption in Western Canada that are 32.17 per cent lower than the normal values originally established in the anti-dumping investigation.

This approach will result in the same level of duty reduction as recommended by the CITT, while addressing potential circumvention concerns and better aligning with the normal operation of Canada's existing duty assessment system. This duty reduction is intended to maintain competitive conditions in the Western Canadian drywall market and mitigate the potential for supply shortages in Western Canada, while also ensuring a reasonable return on sales for domestic producers.

As recommended by the CITT, the Government intends to review the reduced duty level one year from now, to ensure it is having the intended effects.

Detailed information can be found in the March 8 edition of the *Canada Gazette*, Part II, as well as administrative information published on the Canada Border Services Agency website.

Relief Program for Western Canadian Builders and Contractors, and Fort McMurray Residents

Approximately \$12 million in anti-dumping duties were collected on drywall imported from the U.S. into Western Canada between September 6, 2016, and January 3, 2017. In line with the CITT's recommendation, the Government will use this amount of duties to establish a program to provide relief to builders and drywall contractors for the higher cost of imported and domestically produced drywall. This program is intended to provide relief to builders and contractors who were unable to pass through elevated drywall costs, due to fixed-price building contracts committed to before the imposition of duties.

The relief period will apply to drywall purchased from September 6, 2016 to February 24, 2017, so that affected builders and drywall contractors will receive relief over the full period during which unreduced duties applied.

The Government is also mindful of the hardship experienced by residents of Fort McMurray as a result of the May 2016 wildfires. The program will also provide relief to Fort McMurray residents who are rebuilding their homes as a result of the wildfires.

The Government is working quickly to operationalize the program, which will be administered by Western Economic Diversification Canada (WD). It is expected that relief will be made available in mid-2017. Further details will be made available on WD's website at a later time.

Canada's Trade Remedy System

The Government of Canada is committed to a strong and effective trade remedy system. Under the *Special Import Measures Act*, anti-dumping duties may be imposed to remedy the injurious effects of dumping by increasing the price of imported goods to a level that reflects non-dumped prices. The amount of anti-dumping payable for a given importation is equal to the difference between the normal value (i.e. the price of the

good sold in the exporter's home market or cost of production) and the export price. As such, normal values create a minimum import price for the importation of subject goods into Canada. Importers may avoid anti-dumping duties by importing goods that are priced at, or above, the normal value.

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