

DEPARTMENT OF COMMERCE**International Trade Administration**

[A-122-838]

Notice of Preliminary Results of Antidumping Duty Administrative Review, Partial Rescission and Postponement of the Final Results: Certain Softwood Lumber Products From Canada

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

EFFECTIVE DATE: June 12, 2006.

FOR FURTHER INFORMATION CONTACT:

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SUMMARY: The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on certain softwood lumber products from Canada for the period May 1, 2004, to April 30, 2005 (the POR). We preliminarily determine that sales of subject merchandise made by Blanchette & Blanchette Inc. (Blanchette), International Forest Products Ltd. (Interfor), Rene Bernard Inc. (Rene Bernard), Tembec Inc. (Tembec), Tolko Industries Ltd. (Tolko), West Fraser Mills Ltd. (West Fraser), Western Forest Products Inc. (WFP) and Weyerhaeuser Company Limited¹ (Weyerhaeuser) have been made below normal value. In addition, based on the preliminary results for these respondents selected for individual review, we have preliminarily determined a weighted-average margin for those companies for which a review was requested, but that were not selected for individual review. If these preliminary results are adopted in our final results, we will instruct U.S. Customs and Border Protection (CBP) to assess antidumping duties on appropriate entries. Furthermore, twenty-eight companies have reported no shipments during the period of review. If we determine that the companies did not ship subject merchandise to the United States during the POR, we will rescind the review for these companies for the final results.

¹ Weyerhaeuser Company is the parent of Weyerhaeuser Company Limited. The Department has used the term "Weyerhaeuser Company" interchangeably to refer to both entities. However, Weyerhaeuser Company Limited is the respondent in this administrative review.

Finally, requests for review of the antidumping order for thirty-two companies were withdrawn. Because the withdrawal requests were timely and there were no other requests for review of the companies, we are rescinding the review for these companies. See 19 CFR 351.213(d)(1). Interested parties are invited to comment on these preliminary results and partial rescission.

SUPPLEMENTARY INFORMATION:**Background**

On May 2, 2005, the Department published a notice of opportunity to request an administrative review of this order. See *Notice of Opportunity to Request Administrative Review Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation*, 70 FR 22631 (May 2, 2005). On May 31, 2005, in accordance with section 751(a) of the Tariff Act of 1930, as amended (the Act) and 19 CFR 351.213(b), the Coalition for Fair Lumber Imports (the Coalition), a domestic interested party in this case, requested a review of producers/exporters of certain softwood lumber products. Also, between May 3, and May 31, 2005, certain Canadian producers/exporters requested a review on their own behalf or had a review of their company requested by a U.S. importer.

On June 30, 2005, the Department published a notice of initiation of administrative review of the antidumping duty order on certain softwood lumber products from Canada, covering the POR. See *Notice of Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 70 FR 37749 (June 30, 2005) (*Initiation Notice*).²

The Department received requests for review from more than 450 companies. Accordingly, in July 2005, in advance of issuing antidumping questionnaires, the Department issued to all companies for which an administrative review had been requested, a letter requesting total production and quantity of subject merchandise exported to the United States during the POR.³ Companies were required to submit their responses to the Department by July 27, 2005.⁴ In

² This notice was amended. See *Notice of Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 70 FR 61601 (October 25, 2005).

³ See Memo from Saliha Loucif, International Trade Compliance Analyst, to the File regarding Quantity Letter Mailed to Interested Parties on July 11, 2005 (July 25, 2005) (*Quantity Request*).

⁴ This deadline was subsequently extended to August 3, 2005. See Memo from David Neubacher, International Trade Compliance Analyst, to the File

addition, we received comments from interested parties on the respondent selection process, which included proposed methodologies.

Upon consideration of the information received with respect to respondent selection, on November 23, 2005, the Department selected the following eight respondents using a probability-proportional-to-size (PPS) sampling methodology: Blanchette, Interfor, Rene Bernard, Tembec, Tolko, West Fraser, WFP, and Weyerhaeuser.⁵ See Memorandum from David Layton, David Neubacher, and Shane Subler, International Trade Compliance Analysts to Stephen J. Claeys, Deputy Assistant Secretary, Regarding Selection of Respondents (December 15, 2005) (*Respondent Selection Memorandum*). See also *Selection of Respondents* section below.

On November 23, 2005, the Department issued sections A, B, C, D, and E of the antidumping questionnaire to the selected respondents. The respondents submitted their initial responses to the antidumping questionnaire from December 2005 through February 2006. After analyzing these responses, we issued supplemental questionnaires to the respondents to clarify or correct the initial questionnaire responses. We received timely responses to these questionnaires.

Partial Rescission and Preliminary Rescission of Administrative Review

On July 8, 2005, the Coalition withdrew its request for administrative reviews of the antidumping duty order with respect to Lawsons Lumber Company Ltd. and Pacific Lumber Company. On September 13, 2005, Millco Forest Products withdrew its request for an administrative review of Skagit Industries Ltd. On September 19, 2005, Fred Tebb & Sons, Inc. withdrew its request for an administrative review of S&R Sawmills Ltd. On August 15 and September 26, 2005, Patrick Lumber Company withdrew its request for administrative reviews of CDS Lumber Products Ltd. and Maher Forest Products Ltd. On September 27, 2005, Alexandre Cote Ltee., Clotures Rustiques L.G. Inc., Les Bois K-7 Lumber Inc., and Les Produits Forestiers Dube (Dube Forest Products) withdrew

regarding Extension for Request for Information in Third Administrative Review of Certain Softwood Lumber Products from Canada (July 19, 2005).

⁵ We note that the Department inadvertently omitted Pacific Coast Timber Inc. from the sampling database. Pacific Coast Timber Inc. submitted its information to the Department and, therefore, has been included on the list of companies receiving the review-specific rate for this review.

their requests for administrative reviews of the antidumping duty order. On September 28, 2005, Armand Duhamel & Fils Inc., Boscus Canada Inc., Byrnexco Inc., Careau Bois Inc., Fletcher Lumber, Fontaine Inc. (dba J.A. Fontaine et Fils Incorporee) and its affiliates, including Bois Fontaine Inc., Gestion Natanis Inc., and Les Placements Jean-Paul Fontaine Ltee), Les Bois Lac Frontiere Inc., Les Scieries J. Lavoie Inc., Maibec Industries, Matériaux Blanchet Inc., Max Meilleur et Fils Ltee., Optibois Inc., Precibois Inc., Preparabois Inc., Produits Forestiers Berscifer Inc., Rembos Inc., Scierie West Brome Inc., Tall Tree Lumber Co., and Usine Sartigan Inc. withdrew their requests for administrative reviews. Because the withdrawal requests were timely filed, i.e., within 90 days of publication of the Initiation Notice, and because there were no other requests for review of the above-mentioned companies, we are rescinding the review with respect to these companies in accordance with 19 CFR 351.231(d)(1).

