

DEPARTMENT OF COMMERCE

International Trade Administration

(C-122-839)

Preliminary Results and Partial Rescission of Countervailing Duty Expedited Reviews: Certain Softwood Lumber Products from Canada

AGENCY: Import Administration, International Trade Administration,
Department of Commerce

ACTION: Notice of Preliminary Results and Partial Rescission of Countervailing Duty Expedited Reviews

SUMMARY: The Department of Commerce (the Department) is conducting expedited reviews of the countervailing duty order on certain softwood lumber products from Canada for the period April 1, 2000 through March 31, 2001. This notice includes the preliminary results for 28 companies. These preliminary results include 14 companies in Round 1 of the proceeding. See Notice of Initiation of Expedited Reviews of the Countervailing Duty Order: Certain Softwood Lumber Products From Canada (67 FR 46955; July 17, 2002) (Notice of Initiation/Round 1). In addition, these preliminary results of expedited review include 14 companies in Round 2 of the proceeding. See Notice of Initiation of Expedited Reviews of the Countervailing Duty Order: Certain Softwood Lumber Products from Canada (67 FR 59252; September 20, 2002) (Notice of Initiation/Round 2). For all 28 companies we applied the Group 1 methodology. For information on estimated net subsidies, see the APreliminary Results of Reviews@ section of this notice. If the final results remain the same as these preliminary results of reviews, we will instruct the Bureau of Customs and Border Protection (BCBP) to amend the cash deposit for each reviewed company as detailed in the APreliminary Results of Reviews@ section of this notice.

Interested parties are invited to comment on these preliminary results. In addition, the Department is rescinding expedited reviews of five companies in Round 1 and seven companies in Round 2.

EFFECTIVE DATE: (Insert date of publication in the Federal Register.)

FOR FURTHER INFORMATION CONTACT: Gayle Longest or Tipten Troidl, Office of AD/CVD Enforcement VI, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482-3338 or (202) 482-1767.

SUPPLEMENTARY INFORMATION:

Background

On May 22, 2002, the Department published in the Federal Register its amended final affirmative countervailing duty determination and countervailing duty order on certain softwood lumber products (subject merchandise) from Canada (67 FR 36070), as corrected (67 FR 37775; May 30, 2002) (Amended Final Determination). On July 17, 2002, the Department published the Notice of Initiation/Round 1 which covered 73 companies that filed complete and timely review applications. See 67 FR 46955. On September 20, 2002, the Department published the Notice of Initiation/Round 2, which covered 31 additional companies. See 67 FR 59252. This notice included 23 companies that had corrected incomplete applications as well as eight companies whose requests were received beyond the initial application deadline for reasons outside the requesters' control.

As explained in the Notice of Initiation/Round 1, we segregated applicants into two groups. Group 1 consists of companies that obtain the majority of their wood (over 50 percent of their

inputs) from the United States, the Maritime Provinces, Canadian private lands, and Canadian companies excluded from the order, and companies that source less than a majority of their wood from these sources and do not have tenure. Group 2 includes companies that source less than a majority of their wood from these sources and have acquired Crown timber through their own tenure contracts. In Round 1, we found that 45 companies satisfied the requirements of Group 1 and 28 companies satisfied the requirements of Group 2. In Round 2, we found that 22 companies satisfied the requirements of Group 1 and nine companies satisfied the requirement of Group 2.

In our review of the applications in Group 1 in Round 1, we noted that, in order to conduct our analysis, we required only minimal supplemental data for 24 of the 45 companies. The other Group 1 companies required additional information and more extensive analysis. We issued questionnaires to the 24 companies requiring only minimal information and set a short deadline for the response. Of the 24 companies, 18 were able to supply the supplemental information by the deadline. We completed our preliminary analysis of those 18 companies, using the Group 1 methodology (see [AMethodology@](#) section below). See Preliminary Results of Countervailing Duty Expedited Reviews: Certain Softwood Lumber Products from Canada (67 FR 52945; August 14, 2002) (August Preliminary Results). On November 5, 2002, we published the final results for 13 of the 18 companies covered by the August Preliminary Results. See Final Results and Partial Recission of Countervailing duty Expedited Reviews: Certain Softwood Lumber Products from Canada (November Final Results) (67 FR 67388; November 5, 2002). Concurrent with this notice, we are publishing the final results on three additional companies.

Subsequent to the August Preliminary Results, nine Group 1 companies in Round 1 requested an analysis of whether they benefitted from subsidies bestowed on their inputs: American Bayridge Corporation, Blanchette and Blanchette Inc., Goodfellow Inc., Les Bois d'Oeuvre Beaudoin & Gauthier, Meunier Lumber Company Ltd., Mid-America Lumber, Olav Haavaldsrud Timber Company Limited, Treeline Wood Products Limited, and Usine Sartigan Inc. Subsequent to the Notice of Initiation/Round 2, three Group 1 companies in Round 2 requested an analysis of whether they benefitted from subsidies bestowed on their inputs: Carson Lake Lumber Limited, Winnipeg Forest Products, Inc., and W.I. Woodtone Industries. We are not including in this notice any of the companies that requested an analysis of whether they benefitted from subsidies bestowed on their inputs.

This notice includes the preliminary results for 28 Group 1 companies (14 in Round 1 and 14 in Round 2).

We received comments and rebuttal comments on the August Preliminary Results, on September 6, 2002 and September 18, 2002, respectively, from petitioners and several respondents. We addressed the issues raised in the case and rebuttal briefs in the Issues and Decision Memorandum (Decision Memorandum), dated concurrently with the November Final Results notice. However, we only addressed those issues that were of a general nature or that specifically affected those 13 reviews. We also received comments from petitioners on November 4, 2002 and December 12, 2002. On January 23, 2003, West Bay Forest Products & Manufacturing Ltd. (West Bay), a company covered by these preliminary results, submitted rebuttal comments to petitioners December 12, 2002 comments. In these preliminary results, we are addressing petitioners' November 4, 2002 and December 12, 2002 comments concerning the

companies in these preliminary results, West Bay=s rebuttal comments, as well as outstanding methodological issues related to Group 1 companies.