Pursuant to 19 CFR 351.231(d)(3), the Department will rescind an administrative review with respect to a particular exporter or producer if it concludes that during the period of review there were "no entries, exports, or sales of the subject merchandise." Accordingly, the Department requires that there be entries during the POR upon which to assess antidumping duties, to conduct an administrative review. Barrett Lumber Company Limited, Cascadia Forest Products Ltd., Cattermole Timber, Chipman Sawmill Inc., Cooper Creek Cedar Ltd., Doman Industries Limited, Doman-Western Lumber Ltd., Eacan Timber USA Ltd., Kispiox Forest Products Ltd., Les Bois Indifor Lumber Inc., Oregon Canadian Forest Products, Rojac Cedar Products Inc.,⁶ Saran Cedar, Scierie St-Elzear Inc., Vanderhoof Specialty Wood Products Inc., Western Forest Products Limited, WFP Forest Products Limited, and WFP Western Lumber Ltd. reported that they had no entries of subject merchandise during the POR. Furthermore, we confirmed with the following

⁶ Counsel for Rojac Cedar Products Inc. and Rojac Enterprises Inc. informed the Department that the quantity information reported for both companies was inadvertently switched. During the POR, Rojac Enterprise Inc. had shipments and Rojac Cedar Products Inc. had no shipments. Therefore, based on the updated information, we have decided to preliminarily rescind the administrative review for Rojac Cedar Products Inc. See Letter from Howrey to the Department regarding the Third Administrative Review of Softwood Lumber from Canada (March 27, 2006). Rojac Enterprises Inc. is included on the list of companies receiving the review-specific rate for this review.

companies that they also had no entries of subject merchandise during the POR: Atco Lumber, Ltd., Barry Maedel Woods & Timber, Interpac Log & Lumber Ltd., Krystal Klear Marketing Inc., Lamco Forest Products, Spruce Forest Products Ltd., Suncoast Lumber & Milling, Timber Ridge Forest Products Inc., Velcan Forest Products Inc., and Westex Timber Mills, Ltd.⁷

The Department did not receive responses from T.F. Specialty Sawmill (T.F. Specialty) and Apex Forest Product, Inc. (Apex). However, both initial quantity request letters were returned to the Department with notes by the carrier that Apex was not located at the address given and T.F. Specialty was no longer in business.⁸ Moreover, each company's telephone number was disconnected and the Department did not have any means to contact T.F. Specialty or Apex.⁹ Therefore, the Department examined the CBP data to confirm whether these companies shipped subject merchandise during the POR. The Department confirmed that the CBP data showed no entries of subject merchandise to the United States from these companies during the POR.

Therefore, in accordance with 19 CFR 351.213(d)(3), we are preliminarily rescinding the administrative review with respect to all of the above companies because we preliminarily find that they had no shipments and, with respect to T.F. Specialty and Apex, we were unable to locate the companies and believe them no longer to be in business.

The Department notes that respondents' certified questionnaire responses and statements are its primary sources of information in antidumping proceedings while data from CBP may either corroborate or contradict a respondents' reported data. We are still examining statements in regards to no shipments by the following companies. Deep Cove Forest Products, E. Tremblay et File Ltee, Newcastle Lumber Co., Inc.,

⁷ See Memo from Saliha Loucif, David Neubacher, and David Layton, International Trade Compliance Analysts, to the File regarding Companies claiming no shipments of subject merchandise during the period of review (POR) in response to the Department's July 11, 2005 request for information letter (August 23, 2005) and Memo from David Neubacher, International Trade Compliance Analyst, to the File regarding Phone conversation with Barry Maedel Woods & Timber regarding the Department's July 11, 2005 request for information letter (July 13, 2005).

⁸ See Memo from David Neubacher, International Trade Compliance Analyst, to the File regarding Phone conversation with Apex Forest Products, Inc. and T.F. Specialty Sawmill regarding the Department's July 11, 2005 request for information letter (August 11, 2005).

⁹ See *id.*

and Slocan Forest Products Ltd. If the CBP data confirms each company's no shipment claims, we will issue an "intent to rescind" notice after the preliminary review results.

Postponement of Final Results

Section 751(a)(3)(A) of the Act, requires the Department to complete the final results of an administrative review within 120 days after the data on which the preliminary results are published. However, if it is not practicable to complete the review within this time period, section 751(a)(3)(A) of the Act allows the Department to extend the time limit for the final results to 180 days from the date of publication of the preliminary results.

We determine that it is not practicable to complete the final results of this review within the original time limit. The Department must address a number of significant and complex issues (e.g., use of adverse facts available and successor-in-interest) prior to the issuance of the final results. Therefore, the Department is extending the deadline for completion of the final results of the administrative review of the antidumping duty order on certain softwood lumber products from Canada. The final results of the review will not be due no later than 180 days from the date of publication of these preliminary results.

Scope of the Order

The products covered by this order are softwood lumber, flooring and siding (softwood lumber products). Softwood lumber products include all products classified under subheadings 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 mouldings 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 U.S. Customs 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/frn, 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 4421.90.97.40.

(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 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 $\frac{3}{4}$ 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 the satisfaction of CBP that the lumber is of U.S. origin.

(6) *Softwood lumber products contained in single family home packages or kits*,¹⁰ 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 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 CBP 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

¹⁰ 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.

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 CBP 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 4421.90.97.40;
7. Properly classified complete door frames;
8. Properly classified complete window frames; and
9. Properly classified furniture.

In addition, this scope language was further clarified to specify that all softwood lumber products entered from Canada claiming non-subject status based on U.S. country or 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 CBP'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.¹¹ The presumption of non-subject status can, however, be rebutted by evidence demonstrating that the merchandise was substantially transformed in Canada.

On March 3, 2006, the Department issued a scope ruling that any product entering under HTSUS 4409.10.05 which is continually shaped along its end and/or side edges which otherwise

¹¹ See the scope clarification message (#3034202), dated February 3, 2003, to CBP, regarding treatment of U.S. origin lumber on file in Room B-099 of the Central Records Unit (CRU) of the Main Commerce Building.

conforms to the written definition of the scope is within the scope of the order.¹²

Use of Adverse Facts Available

Section 776(a) of the Act, provides that, if an interested party (A) withholds information requested by the Department, (B) fails to provide such information by the deadline, or in the form or manner requested, (C) significantly impedes a proceeding, or (D) provides information that cannot be verified, the Department shall use facts otherwise available in reaching the applicable determination.

Pursuant to sections 776(a)(2)(A) and (B) of the Act, we preliminarily find that Tembec withheld species-specific stumpage information specifically requested by the Department in its March 7, 2006 and April 28, 2006 supplemental section D questionnaires. Therefore, the Department is preliminarily using facts otherwise available to adjust Tembec's wood costs pursuant to section 776(a) of the Act.

Pursuant to sections 776(a)(2)(A) and (C) of the Act, we preliminarily find that Chasyn Wood Technologies, Cowichan Lumber Ltd., Forwood Forest Products Inc., Hyak Specialty Wood Products Ltd., Jasco Forest Products, Noble Custom Cut Ltd., North American Hardwoods Ltd., North of 50, Scierie A&M St-Pierre Inc., South-East Forest Products Ltd., Spruce Products, Triad Forest Products, Ltd., Westmark Products Ltd., Woodko Enterprises Ltd., and Woodtone Industries Inc. withheld information specifically requested by the Department in its *Quantity Request* letter. Additionally, by not responding to the quantity request, the companies significantly impeded the proceeding. Therefore, the Department has preliminarily determined to base the companies' dumping margins on the facts otherwise available pursuant to section 776(a) of the Act.

In selecting from among the facts otherwise available, section 776(b) of the Act authorizes the Department to use an adverse inference if the Department finds that an interested party "failed to cooperate by not acting to the best of its ability to comply with a request for information." The Court of Appeals for the Federal Circuit (Federal Circuit) has held that the statutory mandate that a respondent act to the "best of its ability" requires the respondent to do the maximum it is able to do. See, e.g., *Nippon Steel Corp. v.*

United States, 377 F.3d 1373, 1382 (Fed. Cir. 2003).

In Tembec's case, the Department's two supplemental section D questionnaires each requested that Tembec report species-specific wood costs. Tembec instead reported species-specific wood costs for only two of the provinces from which it obtains wood, Ontario and Quebec. For the remaining province, British Columbia, Tembec claimed that it could not report species-specific wood costs. However, Tembec stated in its January 27, 2006 section D response at pages D-4 and D-5, "that harvest areas in British Columbia are identified on forest cover maps and that these maps generally identify the species mix, the age, and the height of the candidate stands. A timber survey is then conducted to ensure that the stand actually is comprised of the target species and to ensure that quality and volume needs are met. When needs are met, a formal timber cruise is completed. Using detailed measuring techniques, stands are surveyed for the purpose of determining gross and net volumes, species mix, age, height and piece size." Tembec continued to state that "these surveys are then entered into a computerized information management system so that more detailed harvest planning may commence." Based on these statements, we preliminarily conclude that Tembec could have provided the stumpage costs by species, using the details in these surveys and the stumpage fees actually paid for each stand.

Moreover, other respondents did provide the requested information, under the same circumstances described by Tembec, for all provinces, and did so in this review, in the prior review, and in the investigation. For example, Tolko stated in its January 30, 2006 section D response at page D-24, "that for the sawmills that processed multiple species Tolko has allocated stumpage cost to the various species processed based on relative appraisal values." Also, West Fraser stated in its January 27, 2006 section D response at page D-23, "that based on an analysis of the stumpage fees assessed on each cutting permit during the POR, it has computed a species-specific adjustment to its average stumpage cost per cubic meter for each applicable sawmill."

Both Tolko and West Fraser relied on the appraisal values and cutting permit data, which are prepared in conjunction with the timber survey that is performed before harvesting, to determine species-specific wood costs. Because Tembec prepared such surveys and uses them in conducting its business, the Department finds that Tembec had the capability to

report species-specific wood costs for all provinces and that Tembec did not provide such information in the form or manner requested.

In the case of the companies not responding to the quantity request, the Department finds that those companies failed to respond to the Department's requests. The Department specifically requested in its July 11, 2005, letter to all companies named in the initiation that they report their quantity of subject merchandise entered into the United States during the POR. In the same letter, the Department stated that, absent a response, "the Department may use information that is adverse to your interest in conducting its analysis."¹³ The Department confirmed that all of the above companies received the letter and also contacted the companies directly to request the information. However, as stated on the record, the companies failed to respond and we preliminarily find that they have withheld information that the Department specifically requested.¹⁴

The Department finds that all of the above companies could have responded to the Department's requests for information, but did not do so.

Accordingly, the Department finds that these companies failed to cooperate to the best of their ability in complying with the Department's requests for information. Consequently, in selecting from among the facts otherwise available, the Department is making an inference that is adverse to the interests of the above companies due to their refusal to cooperate to the best of their ability. See section 776(b) of the Act.

Section 776(b) of the Act authorizes the Department to use as adverse facts available (AFA) information derived from (1) the petition, (2) a final determination in the investigation under this title, (3) any previous review under section 751 or determination under section 753, or (4) any other information on the record.

Pursuant to section 776(b)(4) of the Act, we have selected AFA for Tembec using information the company has

¹³ See *Quantity Request* at Attachment 1, page 3.

¹⁴ See, e.g., Memo from Saliha Loucif, David Neubacher, and David Layton, International Trade Compliance Analysts, to the File regarding companies that did not respond to the Department's July 11, 2005 request for information letter (August 16, 2005), Memo from David Neubacher, International Trade Compliance Analyst, to the File regarding Phone conversation with Westmark Products Ltd. regarding the Department's July 11, 2005 request for information letter (August 17, 2005), and Memo from Saliha Loucif, David Neubacher, and David Layton, International Trade Compliance Analysts, to the File regarding Companies that did not respond to the Department's July 11, 2005 request for information letter (November 21, 2005).

¹² See Memorandum from Constance Handley, Program Manager, to Stephen J. Claeys, Deputy Assistant Secretary regarding Scope Request by the Petitioner Regarding Entries Made Under HTSUS 4409.10.05, dated March 3, 2006.

placed on the record. To account for all log species in British Columbia for which Tembec only reported average stumpage cost, we have increased the British Columbia wood costs by the difference between the average per-unit stumpage for the highest stumpage cost species and the average per-unit stumpage costs for all species in Ontario and Quebec.

The Department's practice, when selecting an AFA rate for companies that did not provide any usable or reliable information is to select from among the possible sources of information, a margin that is sufficiently adverse "as to effectuate the statutory purposes of the adverse facts available rule to induce respondents to provide the Department with complete and accurate information in a timely manner." See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8932 (February 23, 1998). The Department's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully." See *Statement of Administrative Action Accompanying the Uruguay Round Agreements Act*, H.R. Rep. No. 103-316, at 870 (1994) (SAA), see also *Notice of Final Determination of Sales at Less than Fair Value: Certain Frozen and Canned Warmwater Shrimp from Brazil*, 69 FR 76910 (December 23, 2004); see also *D&L Supply Co. v. United States*, 113 F. 3d 1220, 1223 (Fed. Cir. 1997).

In order to ensure that the margin is sufficiently adverse so as to induce cooperation, we have preliminarily assigned a rate of 37.64 percent to those companies that did not provide quantity data in response to the Department's request. This is the rate alleged in the petition, as adjusted at the initiation of the LTFV investigation.¹⁵ The Department finds that this rate is sufficiently high to effectuate the purpose of the adverse facts available rule (i.e., we find that this rate is high enough to encourage participation in future segments of this proceeding in accordance with section 776(b) of the Act).

Section 776(c) of the Act provides that, where the Department selects from among the facts otherwise available and relies on "secondary information," the Department shall, to the extent practicable, corroborate that information from independent sources reasonably at

the Department's disposal. Secondary information is described in the SAA as "information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise." See SAA at 870. The SAA states that "corroborate" means to determine that the information used has probative value. As explained in *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from Japan, and Tapered Roller Bearings Four Inches or Less in Outside Diameter, and Components Thereof, from Japan: Preliminary Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Review*, 61 FR 57391, 57392 (November 6, 1996) (TRBs), in order to corroborate secondary information the Department will examine, to the extent practicable, the reliability and relevance of the information used. The SAA also states that independent sources used to corroborate such evidence may include, for example, published price lists, official import statistics and customs data, and information obtained from interested parties during the particular investigation. See 19 CFR 351.308(d) and SAA at 870.