Partial Rescission

On October 18, 2002, Doman Industries Limited, a respondent company in Round 2, withdrew its request for review. On October 29, 2002, Jackpine Engineered Wood Products Inc. and Jackpine Forest Products Limited, respondent companies in Round 1, withdrew their requests for review. On February 5, 2002, Domtar Inc., another respondent company in Round 1, withdrew its request for review.

In addition, after examining information submitted by the companies in these expedited reviews proceedings, we find that one company, Francois Giguere Inc., a company in Round 1 did not ship the subject merchandise to the United States during the period of review (April 1, 2000 through March 31, 2001) (POR). In accordance with the Department=s practice, companies that did not ship subject merchandise during the period covered by the investigation or review are not eligible to participate in that segment of the proceeding. See, e.g., Final Results and Partial Rescission of Countervailing Duty Administrative Review: Stainless Steel Sheet and Strip from the Republic of Korea (68 FR 13267; March 19, 2002). Moreover, the application to request an expedited review specifically listed exports of subject merchandise to the United States during the POR as one of the eligibility requirements. Therefore, we are rescinding the expedited review for Francois Giguere Inc.

Similarly, two companies in Round 2, **2859-8936 Quebec Inc. Les Cedre Basques** and **9027-7971 Quebec Inc.**, stated in their applications that they did not have any sales of the subject merchandise to the United States during the POR. Instead, they claim that a wholesaler sold their

subject merchandise to the United States during the POR; however, they did not provide a completed application for this wholesaler who exported their subject merchandise, as specifically requested in the application form. Because they did not provide the necessary information with regard to this wholesaler, we are not able to proceed with their expedited reviews. See Letter from Melissa Skinner, Director, Office VI, to 2859-8936 Quebec Inc. Les Cedre Basques and Letter from Melissa Skinner to 9027-7971 Quebec Inc., both dated April 11, 2003 on file in the Central Records Unit, Room B-099 of the main Commerce Building. Therefore, we are rescinding the expedited reviews for 2859-8936 Quebec Inc. Les Cedre Basques and 9027-7971 Quebec Inc.

Further, one of the Round 2 companies, Hollcan Millworks Ltd. (Hollcan) did not respond to our January 15, 2003 questionnaire which was due on January 29, 2003. We attempted to contact the company to follow up on the questionnaire and found that the phone line was disconnected and email messages were returned as undeliverable. See the Department's March 17, 2003 memorandum to the file regarding Expedited Reviews in the Countervailing Duty Order on Softwood Lumber from Canada (C-122-839), which is on file in room B-099 of the Central Records Unit of the Main Commerce Building. Because Hollcan did not provide the necessary information, we are not able to proceed. Therefore, we are rescinding the expedited review for Hollcan.

Our analysis of the information submitted by Group 1 companies in Round 1 and Round 2 also indicates that there are several companies that performed no processing or manufacturing with respect to the subject merchandise they sold to the United States during the POR, but rather these companies resold softwood lumber processed/manufactured by other companies. As we

clearly indicated in our May 24, 2002 Expedited Review Application, in instances involving resales activity, we require information from all of the reseller=s suppliers in order to calculate a net subsidy rate for the reseller. The pure resellers (i.e., companies with no lumber production or manufacturing of their own) identified below did not provide the information originally requested in the Expedited Review Application. In fact, contrary to the Department=s instructions in the Expedited Review Application, several of the companies listed below did not fully disclose their resale activities in the application. Moreover, with respect to some companies, it was not until we had analyzed sales information contained in several supplemental questionnaire responses that we realized that they were, in fact, pure resellers. Therefore, we are rescinding the expedited review for the following Round 1 company: Cando Contracting Ltd. In addition, we are rescinding the expedited reviews for the following Round 2 companies: Antrim Cedar Corporation, Goldwood Industries Ltd., and Westwood Wholesale Lumber Ltd.

Finally, we note that one Group 1 company, Kootenay Innovate Wood Inc., is cross-owned with a Group 2 company. As explained below in Comment 1 of the AAnalysis of Comments Received@ section of these preliminary results, Group 1 companies that are cross-owned with Group 2 companies will be processed with the Group 2 companies. Thus, Kootenay has not received a company-specific rate in these preliminary results.

Companies Addressed in These Preliminary Results

This notice includes the preliminary results of review for the following 14 Group 1 companies in Round 1:

Alexandre Cote Ltee.

Boccam Inc.

Byrnexco Inc.

Davron Forest Products Ltd.

Fraser Pacific Forest Products Inc.

Frontier Mills Inc.

Haida Forest Products Ltd.

Landmark Truss & Lumber Inc.

Les Bois S&P Grondin Inc.

Les Industries P.F. Inc.

Sechoirs de Beauce Inc.

Tyee Timber Products Ltd.

West Bay Forest Products and Manufacturing Ltd.

West Can Rail Ltd.

These preliminary results also include the preliminary results of review for the following 14

Group 1 companies in Round 2:

Central Cedar Ltd.

Forstex Industries Inc.

Hudson Mitchell & Sons Lumber Inc.

Indian River Lumber

Les Scieries Jocelyn Lavoie Inc.

Leslie Forest Products Ltd.

Lyle Forest Products Ltd.

Power Wood Corp.

Precision Moulding Products

Ram Co. Lumber Ltd.

Rielly Industrial Lumber Inc.

Sylvanex Lumber Products Inc.

United Wood Frames Inc.

Williamsburg Woods & Garden

Further we are rescinding on the following five companies in Round 1:

Cando Contracting Ltd.

Domtar Inc.

Francois Giguere Inc.

Jackpine Engineered Wood Products Inc.

Jackpine Forest Products Limited

We are also rescinding on the following seven companies in Round 2:

2859-8936 Quebec Inc. Les Cedre Basques

9027-7971 Quebec Inc.

Antrim Cedar Corporation

Doman Industries Limited

Goldwood Industries Ltd.

Hollcan Millworks Ltd.

Westwood Wholesale Lumber Ltd.