With respect to corroboration, however, the Department will consider information reasonably at its disposal as to whether there are circumstances that would render a margin inappropriate. Where circumstances indicate that the selected margin is not appropriate as AFA, the Department may disregard the margin and determine an appropriate margin. See, e.g., *Fresh Cut Flowers from Mexico; Final Results of Antidumping Duty Administrative Review*, 61 FR 6812, 6814 (February 22, 1996) (where the Department disregarded the highest margin as AFA because the margin was based on another company's uncharacteristic business expense resulting in an unusually high margin). Therefore, we examined whether any information on the record would discredit the selected rate as reasonable facts available.

The petition rate of 37.64 percent was based on a comparison of price to constructed value (CV) using actual market prices referenced from *Random Lengths*¹⁶ and price quotes from Canadian producers. Because the above data used to calculate CV in the petition

was derived from publicly available Canadian domestic industry data and proprietary data from the members of the Coalition adjusted for known differences, the Department believes that this information is reliable and deemed it adequate and reasonable for the purposes of initiating an investigation.

Because the companies did not submit information to the Department or participate in a previous segment of this proceeding, we do not have such information to consider in determining whether the petition rate is relevant to each of them. To determine whether the margin is reliable and relevant in this administrative review, we examined the transaction-specific rates of all respondents in this administrative review compared to the rate of 37.64 percent and found that it was reliable and relevant for use in this administrative review. For the company-specific information used to corroborate this rate, see Memorandum from Constance Handley, Program Manager, to the File regarding Research for Corroboration for the Preliminary Results in the 2004-2005 Antidumping Duty Administrative Review of Certain Softwood Lumber Products from Canada (May 31, 2006). We find the 37.64 percent margin to be probative because it does not appear to be aberrational when compared to the respondents' transaction-specific rates and no information has been presented to call into question the relevance of that information.

Therefore, we have determined that the 37.64 percent margin is appropriate as AFA and are assigning it to Chasyn Wood Technologies, Cowichan Lumber Ltd., Forwood Forest Products Inc., Hyak Specialty Wood Products Ltd., Jasco Forest Products, Noble Custom Cut Ltd., North American Hardwoods Ltd., North of 50, Scierie A&M St-Pierre Inc., South-East Forest Products Ltd., Spruce Products, Triad Forest Products, Ltd., Westmark Products Ltd., Woodko Enterprises Ltd., and Woodtone Industries Inc.

Selection of Respondents

Section 777A(c)(1) of the Act directs the Department to calculate individual dumping margins for each known exporter and producer of the subject merchandise. However, section 777A(c)(2) of the Act gives the Department the discretion, when faced with a large number of exporters/producers, to limit its examination to a reasonable number of such companies if it is not practicable to examine all companies. Where it is not practicable to examine all known exporters/

¹⁵ See Notice of Initiation of Antidumping Duty Investigation: Certain Softwood Lumber Products From Canada, 66 FR 21328 (April 30, 2001) (Initiation of Certain Softwood Lumber Products).

¹⁶ *Random Lengths* is a weekly newsletter that is received by subscribers in the United States, Canada, and 41 other countries. The publication reports prices and examines issues affecting markets for the North American softwood lumber industry.

producers of subject merchandise, this provision permits the Department to review either: (1) A sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or (2) exporters and producers accounting for the largest volume of the subject merchandise that can reasonably be examined.

Responses to the Department's information request were received July 18 through September 29, 2005. After consideration of the data submitted, and the complexities unique to this proceeding, as well as the resources available to the Department, we determined that it was not practicable in this review to examine all known exporters/producers of subject merchandise. Accordingly, we limited the number of mandatory respondents to eight and, as explained in our *Respondent Selection Memorandum*, based our selection of mandatory respondents on a PPS sampling methodology. We received written requests from three companies to be included as voluntary respondents in this review.¹⁷ We were not able to accommodate these requests due to resource constraints and preliminarily determine, pursuant to section 782(a)(2), that an individual review of these companies would be unduly burdensome and inhibit the timely completion of this administrative review.

Successor-in-Interest

In submissions to the Department dated December 21, 2005, and March 30, 2006, Tolko advised the Department that Tolko acquired a controlling interest in Riverside Forest Products Ltd. (Riverside) on October 26, 2004, and Tolko acquired the remaining Riverside shares by February 2, 2005.¹⁸ On January 1, 2006, Riverside ceased to exist as a separate corporate entity. The post-acquisition Tolko assumed all softwood lumber, flooring and siding industry operations formerly held by Riverside, in addition to continuing its own operations.

In antidumping duty successor-in-interest determinations, the Department typically examines several factors including, but not limited to, changes in: (1) Management; (2) production facilities; (3) supplier relationships; and (4) customer base. See *Brass Sheet and*

Strip from Canada: Notice of Final Results of Antidumping Administrative Review, 57 FR 20460, 20462 (May 13, 1992) (*Canada Brass*). While no single factor or combination of factors will necessarily be dispositive, the Department generally will consider the new company to be the successor to the predecessor company if the resulting operations are essentially the same as those of the predecessor company. See, e.g., *Industrial Phosphoric Acid from Israel: Final Results of Changed Circumstances Review*, 59 FR 6944, 6945 (February 14, 1994), and *Canada Brass*, 57 FR 20462. Thus, if the record evidence demonstrates that, with respect to the production and sale of the subject merchandise, the new company operates as the same business entity as the predecessor company, the Department may assign the new company the cash deposit rate of its predecessor. See, e.g., *Fresh and Chilled Atlantic Salmon from Norway: Final Results of Changed Circumstances Antidumping Duty Administrative Review*, 64 FR 9979, 9980 (March 1, 1999).

Based on our review of the Questionnaire Response, we preliminarily determine that the post-acquisition Tolko is the successor-in-interest to both the pre-acquisition Tolko and Riverside. As a result of the acquisition, significant components of both pre-acquisition Tolko's and Riverside's production facilities, supplier relationships, and customer base were incorporated into the post-acquisition Tolko.

Following the acquisition, Tolko's management structure was revised to incorporate former Riverside managers. By March 2005, pre-acquisition Riverside's Executive Vice-President became the Executive Vice-President of post-acquisition Tolko.¹⁹ A small number of senior plant and site managers with the pre-acquisition Riverside held managerial posts in the post-acquisition Tolko.²⁰ Thus, managers of both companies held management positions in the post-acquisition Tolko.

The transfer of Riverside's fixed assets to Tolko resulted in a dramatic increase in Tolko's production capacity. Prior to the acquisition, Tolko had five sawmills and Riverside had five sawmills. Following the acquisition, Tolko operated the combined ten sawmills.²¹ Moreover, prior to the acquisition, Tolko produced only small quantities of stud grade lumber. Because three of

Riverside's lumber mills specialized in stud grade lumber, the acquisition of Riverside enabled Tolko to significantly diversify and increase its production capabilities.²² Moreover, Tolko reports that, due to the established reputation of Riverside studs, Tolko continues to sell certain stud products under the Riverside name and logo.²³ Thus, the post-acquisition Tolko produced a much larger quantity of and a wider range of products than were produced by either Tolko or Riverside before the acquisition.²⁴

Further, the acquisition of Riverside allowed Tolko to significantly increase its customer base. In addition to Tolko's own customers, former Riverside customers purchase from the post-acquisition Tolko.²⁵ Likewise, many suppliers that previously serviced Riverside continued to supply the post-acquisition Tolko.²⁶ Thus, the post-acquisition Tolko noticeably increased the number of customers to whom it sells, and its list of suppliers became more diversified.