Scope of the reviews

The products covered by this order are softwood lumber, flooring and siding (softwood lumber products). Softwood lumber products include all products classified under headings 4407.1000, 4409.1010, 4409.1090, and 4409.1020, respectively, of the Harmonized Tariff Schedule of the United States (HTSUS), and any softwood lumber, flooring and siding described below. These softwood lumber products include:

- (1) Coniferous wood, sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding six millimeters;
- (2) Coniferous wood siding (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rabbeted, chamfered, v-jointed, beaded, molded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-jointed;
- (3) Other coniferous wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rabbeted, chamfered, v-jointed, beaded, molded, rounded or the like) along any of its edges or faces (other than wood moldings and wood dowel rods) whether or not planed, sanded or finger-jointed; and
- (4) Coniferous wood flooring (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rabbeted, chamfered, v-jointed, beaded, molded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-jointed.

Although the HTSUS subheadings are provided for convenience and BCBP purposes, the written description of the merchandise subject to this order is dispositive.

As specifically stated in the Issues and Decision Memorandum accompanying the Notice of Final Determination of Sales at Less Than Fair Value: Certain Softwood Lumber Products from Canada (67 FR 15539; April 2, 2002) (see comment 53, item D, page 116, and comment 57, item B-7, page 126), available at www.ia.ita.doc.gov, drilled and notched lumber and angle cut lumber are covered by the scope of this order.

The following softwood lumber products are excluded from the scope of this order provided they meet the specified requirements detailed below:

- (1) Stringers (pallet components used for runners): if they have at least two notches on the side, positioned at equal distance from the center, to properly accommodate forklift blades, properly classified under HTSUS 4421.90.98.40.
- (2) Box-spring frame kits: if they contain the following wooden pieces - two side rails, two end (or top) rails and varying numbers of slats. The side rails and the end rails should be radius-cut at both ends. The kits should be individually packaged, they should contain the exact number of wooden components needed to make a particular box spring frame, with no further processing required. None of the components exceeds 1" in actual thickness or 83" in length.
- (3) Radius-cut box-spring-frame components, not exceeding 1" in actual thickness or 83" in length, ready for assembly without further processing. The radius cuts must be present on both ends of the boards and must be substantial cuts so as to completely round one corner.
- (4) Fence pickets requiring no further processing and properly classified under HTSUS heading 4421.90.70, 1" or less in actual thickness, up to 8" wide, 6' or less in length, and

have finials or decorative cuttings that clearly identify them as fence pickets. In the case of dog-eared fence pickets, the corners of the boards should be cut off so as to remove pieces of wood in the shape of isosceles right angle triangles with sides measuring 3/4 inch or more.

(5) U.S. origin lumber shipped to Canada for minor processing and imported into the United States, is excluded from the scope of this order if the following conditions are met:

1) the processing occurring in Canada is limited to kiln-drying, planing to create smooth-to-size board, and sanding, and 2) if the importer establishes to BCBP= satisfaction that the lumber is of U.S. origin.

(6) Softwood lumber products contained in single family home packages or kits,¹

regardless of tariff classification, are excluded from the scope of this order if the importer certifies to items 6 A, B, C, D, and requirement 6 E is met:

A. The imported home package or kit constitutes a full package of the number of wooden pieces specified in the plan, design or blueprint necessary to produce a home of at least 700 square feet produced to a specified plan, design or blueprint;

B. The package or kit must contain all necessary internal and external doors and windows, nails, screws, glue, sub floor, sheathing, beams, posts, connectors, and if included in the

¹ To ensure administrability, we clarified the language of exclusion number 6 to require an importer certification and to permit single or multiple entries on multiple days as well as instructing importers to retain and make available for inspection specific documentation in support of each entry.

purchase contract, decking, trim, drywall and roof shingles specified in the plan, design or blueprint.

C. Prior to importation, the package or kit must be sold to a retailer of complete home packages or kits pursuant to a valid purchase contract referencing the particular home design plan or blueprint, and signed by a customer not affiliated with the importer;

D. Softwood lumber products entered as part of a single family home package or kit, whether in a single entry or multiple entries on multiple days, will be used solely for the construction of the single family home specified by the home design matching the entry.

E. For each entry, the following documentation must be retained by the importer and made available to the BCBP upon request:

- I. A copy of the appropriate home design, plan, or blueprint matching the entry;
- ii. A purchase contract from a retailer of home kits or packages signed by a customer not affiliated with the importer;
- iii. A listing of inventory of all parts of the package or kit being entered that conforms to the home design package being entered;
- iv. In the case of multiple shipments on the same contract, all items listed in E(iii) which are included in the present shipment shall be identified as well.

Lumber products that the BCBP may classify as stringers, radius cut box-spring-frame components, and fence pickets, not conforming to the above requirements, as well as truss components, pallet components, and door and window frame parts, are covered under the scope of this order and may be classified under HTSUS subheadings 4418.90.45.90 , 4421.90.70.40, and 4421.90.97.40.

Finally, as clarified throughout the course of the investigation, the following products, previously identified as Group A, remain outside the scope of this order. They are:

1. Trusses and truss kits, properly classified under HTSUS 4418.90;
2. I-joist beams;
3. Assembled box spring frames;
4. Pallets and pallet kits, properly classified under HTSUS 4415.20;
5. Garage doors;
6. Edge-glued wood, properly classified under HTSUS item 4421.90.98.40;
7. Properly classified complete door frames;
8. Properly classified complete window frames;
9. Properly classified furniture.

In addition, this scope language has been further clarified to now specify that all softwood lumber products entered from Canada claiming non-subject status based on U.S. country of origin will be treated as non-subject U.S.-origin merchandise under the countervailing duty order, provided that these softwood lumber products meet the following condition: upon entry, the importer, exporter, Canadian processor and/or original U.S. producer establish to BCBP=s satisfaction that the softwood lumber entered and documented as U.S.-origin softwood lumber was first produced in the United States as a lumber product satisfying the physical parameters of the softwood lumber scope.² The presumption of non-subject status can, however, be rebutted by evidence demonstrating that the merchandise was substantially transformed in Canada.

² See the scope clarification message (# 3034202), dated February 3, 2003, to the BCBP, regarding treatment of U.S. origin lumber on file in the Central Records Unit, Room B-099 of the main Commerce Building.

Methodology

Stumpage Programs

These preliminary results include: (a) companies that obtain the majority of their wood (over 50 percent of their inputs) from the United States, the Maritime Provinces, Canadian private lands, and/or Canadian companies excluded from the order, and (b) companies that source less than a majority of their wood from these sources and do not have tenure. We calculated company-specific rates based on the methodology described in the November Final Results. To obtain the company-specific stumpage benefit, we multiplied the quantity of Crown logs and the quantity of lumber inputs (except for those specified below) by the province-specific stumpage benefit calculated in the underlying investigation, i.e., the average per-unit differential between the calculated adjusted stumpage fee for the relevant province and the appropriate benchmark for that province. For those provinces, such as British Columbia and Ontario, for which we calculated more than one per-unit benefit in the investigation, we calculated one province-wide per-unit benefit by weight-averaging the previously calculated values by the corresponding volumes of harvested softwood (this was done in the November Final Results). As indicated in the Notice of Initiation/Round 1, we have not attributed a benefit to (1) logs or lumber acquired from the Maritime Provinces, (2) logs or lumber of U.S. origin, (3) lumber produced by mills excluded in the investigation, and (4) logs from Canadian private land. See 67 FR 46955, 46957. Furthermore, we are not including in our subsidy rate calculations logs which the companies demonstrate to have acquired and resold without any processing. In addition, we are also not including in the subsidy calculations lumber purchased and resold without any

further production or manufacturing because, as explained below, the companies in these preliminary results failed to submit information regarding their suppliers as originally requested in our expedited review application. We divided the stumpage benefit by the appropriate value of the company=s sales (scope and non-scope softwood lumber products and softwood lumber by-products, net of resales) to determine the company=s estimated subsidy rate from stumpage and then added any benefit from other programs to obtain the cash deposit rate for the company.

Several companies reported that they are cross-owned with other companies that produce and/or manufacture subject merchandise. Specifically, Fraser Pacific Forest Products Inc., Frontier Mills Inc., and Landmark Truss & Lumber Inc. (Landmark Companies) stated that they were cross-owned. Similarly, West Bay Forest Products & Manufacturing Ltd. indicated that it is cross-owned with two companies that produce and/or manufacture subject merchandise, Gold Mountain and Cedarshed (West Bay Companies). With respect to the Landmark and the West Bay Companies, in accordance with 351.525(b)(6) of the Department=s Regulations, we first calculated the benefits for each of the cross-owned companies using the approach described in the AMethodology@ section of these Preliminary Results. We then summed the benefits attributable to the consolidated, cross-owned entity and divided the total by the entity=s consolidated sales denominator (scope and non-scope softwood lumber products and softwood lumber by-products, net of resales).

As discussed above in the APartial Rescission@ section of these preliminary results, companies with reselling activities were instructed in the Expedited Review Application to provide information pertaining to their suppliers. However, the Group 1 companies with resale and production activities failed to provide such information. Therefore, the Department is not in

a position to calculate the benefit on the portion of their sales attributable to resales. For this reason, lumber that was resold by these companies without any further production or manufacturing will remain subject to the country-wide rate established in the Amended Final Determination. Regarding lumber actually produced or manufactured by these companies, we have calculated a company-specific benefit that is based solely on the lumber that the companies have produced. Accordingly, for each Group 1 company included in these preliminary results that produces its own lumber and performs resale activities, we calculated a company-specific-rate for all lumber that the company produces. Lumber that is resold by these companies without any further manufacturing will be subject to the ACountry-Wide Rate@ calculated in the Final Amended Determination.

For the period April 1, 2000 to March 31, 2001, we preliminarily determine the net subsidy rate for this program to be as follows for Group 1 companies in Round 1:

Net Subsidies - Producer/Exporter	Net Subsidy Rate %
Alexandre Cote Ltee.	9.07
Boccam Inc.	0.41
Byrnexco Inc.	8.40
Davron Forest Products Ltd.	10.94
Fraser Pacific Forest Products Inc.	8.58
Frontier Mills Inc.	8.58
Haida Forest Products Ltd.	2.45
Landmark Truss & Lumber Inc.	8.58
Les Bois S&P Grondin Inc.	4.62
Les Industries P.F. Inc.	8.03
Sechoirs de Beauce Inc.	0.60
Tyee Timber Products Ltd.	4.10
West Bay Forest Products and Manufacturing Ltd.	5.34
West Can Rail Ltd.	0.00

For the period April 1, 2000 to March 31, 2001, we preliminarily determine the net subsidy rate for this program to be as follows for Group 1 companies in Round 2:

Net Subsidies - Producer/Exporter	Net Subsidy Rate %
Central Cedar Ltd.	4.91
Forstex Industries Inc.	4.51
Hudson Mitchell & Sons Lumber Inc.	4.31
Indian River Lumber	0.00
Les Scieries Jocelyn Lavoie Inc.	0.00
Leslie Forest Products Ltd.	13.62
Lyle Forest Products Ltd.	3.37
Power Wood Corp.	6.73
Precision Moulding Products	1.41
Ram Co. Lumber Ltd.	8.92
Rielly Industrial Lumber Inc.	5.15
Sylvanex Lumber Products Inc.	7.09
United Wood Frames Inc.	10.69
Williamsburg Woods & Garden	11.95

Other Programs

In the underlying investigation, the Department determined that the provinces of British Columbia and Quebec provided countervailable benefits under certain programs. British Columbia provided countervailable benefits under the Forest Renewal Program and Quebec provided countervailable benefits under the Private Forest Development Program (PFDP), loans issued by Investment Quebec, lending under Article 28 of the Society for the Industrial Development of Quebec (SDI) and loans issues by the Society for the Recuperation and Development of Quebec Forests (Rexfor). Based upon our decision in the underlying investigation, the Department requested information from companies regarding the use of these programs. Four companies from British Columbia reported using the Forest Renewal Program.