When as the result of an acquisition, the post-acquisition entity contains significant elements of both companies involved in the acquisition, we consider the post-acquisition entity to be a successor-in-interest to both of the pre-acquisition companies. The post-acquisition Tolko's production facilities, supplier relationships, customer base and sales facilities combine important elements of both the pre-acquisition Tolko and Riverside. Consequently, we preliminarily determine that the post-acquisition Tolko is the successor in interest to both the pre-acquisition Tolko and Riverside.

Because the post-acquisition Tolko operated for six months of the POR, we are basing the cash deposit rate for Tolko on the antidumping rate calculated for the post-acquisition Tolko.

Collapsing Determinations

The Department's regulations provide that affiliated producers will be treated as a single entity where: (1) Those producers have production facilities for similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities; and (2) the Department concludes that there is a

²² See Tolko's second supplemental questionnaire response, (Second Supplemental Questionnaire Response), dated May 8, 2006, at page 2.

²³ See id. at page 5.

²⁴ Id. at Exhibits 11 and 12.

²⁵ Id. at page 9.

²⁶ Id. at page 10 and Exhibits 14 and 15. See also Second Supplemental Questionnaire Response at page 5-7.

¹⁷ These companies were the Abitibi Group (November 30, 2005), Canfor Corporation (November 30, 2005) and Pope & Talbot (July 15, 2005).

¹⁸ See Tolko's supplemental questionnaire response (Questionnaire Response) dated March 30, 2006, Securities Register at Exhibit 5.

¹⁹ See id. at Exhibit 10.

²⁰ See id. at Exhibit 9.

²¹ See id. at page 8.

significant potential for the manipulation of price or production.²⁷ In identifying a significant potential for the manipulation of price or production, the Department may consider such factors as: (i) The level of common ownership; (ii) the extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm; and (iii) whether operations are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers.²⁸ These factors are illustrative, and not exhaustive.

In their questionnaire responses, respondents reported the sales of certain affiliated companies. Blanchette reported the sales of its affiliate, Barrette-Chapais Ltee. Interfor reported sales from its affiliates BW Creative Wood Industries Ltd. and Sauder Industries Limited. Tembec reported the sales of Les Industries Davidson, Inc.²⁹ as well as Tembec affiliates Marks Lumber Ltd., Temrex Limited Partnership, and 791615 Ontario Limited (Excel Forest Products). Tolko was excused from reporting the sales of Gilbert Smith Forest Products, Ltd. (Gilbert Smith), although it continues to be collapsed with Tolko³⁰ West Fraser reported the sales of its affiliates West Fraser Forest Products Inc. and Seehta Forest Products Ltd. WFP reported sales by WFP Lumber Sales Ltd., its wholly-owned subsidiary that is responsible for sales of all lumber produced by WFP's sawmill divisions. Prior to July 27, 2004, WFP operated as Doman Industries Limited (Doman) and its subsidiary companies. The Department determined that WFP is the successor-in-interest to Doman.³¹ Therefore, WFP also reported all POR sales by Doman prior to July 27, 2004. Weyerhaeuser reported the sales of its affiliate Weyerhaeuser Saskatchewan Ltd. Upon

review of the questionnaire responses, we determined that the affiliates discussed above were properly collapsed with the respective respondent companies for the purposes of this review.

Rene Bernard reported sales of subject merchandise produced or further processed by its affiliates Irenée Grondin & Fils Ltée. (Grondin) and Les Sechoirs a Bois Rene Bernard Ltee. (Sechoirs). Rene Bernard also reported sales by two affiliated companies, Bois Bohemia Inc. (BB), and Bermorg LLC (Bermorg) which involved lumber which BB and Bermorg purchased from unaffiliated suppliers and then further processed. We have preliminarily determined that Rene Bernard, BB, and Bermorg are the producers of the lumber that they process and sell.³² Therefore, we have also collapsed Rene Bernard, BB and Bermorg for these Preliminary Results.³³

The Department excused individual respondents from reporting the sales of specific merchandise or sales by certain affiliates during this review. These specific reporting exemptions were granted to the companies because the sales were determined to be a relatively small percentage of total U.S. sales, burdensome to the company to report and for the Department to review, and would not materially affect the results of this review.³⁴

Treatment of Sales Made on a Random-Length Basis

Most of the respondents made a portion of their sales during the POR on a random-length³⁵ (also referred to as a mixed-tally) basis. The industry practice is to negotiate a single per-unit price for the whole tally with the customer, but to take the composition of lengths in the tally into account when quoting this price. The price of the invoice is the blended (i.e., average) price for the tally. Therefore, the line-item price on the invoice to the customer does not reflect the value of the particular product, but rather the average value of the combination of products.

³² See Memorandum from David Layton, International Trade Analyst, to Susan Kuhbach, Director, regarding Whether to Collapse René Bernard Inc. with Certain Affiliated Parties (April 11, 2006).

³³ See id.

³⁴ See Memorandum from Saliha Loucif, International Trade Compliance Analyst, through Constance Handley, Program Manager, to Susan Kuhbach, Director, regarding Individual Reporting Exemption Requests of Certain Respondent Companies (January 31, 2006).

³⁵ For the purposes of this review, we are defining a random-length sale as any sale which contains multiple lengths, for which a blended (i.e., average) price has been reported.

Sections 772(a) and (b) and 773(a)(1)(B)(i) of the Act direct the Department to use the price at which the product was sold in determining export price (EP), constructed export price (CEP), and normal value (NV). In this case, the price at which the products were sold is the total amount on the invoice. The respondents' choice to divide that price evenly over all products on the invoice represents an arbitrary allocation which is not reflective of the underlying value of the individual products within the tally. However, with the exception of Blanchette and West Fraser, the respondents do not keep track of any underlying single-length prices in such a way that they can "deconstruct" or reallocate the prices on the invoice to more properly reflect the relative differences in the market value of each unique product that were taken into account in determining the total invoice price.

For all companies except Blanchette and West Fraser, for purposes of these preliminary results, we reallocated the total invoice price of sales made on a random-lengths basis, where possible, using the average relative values of company-specific, market-specific single-length sales made within a two-week period (i.e., one week on either side) of the tally whose price is being reallocated. If no such sales were found, we used a four-week period (i.e., two weeks on either side of the sale).

We note that a single-length-sale match must be available for each line item in the tally in order to perform a reallocation based on relative price. If there were not single-length sales for all items in the tally within a four-week period, we continued to use the reported price as neutral facts available, pursuant to section 776(a)(1) of the Act. Blanchette only reported single-length sales. For West Fraser, we used the reported length-specific prices. This methodology was fully described in detail during the first administrative review and applied in the second administrative review. See *Notice of Final Results of Antidumping Duty Administrative Review and Notice of Final Results of Antidumping Duty Changed Circumstances Review: Certain Softwood Lumber Products from Canada*, 69 FR 75921 (December 20, 2004) and accompanying Issues and Decision Memorandum at comment 5.

Fair Value Comparisons

We compared the EP or the CEP, as applicable, to the NV, as described in the *Export Price and Constructed Export Price and Normal Value* sections of this notice. We first attempted to compare

²⁷ See 19 CFR 351.401(f)(1).

²⁸ See 19 CFR 351.401(f)(2).