These were the only companies in these preliminary results that reported using previously investigated non-stumpage programs during the POR. Consistent with our approach in the underlying investigation, we are treating benefits received under the Forest Renewal Program as countervailable grants. In accordance with section 351.524(2), we have allocated all of the benefits provided under this program to the year of receipt because the total amount approved under the subsidy program is less than 0.5 percent of the relevant sales denominator (i.e., total sales of softwood lumber products, net of resales). To calculate the net subsidy rate received under this program, we divided the benefit by the companies= total sales of softwood lumber products, net of resales.

For the period April 1, 2000 to March 31, 2001, we preliminarily determine the net subsidy rate to be as follows for Group 1 companies in Round 1:

Net Subsidies - Producer/Exporter	Net Subsidy Rate %
Fraser Pacific Forest Products Inc.	0.03
Frontier Mills Inc.	0.03
Landmark Truss and Lumber Inc.	0.03
West Bay Forest Products and Manufacturing	0.16

For the period April 1, 2000 to March 31, 2001, we preliminarily determine the net subsidy rate to be as follows for Group 1 companies in Round 2:

Net Subsidies - Producer/Exporter	Net Subsidy Rate %
Central Cedar Ltd.	0.05
Leslie Forest Products Ltd.	0.10

Analysis of Comments Received

I. Methodological Comments

The following comments address methodological issues related to Group 1 companies as well as issues concerning the general methodologies the Department is applying in these expedited reviews.

Comment 1: Whether the Same Methodology Should Be Applied to Cross-owned Companies When One Is Assigned to Group 1 and the Other to Group 2

Tembec Inc., Dowie Timber Ltd., Selkirk Specialty Wood Ltd., Mill & Timber Products Ltd., R. Fryer Forest Products Limited, and Liskeard Lumber Ltd. (the Tembec Group) argue that treatment of Group 2 companies becomes more complicated in instances in which a Group 2 company is cross-owned with a Group 1 company. The Tembec Group contends that there is no indication as to which methodology will be employed for each company in these types of cases. The Tembec Group maintains that if the Department uses the simplified methodology for the Group 1 company and the cost methodology for the Group 2 company, the Department would be in conflict with its own policy to treat cross-owned companies as one entity.

With respect to the treatment of cross-owned companies when one company is in Group 1 and one company is in Group 2, petitioners assert that all cross-owned companies in this situation should be examined using the Group 2 methodology. Petitioners argue that the Group 2 methodology is the most accurate of the two methods and should apply in such cases.

Department's position: We disagree with both respondents and petitioners. The Group 1 and Group 2 benefit calculation methodologies are, more or less, the same, the only difference being that the Group 2 methodology involves the calculation of a benefit attributable to timber

harvested from Crown lands based on the company=s actual experience. Thus, for Group 1 companies cross-owned with Group 2 companies, the Department will apply the Group 1 benefit calculation methodology to the Group 1 company and apply the Group 2 benefit calculation methodology to the cross-owned company in Group 2. To derive the net subsidy rate applicable to both the Group 1 and Group 2 company that are cross-owned, the Department will sum the two benefit amounts and divide the total by the two companies= consolidated sales denominator (scope and non-scope softwood lumber products and softwood lumber by-products, net of resales). Therefore, with respect to the methodology to be applied to companies whose cross-owned companies may be assigned to a different group, the Department, when calculating the benefit, will apply to each Group 1 or Group 2 company the methodology, regardless of cross-ownership, of the group to which the company is assigned. The rate for the cross-owned companies will be calculated taking into account the results of the two separate calculations. Given this approach, we are unable in these preliminary results to calculate a consolidated net subsidy rate for Group 1 companies that are cross-owned with Group 2 companies because we are still processing and receiving data from Group 2 companies.

Comment 2: Whether Subsidy Amounts Attributed to Logs on the Basis of Volume Should be Equal to Subsidies Amounts Attributed to Lumber and Sawdust

Petitioners argue that the Department was in error in the Issues and Decision Memorandum issued in conjunction with the November Final Results in saying Athe Department made no distinction between the amount of subsidy attributed to one cubic meter of lumber and the amount of subsidy attributed to one cubic meter of sawdust.@ See page 15 of the Issues and Decision Memorandum: Final Results of Expedited Reviews of 13 Companies Covered by the

August 14, 2002 Notice of Preliminary Results Under the Countervailing Duty Order on Certain Softwood Lumber from Canada (November Issues and Decision Memorandum). Petitioners contend that this is not supported by the facts and is inconsistent with the countervailing duty methodology and economics. Petitioners contend that the allocation of subsidies is based upon the value of products of the subsidized mills. High-value products are recognized as being more highly subsidized and the majority of the subsidy is allocated to these products. In contrast, the allocation of the subsidy to low-value products is much less.

Petitioners contend that in the lumber investigation, the subsidy was attributed to the value of the lumber products produced from preferentially provided inputs. Moreover, they state that the subsidy calculation is always performed on a value, not a volume basis. They cite to 19 CFR section 351.525(a) which states "the Secretary will calculate the ad valorem subsidy rate by dividing the amount of the benefit allocated to the period of investigation or review by the sales value . . .". Therefore, they argue that the subsidy calculation should be based on the value of the entire input and the value of the entire output since the whole log is required to produce softwood lumber. Petitioners maintain that the Department should clarify that the correct methodology of allocating the subsidy between lumber and by-products, consistent with the underlying investigation, is based on value and not volume.

Moreover, petitioners assert that in the expedited reviews the Department correctly calculated the subsidy by multiplying the per cubic meter benefit on sawtimber by the volume of sawlogs used by the sawmills. However, petitioners contend that the Department also multiplied the province-wide per-cubic-meter benefit on sawtimber by the volume of lumber used as an input by the reviewed lumber company. Petitioners argue that the per-unit benefit on logs is not

the same as the per-unit benefit on lumber because it may take as much as two cubic meters of sawtimber to make a cubic meter of lumber.