²⁹ Tembec purchased the shares of Davidson on November 5, 2001, and as of December 27, 2003, Davidson became a division of Tembec. The Davidson Division's financial results have been fully incorporated in Tembec's financial statements for the entire POR. Therefore, we are no longer listing Davidson separately as part of the Tembec Group.

³⁰ See Memorandum from Saliha Loucif, International Trade Compliance Analyst, through Constance Handley, Program Manager, to Susan Kuhbach, Director, regarding Individual Reporting Exemption Requests of Certain Respondent Companies (January 31, 2006).

³¹ See *Notice of Final Results of Antidumping Duty Changed Circumstances Review: Certain Softwood Lumber Products from Canada*, 70 FR 48673, dated August 19, 2005.

contemporaneous sales in the U.S. and comparison markets of products that were identical with respect to the following characteristics: product type, species, grade group, grade, dryness, thickness, width, length, surface, trim and processing type. Where we were unable to compare sales of identical merchandise, we compared products sold in the United States with the most similar merchandise sold in the comparison markets based on the characteristics of grade, dryness, thickness, width, length, surface, trim and further processing, in this order of priority. Consistent with prior segments of this proceeding, we did not match across product type, species or grade group. Where there were no appropriate comparison-market sales of comparable merchandise, we compared the merchandise sold in the United States to constructed value (CV), in accordance with section 773(a)(4) of the Act. We generally relied on the date of invoice as the date of sale. Consistent with the Department's practice, where the invoice was issued after the date of shipment, we relied on the date of shipment as the date of sale.

Export Price and Constructed Export Price

In accordance with section 772 of the Act, we calculated either an EP or a CEP, depending on the nature of each sale. Section 772(a) of the Act defines EP as the price at which the subject merchandise is first sold before the date of importation by the exporter or producer outside the United States to an unaffiliated purchaser in the United States, or to an unaffiliated purchaser for exportation to the United States. Section 772(b) of the Act defines CEP as the price at which the subject merchandise is first sold in the United States before or after the date of importation, by or for the account of the producer or exporter of the merchandise, or by a seller affiliated with the producer or exporter, to an unaffiliated purchaser, as adjusted under sections 772(c) and (d) of the Act.

For all respondents, we calculated EP and CEP, as appropriate, based on prices charged to the first unaffiliated customer in the United States. We found that all of the respondents made a number of EP sales during the POR. These sales are properly classified as EP sales because they were made outside the United States by the exporter or producer to unaffiliated customers in the United States prior to the date of importation.

We also found that each respondent, except Interfor, made CEP sales during the POR. Some of these sales involved

softwood lumber sold from U.S. reload centers or through vendor-managed inventory (VMI) locations. Because such sales were made by the respondent after the date of importation, the sales are properly classified as CEP sales. In addition, West Fraser, and Weyerhaeuser made sales to the United States through U.S. affiliates.

We made company-specific adjustments as follows:

(A) Blanchette

Blanchette made both EP and CEP transactions. We calculated EP for sales where the merchandise was sold directly by Blanchette to the first unaffiliated purchaser in the United States prior to importation, and CEP was not otherwise warranted based on the facts of the record. We calculated CEP for sales made by Blanchette to the U.S. customer through a U.S. reload center after importation into the United States. EP and CEP were based on ex-mill prices, ex-reload prices, delivered prices, and prices based on customer-specific sale terms, as applicable.

In accordance with section 772(c)(2)(A) of the Act, we reduced the starting price to account for movement expenses. These reductions included the freight expenses incurred in transporting the merchandise from the mill to the U.S. customer, brokerage expenses, and warehousing expenses. We also adjusted the starting price to account for billing adjustments, rebates, and early payment discounts.

In accordance with section 772(d)(1) of the Act, for CEP sales, we deducted from the starting price the selling expenses incurred in selling the subject merchandise in the United States, including direct selling expenses (i.e., credit expenses), and imputed inventory carrying costs incurred in the United States. In accordance with section 772(d)(3) of the Act, we deducted an amount of profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. See Memorandum from Saliha Loucif, International Trade Compliance Analyst, to the File regarding Blanchette's Analysis for the Preliminary Results (May 31, 2006) (*Blanchette's Preliminary Calculation Memorandum*).

(B) Interfor

Interfor made only EP transactions during the POR. We calculated an EP for sales where the merchandise was sold directly by Interfor to the first unaffiliated purchaser in the United States prior to importation. EP sales were based on the packed, delivered, ex-

mill, and free-on-board (FOB) prices, as applicable

We made deductions from the starting price for movement expenses in accordance with section 772(c)(2)(A) of the Act. These include freight to the U.S. customer and brokerage and handling. We also adjusted the starting price to account for billing adjustments, rebates, and early payment discounts. See Memorandum from Salim Bhabhrwala, International Trade Compliance Analyst, to the File regarding Interfor's Analysis for the Preliminary Results (May 31, 2006) (*Interfor's Preliminary Calculation Memorandum*).

(C) Rene Bernard

Rene Bernard made both EP and CEP transactions during the POR. We calculated an EP for sales where the merchandise was sold directly by Rene Bernard to the first unaffiliated purchaser in the United States prior to importation. We calculated a CEP for sales made by Rene Bernard to the U.S. customer through intermediate inventory locations. EP and CEP were based on the packed, delivered and FOB mill prices, as applicable.

We made deductions from the starting price for movement expenses in accordance with section 772(c)(2)(A) of the Act. These include freight incurred in transporting merchandise to Canadian transit points, loading fees and freight to the U.S. customer or intermediate inventory locations. We also deducted from the starting price any discounts and added any billing adjustments. In accordance with section 772(d)(1) of the Act, for CEP sales, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct selling expenses (e.g., credit expenses) and indirect selling expenses. Finally, in accordance with section 772(d)(3) of the Act, we deducted an amount of profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. See Memorandum from David Layton, International Trade Compliance Analyst, to the File, regarding Rene Bernard's Analysis for the Preliminary Results (May 31, 2006) (*Rene Bernard's Preliminary Calculation Memorandum*).

(D) Tembec

Tembec made both EP and CEP transactions during the POR. We calculated an EP for sales where the merchandise was sold directly by Tembec to the first unaffiliated purchaser in the United States prior to importation. We calculated a CEP for sales made by Tembec to the U.S.

customer through U.S. reload facilities or through VMI facilities. EP and CEP were based on the packed, delivered, FOB mill, FOB reload/VMI center and FOB destination prices, as applicable.

We made deductions from the starting price for movement expenses in accordance with section 772(c)(2)(A) of the Act. These include freight incurred in transporting merchandise to Canadian reload centers and Canadian reload expenses ("warehousing expenses"), as well as freight to the U.S. customer or reload facility and U.S. reload expenses. We also adjusted the starting price to account for billing adjustments, rebates, and discounts. In accordance with section 772(d)(1) of the Act, for CEP sales, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct selling expenses (e.g., credit expenses) and imputed inventory carrying costs incurred in the United States. Finally, in accordance with section 772(d)(3) of the Act, we deducted an amount of profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. See Memorandum from David Layton and Saliha Loucif, International Trade Compliance Analysts, to the File, regarding Tembec's Analysis for the Preliminary Results (May 31, 2006) (*Tembec's Preliminary Calculation Memorandum*).