Petitioners contend that this methodology is inconsistent with the **Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products From Canada, 67 FR 15545 (April 2, 2002) (Final Determination)**. They claim that the Department=s methodology understates the subsidy amount on lumber. Petitioners argue that the application of a per-unit benefit based on logs to lumber inputs acquired by, for example, a Canadian lumber remanufacturer, would not reflect the full value of the subsidy received when the lumber in question was resold. Petitioners maintain that this methodology is not supported mathematically. Moreover, the fact that this calculation methodology was used in the exclusion process in the underlying investigation provides no basis to continue this error. Although, assert petitioners, they did not have time to address this erroneous methodology in calculating the company-specific exclusions in their briefs, they claim this methodology should be subject to correction in these expedited reviews.

Department=s position: We have carefully considered petitioners= comments on the amount of subsidies attributable to lumber acquired as an input. We remain, however, of the view that the methodology that has been followed by the Department is reasonable and in accordance with our practice.

In these expedited reviews, just as in the exclusion process in the investigation, one of the tasks before the Department is to estimate the amount of subsidy attributable to lumber as an input into the manufacturing process. No such value was derived in determining the country-wide rate in the investigation. In that context, we simply calculated the amount of subsidy

attributed to timber; we did not -- because we did not need to B derive a value for the subsidy attributable to lumber produced from subsidized timber.

In the exclusion process, we estimated the amount of benefit on lumber as an input into the manufacturing process based on the only value available from the investigation, i.e. the benefit on timber expressed as a specific dollar amount per cubic meter. Because the amount of the benefit calculated in the investigation was based on volume, we attributed the benefit to lumber on a volume (not value) basis. We applied this benefit to all lumber, not only to lumber of Crown origin, because, as we stated in the February 20, 2002 Decision Memorandum (Memorandum from Bernard Carreau, Deputy Assistant Secretary, to Faryar Shirzad, Assistant Secretary, regarding Countervailing Duty Investigation on Softwood Lumber Products from Canada), Aas a practical matter it is impossible to distinguish lumber produced from private logs and lumber produced from Crown timber, once it is processed in potentially subsidized mills.@ We used this methodology in the exclusion process and clearly described it in the first initiation notice of the expedited reviews (Notice of Initiation/Round 1).

As previously stated in Comment 4 of the November Issues and Decision Memorandum, we believe that petitioners had ample opportunity to comment on the accuracy of this methodology during the investigation and in earlier stages of these expedited reviews, particularly when we requested comments on our proposed methodology in the first initiation notice. We received no comments on this issue; therefore, we proceeded with issuing the preliminary results for 18 companies. Petitioners commented after the publication of the August Preliminary Results; however, we disagreed with petitioners= position and applied the same methodology in the final results for 13 of those companies.

We find no compelling reason in petitioners' arguments to modify the methodology applied so far. In particular, petitioners have not demonstrated that B given the information that is reasonably available to the Department within the time constraints applicable to these reviews B their approach to attributing subsidies to lumber used as an input is more accurate than the approach used by the Department. Moreover, the Department finds that a change in methodology at this time could be detrimental to the companies under review, who have relied on the current methodology to make a number of decisions, such as whether or not to withdraw from the expedited reviews and whether or not to apply for an upstream analysis. For all these reasons, we are continuing to apply the province-wide stumpage benefit to a unit of lumber in these preliminary results, as we did in the August Preliminary Results and the investigation.

Comment 3: Whether Group 1 Companies That Did Not Request an Analysis of Whether They Benefitted from Subsidies Bestowed on Their Inputs Should Be Able to Reassess this Decision

Landmark Truss & Lumber Inc. (Landmark) and its subsidiaries Frontier Mills Inc. and Fraser Pacific Forest Products Inc. maintain that they did not request an analysis of whether they benefitted from subsidies bestowed on their inputs based on their understanding that the final results for Group 1 companies would be issued within the time frames previously announced by the Department. Furthermore, Landmark understood that any results based on an analysis of whether they benefitted from subsidies bestowed on their inputs would not be issued until after the final results of Group 2 companies.

Landmark notes that petitioners have argued in their case brief that the final results of expedited reviews for all companies should be issued simultaneously. Landmark asserts that if the Department decides not to follow its schedule for Group 1 companies and instead issues all

expedited reviews simultaneously, then Group 1 companies with the same circumstances as Landmark should be allowed to reassess their decision with respect to requesting an analysis of whether subsidies bestowed on their inputs benefitted them.

Landmark also notes that the Government of Canada (GOC) has argued in case briefs submitted during the course of this proceeding that an analysis of whether the companies benefitted from subsidies bestowed on their inputs should not extend the existing timelines for the expedited reviews and that the Department should issue a proposed methodology for the conduct of this type of analysis. If the Department agrees to complete the analysis on the established schedule or if the Department issues a proposed methodology for the conduct of this type of analysis, Landmark submits that companies similarly situated should be given the opportunity to reassess their decision and to request such an analysis.

Department=s Position: In their September 6, 2002 case brief at page 16, the GOC maintained that the Department should allow companies purchasing inputs through arm's length transactions to request expedited reviews subsequent to initiation of the expedited reviews. In the November Final Results, we emphasized that allowing other companies to request expedited reviews at that time would complicate and delay an already elaborate and cumbersome process. Similarly, giving companies the opportunity to reassess and request an analysis of whether subsidies bestowed on their inputs benefitted them at this stage in the expedited review process, as Landmark suggests, would further complicate and delay the expedited review process. Therefore, we are not adopting these suggestions.

II. Individual Company Comments

Comment 1: Antrim Cedar Corporation

Petitioners assert that Antrim Cedar's exclusion request in the underlying investigation indicated that it was a reseller of lumber during the POR, however, in these expedited reviews, Antrim reported that it had no resales of logs or lumber.

Department's Position: Antrim's application and subsequent questionnaire responses indicate resales of subject merchandise. However, as indicated above, we are rescinding Antrim's expedited review. The basis of our determination with respect to Antrim's expedited review is explained in the Partial Recission section of this notice.

Comment 2: Central Cedar Ltd.