(E) Tolko

Tolko made both EP and CEP transactions. We calculated EP for sales where the merchandise was sold directly by Tolko to the first unaffiliated purchaser in the United States prior to importation, and CEP was not otherwise warranted based on the facts of the record. We calculated CEP for sales made by Tolko to the U.S. customer through VMI or reload centers after importation into the United States. EP and CEP were based on the packed, delivered, ex-mill, FOB mill, and FOB reload center prices, as applicable.

We made deductions from the starting price for movement expenses in accordance with section 772(c)(2)(A) of the Act. These include freight incurred in transporting merchandise to reload centers or VMI locations, as well as freight to the U.S. customer, warehousing, brokerage and handling, and miscellaneous movement charges. We also adjusted the starting price to account for billing adjustments, rebates, and discounts.

In accordance with section 772(d)(1) of the Act, for CEP sales, we deducted from the starting price those selling expenses that were incurred in selling

the subject merchandise in the United States, including direct selling expenses (e.g., credit expenses, warranty expenses) and imputed inventory carrying costs. Finally, in accordance with section 772(d)(3) of the Act, we deducted an amount for profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. See Memorandum from Yasmin Bordas, International Trade Compliance Analyst, to the File, regarding Tolko's Analysis for the Preliminary Results (May 31, 2006) (*Tolko's Preliminary Calculation Memorandum*).

(F) West Fraser

West Fraser made both EP and CEP transactions. We calculated an EP for sales where the merchandise was sold directly by West Fraser to the first unaffiliated purchaser in the United States prior to importation, and CEP was not otherwise warranted based on the facts of the record. We calculated a CEP for sales made by West Fraser Forest Products Inc. to the U.S. customer through VMI or reload centers after importation into the United States. EP and CEP were based on the packed, delivered, ex-mill, and FOB reload center prices, as applicable.

We made deductions from the starting price for movement expenses in accordance with section 772(c)(2)(A) of the Act. These include freight incurred in transporting merchandise to reload centers and to VMI customers, freight to the U.S. customer, warehousing, and U.S. and Canadian brokerage. We also adjusted the starting price to account for billing adjustments, rebates, and early payment discounts.

In accordance with section 772(d)(1) of the Act, for CEP sales, we also deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct selling expenses, (e.g., credit expenses) and imputed inventory carrying costs. Finally, in accordance with section 772(d)(3) of the Act, we deducted an amount of profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. See Memorandum from David Neubacher, International Trade Compliance Analyst, to the File, regarding West Fraser's Analysis for the Preliminary Results (May 31, 2006) (*West Fraser's Preliminary Calculation Memorandum*).

(G) WFP

WFP made both EP and CEP transactions. We calculated an EP for sales in which the merchandise was sold directly by WFP to the first unaffiliated purchaser in the United

States prior to importation, and in which CEP was not otherwise warranted based on the facts of the record. We calculated a CEP for sales made by WFP to the U.S. customer through reload centers after importation into the United States, for sales made after importation through VMI locations, and for sales made after importation through a U.S. agent. EP and CEP were based on ex-mill prices, ex-VMI/reload prices, delivered prices, and prices based on customer-specific sale terms, as applicable.

In accordance with section 772(c)(2)(A) of the Act, we reduced the starting price to account for movement expenses. These included the freight expenses incurred in transporting merchandise to reload centers, freight to the U.S. customer, brokerage expenses, insurance expenses, warehousing expenses, and a freight variance adjustment. We also adjusted the starting price to account for billing adjustments and early payment discounts.

In accordance with section 772(d)(1) of the Act, for CEP sales, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct selling expenses (i.e., warranty expenses and credit expenses), indirect selling expenses incurred in the United States, and imputed inventory carrying costs. In accordance with section 772(d)(3) of the Act, we deducted an amount of profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. See Memorandum from Shane Subler, International Trade Compliance Analyst, to the File regarding WFP's Analysis for the Preliminary Results, dated May 31, 2006 (*WFP's Preliminary Results Calculation Memorandum*).

(H) Weyerhaeuser

Weyerhaeuser made both EP and CEP transactions. We calculated an EP for sales where the merchandise was sold directly by Weyerhaeuser to the first unaffiliated purchaser in the United States prior to importation, and CEP was not otherwise warranted based on the facts of the record. We calculated a CEP for sales made by Weyerhaeuser to the U.S. customer through reload carriers. VMIs and Weyerhaeuser's affiliated reseller Weyerhaeuser Building Materials (WBM) after importation into the United States. EP and CEP were based on the packed, delivered, or FOB prices.

From its sales locations in the United States and Canada, Weyerhaeuser made sales of merchandise which had been commingled with that of other

producers. Weyerhaeuser provided a weighting factor to determine the quantity of Weyerhaeuser-produced Canadian merchandise for these sales. We are multiplying the weighing factor by the quantity of lumber in each U.S. and home-market sale to estimate the volume of Weyerhaeuser-produced merchandise in each transaction and to eliminate the estimated non-Weyerhaeuser-produced merchandise from our margin calculation, except as described below where the other producer had knowledge that the merchandise was destined for the United States.

In some cases, the other producers knew or had reason to know that the merchandise purchased by Weyerhaeuser was destined for the United States. For example, Weyerhaeuser routinely purchased merchandise and arranged freight from the producer's mill in Canada to the customer in the United States. We did not include such sales in our margin calculations. In other situations, Weyerhaeuser purchased merchandise and shipped it to U.S. warehouses where it was commingled with lumber produced by Weyerhaeuser. While the producer had knowledge that these sales were destined for the United States, Weyerhaeuser was unable to link the purchases with the specific sale to the unaffiliated customer. To address this, Weyerhaeuser developed a second weighting factor to determine the quantity of the sales for which the third-party producer did not know, or have reason to know, that the merchandise was destined for the United States. We are multiplying the weighting factor by the quantity of lumber in each U.S. sale to estimate the volume of merchandise for which the producer did not have knowledge of destination in each transaction. We included this quantity in our margin calculation and excluded the estimated volume for which the producer did have knowledge of U.S. destination.

We made deductions from the starting price for movement expenses in accordance with section 772(c)(2)(A) of the Act. These include freight to U.S. and Canadian warehouses or reload centers, warehousing expense in Canada and the United States, brokerage and handling, and freight to the final customer. We also deducted from the starting price any discounts, billing adjustments, and rebates.

In accordance with section 772(d)(1) of the Act, for CEP sales, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including indirect selling

expenses and direct selling expenses (e.g., credit expenses, advertising, repacking). In accordance with section 772(d)(3) of the Act, we deducted an amount of profit allocated to the expenses deducted under sections 772(d)(1) and (2) of the Act. See Memorandum from Constance Handley, Program Manager, to the File, regarding Weyerhaeuser's Analysis for the Preliminary Results (May 31, 2006) (*Weyerhaeuser's Preliminary Calculation Memorandum*).

Normal Value

A. Selection of Comparison Markets

Section 773(a)(1) of the Act directs that NV be based on the price at which the foreign like product is sold in the home-market, provided that the merchandise is sold in sufficient quantities (or value, if quantity is inappropriate) and that there is no particular market situation that prevents a proper comparison with the EP or CEP. The Act contemplates that quantities (or value) will normally be considered insufficient if they are less than five percent of the aggregate quantity (or value) of sales of the subject merchandise to the United States. We found that all eight respondents had viable home-markets for lumber.