Petitioners contend that the total value of all sales of subject merchandise reported in Central Cedar's exclusion request differs from the amount reported in its expedited review application.

Department's Position: The exclusion request was in a different segment of the proceeding from these expedited reviews. Therefore, the figures provided in the two segments of the proceeding are not directly comparable. The numbers reported for purposes of these expedited reviews are F.O.B. values and we have sent several questionnaires to the companies clarifying exactly how the sales data should be derived for purposes of these expedited reviews. Companies have provided the clarified data to the Department and we have used it in these preliminary results.

Comment 3: Fraser Pacific Forest Products

Petitioners contend that in the exclusion process, Fraser reported that it was a wholly-owned subsidiary of Landmark Truss and reported total sales of subject merchandise for itself and its affiliated companies. However, petitioners point out that in these expedited reviews, Landmark Truss by itself claimed total sales of subject merchandise without mention of any

affiliates. Petitioners assert that the sum of total sales of subject merchandise for these three companies expedited review applications is a substantial increase over the amount reported for total sales of subject merchandise in the exclusion process.

Department=s Position: Fraser Pacific Forest Products has reported in these expedited reviews that it is a wholly-owned subsidiary of Landmark and also cross-owned with Frontier Mills. In these expedited review proceedings, we have sent several questionnaires to Fraser Pacific, Frontier Mills, and Landmark to clarify the data that was submitted. We have calculated the rate for this company using our cross-owned methodology as described above in the methodology section of this notice. Thus, we have accounted for not only its cross-ownership with Landmark, but also its cross-ownership with Frontier Mills.

Comment 4: Power Wood Corporation (Power Wood) and Rielly Industrial Lumber Inc. (Rielly)

Petitioners assert that the total sales of subject merchandise reported in Power Wood=s and Rielly=s exclusion request differs from the amount reported in the expedited review process. Moreover, petitioners contend that in the company exclusion process these two companies certified that they received no benefit from provincial Crown stumpage in British Columbia. Yet, petitioners point out that in the Power Wood=s and Rielly=s expedited review application, they reported that they acquired Crown-origin logs from British Columbia during the POR.

Department=s Position: As noted in Comment 2 above concerning Central Cedar, these expedited review proceedings are different from the exclusion process. We have provided in these expedited reviews specific instructions how to derive the data for sales. In addition, we have taken into account Power Wood=s and Rielly=s Crown-origin logs reported in the

company=s questionnaire response in our calculation for this company=s individual cash deposit rate.

Comment 5: Sylvanex Lumber Products Inc.

Petitioners argue that in the company exclusion proceeding, Sylvanex Lumber Products Inc. (Sylvanex) reported that they had received government assistance while in these expedited reviews, Sylvanex indicates that they received no government assistance.

Departments Position: As noted in numerous company-specific comments above, the company exclusion segment of the proceeding was different from the expedited review segment of the proceeding. Contrary to petitioners= assertion, during the exclusion process and by letter dated August 21, 2001, Sylvanex reported that it Adid not benefit from other programs subject to this investigation.@ See the GOC=s October 29, 2001 submission, of which a public version is on file in room B-099 of the Central Records Unit in the main Commerce Building. In addition, the October 10, 2001 certification supplied by Forest Renewal BC indicated that Sylvanex received zero benefits from Forest Renewal BC. The benefit that petitioner states that Sylvanex reported during the exclusion process resulted from the reporting, by Forest Renewal BC of sums provided to various associations within British Columbia. These amounts were allocated to members of the associations for purposes of the exclusion applications alone. In these expedited reviews, the participating companies have submitted program usage information based on their own financial records and experience. Under this approach, Sylvanex again has reported that it did not use the Forest Renewal Program during the POR. Given the difference in reporting methodologies between the two proceedings and the fact that Sylvanex based its questionnaire response on its own financial data, we find the discrepancy raised by petitioners is adequately

explained and, thus, does not call into question the veracity of the information submitted by Sylvanex in these expedited reviews.

Comment 6: Tyee Timber Products Ltd.

According to petitioners, Tyee Timber Products (Tyee) indicated in the exclusion process that they were affiliated with another company. However, petitioners point out that in these expedited reviews, Tyee does not indicate that they are affiliated with any company. Moreover, the total sales of subject merchandise reported in the exclusion proceeding differs from the total sales of subject merchandise reported in their expedited review application. Lastly, petitioners argue that in Tyee=s expedited review application the company indicated that no logs were used or purchased, however, they report in another section of the application that the company used British Columbian timber as inputs.

Department=s Position: As explained above, the exclusion process was a different segment of the proceeding from these expedited reviews, and we have clarified in our questionnaires how the sales data should be derived for purposes of our analysis as well as how to report data related to logs harvested and purchased. With respect to whether Tyee reported affiliates in its expedited review application, as explained above, the reporting methodologies used by participating companies differed between the exclusion process and the expedited review process. In the exclusion process, companies signed certifications regarding their affiliation and cross-ownership status that were based on questionnaires and guidelines compiled and issued by the GOC. See the GOC=s October 29, 2001 submission. In contrast, in the expedited reviews, the Department has sent questionnaires directly to the participating companies that contain specific definitions and instructions regarding the issue of affiliation and cross-ownership. Therefore, it is entirely

reasonable, since different authorities issued separate and different questionnaires, that some discrepancies would exist between the two proceedings. However, what is germane to the instant proceeding is what Tye has stated regarding its affiliation and cross-ownership with other companies based on the definitions and instructions that were directly provided to it by the Department. On this point, Tye has made clear in its application and questionnaire responses that it was not affiliated or cross-owned with any companies.

Comment 8: West Bay Forest Products and Manufacturing Ltd.

Petitioners contend that West Bay Forest Products reported in the exclusion process different values for total sales of subject merchandise from the value they reported in their application for expedited review.

In response, West Bay Forest Products asserts that the financial information reported in their exclusion application reported total sales of all remanufactured softwood lumber. With respect to the expedited reviews, the company reported the combined total of remanufactured and resale sales amounts. Moreover, the company found an addition error in the total value of remanufactured sales reported in their original expedited review filing. In addition, the company provided a reconciliation of the difference between the figures in the two segments of the proceeding.

Department=s Position: As explained above, we provided specific instructions on how to calculate sales figures in these expedited reviews. Therefore, the figures provided in the two segments of the proceeding are not directly comparable. Further, we find that the information submitted by West Bay Forest Products accounts for the differences in total sales values between the two segments of the proceeding.

Verification

In accordance with 782(I)(3) of the Act, we may verify information submitted by respondents who preliminarily received a de minimis subsidy rate, prior to making our final determination.

Preliminary Results of Reviews

In accordance with 19 C.F.R. ' 351.221(b)(4)(I), we calculated an individual subsidy rate for each producer/exporter subject to these expedited reviews. For the period April 1, 2000 to March 31, 2001, we preliminarily determine the net subsidy to be as follows for Group 1 companies in Round 1:

Net Subsidies - Producer/Exporter	Net Subsidy Rate %
Alexandre Cote Ltee.	9.07
Boccam Inc.	0.41
Byrnexco Inc.	8.40
Davron Forest Products Ltd.	10.94
Fraser Pacific Forest Products Inc.	8.61
Frontier Mills Inc.	8.61
Haida Forest Products Ltd.	2.45
Landmark Truss & Lumber Inc.	8.61
Les Bois S&P Grondin Inc.	4.62
Les Industries P.F. Inc.	8.03
Sechoirs de Beauce Inc.	0.60
Tyee Timber Products Ltd.	4.10
West Bay Forest Products and Manufacturing Ltd.	5.50
West Can Rail Ltd.	0.00

For the period April 1, 2000 to March 31, 2001, we preliminarily determine the net subsidy to be as follows for Group 1 companies in Round 2:

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Net Subsidies - Producer/Exporter	Net Subsidy Rate %
Central Cedar Ltd.	4.96
Forstex Industries Inc.	4.51
Hudson Mitchell & Sons Lumber Inc.	4.31
Indian River Lumber	0.00
Les Scieries Jocelyn Lavoie Inc.	0.00
Leslie Forest Products Ltd.	13.72
Lyle Forest Products Ltd.	3.37
Power Wood Corp.	6.73
Precision Moulding Products	1.41
Ram Co. Lumber Ltd.	8.92
Rielly Industrial Lumber Inc.	5.15
Sylvanex Lumber Products Inc.	7.09
United Wood Frames Inc.	10.69
Williamsburg Woods & Garden	11.95

If the final results of these reviews remain the same as these preliminary results, the Department intends to instruct the BCBP to collect cash deposits of estimated countervailing duties in the amounts indicated above of the f.o.b. invoice price on all shipments of the subject merchandise produced and exported by the reviewed companies, entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results of these reviews. These rates will not apply to merchandise produced by the reviewed companies but exported by other entities.

Those producers/exporters whose final estimated net subsidy rate, based on verified information, is zero or de minimis will be excluded from the order. Because, in the Department's view, there is no relevant difference for purposes of the de minimis rule between expedited reviews of orders resulting from investigations conducted on an aggregate basis and expedited reviews of orders resulting from investigations conducted on a company-specific basis, we believe it is appropriate in these reviews to treat de minimis rates, one percent ad valorem in

this case, in accordance with section 19 C.F.R. section 351.214(k)(3)(iv). Therefore, after the issuance of its final results, the Department intends to instruct BCBP to liquidate, without regard to countervailing duties, all outstanding shipments of the subject merchandise produced and exported by excluded companies.

These expedited reviews cover only those companies that we have specifically identified as qualifying for expedited reviews. The cash deposit rate for all other non-reviewed companies subject to the country-wide rate will be adjusted in the final results of the expedited reviews to account for the benefit and the sales values of the companies that have received company-specific rates. We will instruct the BCBP to collect cash deposits for all non-reviewed companies at the new cash deposit rates established in the final results of these reviews.

Public Comment

Pursuant to 19 C.F.R. section 351.224(b), the Department will disclose to parties to the proceeding any calculations performed in connection with these preliminary results within five days after the date of publication of this notice. Pursuant to 19 C.F.R. section 351.309, interested parties may submit written comments in response to these preliminary results. Parties who submit argument in this proceeding are requested to submit with the argument: (1) a statement of the issue, and (2) a brief summary of the argument. Case and rebuttal briefs must be served on interested parties in accordance with 19 C.F.R. section 351.303(f). The due dates for the case briefs will be announced at a later date.

Individuals who wish to request a hearing must submit a written request within 14 days of the publication of this notice in the Federal Register to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, 14th Street and Constitution

Avenue, N.W., Washington, D.C. 20230. The time, date, and place of the hearing will be announced after the Department has released the dates of the briefing schedule. However, any party that wants to participate in a hearing must submit a written request within the time period specified above.

Requests for a public hearing should contain: (1) the party's name, address, and telephone number; (2) the number of participants; and, (3) to the extent practicable, an identification of the arguments to be raised at the hearing. In addition, ten copies of the business proprietary version and six copies of the non-proprietary version of the case briefs must be submitted to the Assistant Secretary.

Representatives of parties to the proceeding may request disclosure of proprietary information under administrative protective order no later than 10 days after the representative's client or employer becomes a party to the proceeding, but in no event later than the date the case briefs, under 19 C.F.R. section 351.309(c)(ii), are due. The Department will include the results of its analysis of issues raised in any case or rebuttal briefs in the final results of these expedited reviews. The Department will ensure that interested parties are informed of the briefing schedule.

In the interests of giving each respondent an informed opportunity to request rescission of their expedited review, we have amended the timeline announced in the application form to request rescission of an expedited review. Requests of rescission must be received by the Department no later than 30 days after the date of publication of the preliminary results of the relevant expedited review.

These expedited reviews and notice are issued and published in accordance with section 751(a)(1) and 777(I)(1) of the Act (19 U.S.C. 1675(a)(1) and 19 U.S.C. 1677(f)(I)).

Joseph A. Spetrini
Acting Assistant Secretary
for Import Administration

Date