To derive NV, we made the adjustments detailed in the *Calculation of Normal Value Based on Home-Market Prices* and *Calculation of Normal Value Based on Constructed Value*, sections below.

B. Cost of Production Analysis

In the most recently completed segment of the proceeding at the time the questionnaire was sent (i.e., the first administrative review), the Department found that four³⁶ of the respondents made sales in the home-market at prices below the cost of producing the merchandise and excluded such sales from the calculation of NV. Therefore, the Department determined that there were reasonable grounds to believe or suspect that softwood lumber sales were made in Canada at prices below the cost of production (COP) in this administrative review for these four respondents. See section 773(b)(2)(A)(ii) of the Act. As a result, the Department initiated a COP inquiry for these four respondents.

The Coalition made an allegation of sales below the COP with respect to Blanchette (February 1, 2006), Interfor (January 31, 2006), Rene Bernard (February 10, 2006, and WFP (February 3, 2006). We found that the Coalition's

³⁶ The four companies are Tembec, Tolko, West Fraser, and Weyerhaeuser.

allegation provided the Department with a reasonable basis to believe or suspect that sales in the home-market have been made at prices below the COP by these companies. Accordingly, we initiated an investigation to determine whether their home-market sales of certain softwood lumber products were made at prices below the COP during the POR. See Memorandum from Salim Bhabhrawala, David Layton, Saliha Loucif, and Shane Subler, International Trade Compliance Analysts, to Susan Kuhbach, Director, Office 1, regarding Allegation of Sales Below the Cost of Production by Blanchette & Blanchette, International Forest Products Ltd., Rene Bernard Inc., and WFP (February 24, 2006).

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated a weighted-average COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative (G&A) expenses, selling expenses, packing expenses and interest expenses.

2. Cost Methodology

In our section D questionnaire, we solicited information from the respondents that allows for a value-based cost allocation methodology for wood and sawmill costs (i.e., those costs presumed to be joint costs), including by-product revenue. We allowed for the value allocation to cover species, grade, and dimension (i.e., thickness, width and length). For production costs that are separately identifiable to specific products (e.g., drying or planing costs), we directed parties to allocate such costs only to the associated products using an appropriate allocation basis (e.g., MBF). In allocating wood and sawmill costs (including by-products revenue) based on value, costs associated with a particular group of co-products were to be allocated only to those products (i.e., wood costs of a particular species should only be allocated to that species).

Further, we directed the parties to use weighted-average world-wide prices in deriving the net realizable values (NRV) used for the allocation. We used world-wide prices to ensure that all products common to the joint production process, not just those sold in a particular market, are allocated their fair share of the total joint costs. Finally, we directed the parties to perform the value allocation on the mill/facility level, using the company-wide weighted-average world-wide NRV for the specific products produced at the mill, along

with the mill-specific production quantities.

Consistent with our methodology in the first and second administrative reviews, we requested that the respondents break out the random-length sales separately from length-specific sales and to develop a two-tiered allocation method. First, we directed the respondents to perform the price-based cost allocation (including the random-length-tally sales) without regard to length. Second, we directed them to allocate the resulting product costs into length-specific costs. In performing the second step, we set out a hierarchy when looking for surrogate sales as allocation factors: (1) Length-specific sales of the identical product; (2) length-specific sales of products that are identical to the product except for width; and (3) length-specific sales of products identical to the product except for NLGA grade equivalent. For purposes of these preliminary results, we have used the programs and calculations provided by respondents except in the case of Blanchette and West Fraser. For Blanchette and West Fraser, this step was not necessary due to their ability to provide length-specific sales data. See *Treatment of Sales Made on a Random-Lengths Basis* section above. In addition, we excluded the price of purchased and resold lumber from our calculation of the respondent's per unit product costs.³⁷

3. Individual Company Adjustments

We relied on the COP data submitted by each respondent in its cost questionnaire response except in specific instances where, based on our review of the submissions and our verification findings, we believe that an adjustment is required, as discussed below.

For the calculation of general and administrative (G&A) expenses for all companies, we did not include the legal fees which were paid directly by the company to its legal counsel and consultants associated with the AD and CVD proceedings or fees paid to associations used in the defense of the same proceedings.

In accordance with section 773(f)(1) of the Act, for companies that had inter-divisional byproduct transactions where the transfer price was significantly higher than an arm's-length market price, we adjusted the transfer price to the market price. For companies that had byproduct transactions with

affiliates where the transfer price was higher than the market price, we adjusted the transfer price to the market price in accordance with section 773(f)(2) of the Act.

(A) Blanchette

(1) We adjusted the denominator of the Blanchette Group's G&A and financial expense ratio calculations to exclude certain reclassified expenses and packing expense, and to include certain by-product revenues.

See Memorandum from Margaret M. Pusey, Accountant, to Neal M. Halper, Director, Office of Accounting, regarding Blanchette's Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results (May 31, 2006).

(B) Interfor

(1) We increased Interfor's cost of manufacturing under section 773(f)(2) of the Act (i.e., the transactions disregarded rule) for helicopter logging services purchased from an affiliated party at less than market value.

(2) Interfor reported its G&A expense ratio based on financial statements which were prepared for tax purposes. We recalculated Interfor's G&A expense ratio based on its worksheet which ties to the audited financial statements for fiscal year 2004.

(3) Interfor used multiple NRV allocations to value certain intra-company lumber transfers. We adjusted the reported cost methodology by utilizing a single NRV approach.

See Memorandum from Joseph Welton, Accountant, to Neal M. Halper, Director, Office of Accounting, regarding Interfor's Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results (May 31, 2006).

(C) Rene Bernard

(1) Rene Bernard submitted two cost databases. Cost database A was on a collapsed basis, with purchased semi-finished lumber costs allocated based on the average purchase price. Cost database B was on a collapsed basis, with purchased semi-finished lumber costs allocated based on NRV. For the preliminary results, we used Rene Bernard's cost data base A to calculate the COP and CV.

(2) Because Rene Bernard reported net financing income, we included zero financing costs.

See Memorandum from Ji Young Oh, Accountant, to Neal M. Halper, Director, Office of Accounting, regarding Rene Bernard's Cost of Production and Constructed Value Calculation

Adjustments for the Preliminary Results (May 31, 2006).

(D) Tembec

(1) We adjusted Tembec's reported wood costs to include species specific stumpage costs for its British Columbia mills.

(2) Because Tembec reported net financing income, we included zero financing costs.

See Memorandum from Trinette L. Ruffin, Accountant, to Neal M. Halper, Director, Office of Accounting, regarding Tembec's Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results (May 31, 2006).

(E) Tolko

(1) We value allocated Tolko's and Riverside's mill costs based on the reported six months of net realizable sales values for both companies combined.

(2) We increased the Riverside entity's reported wood costs to reflect arm's length prices of logs purchased from affiliated parties in accordance with section 773(f)(2) of the Act.

See Memorandum from Nancy M. Decker, Accountant, to Neal M. Halper, Director Office of Accounting, regarding Tolko's Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results (May 31, 2006).

(F) West Fraser

(1) Because West Fraser reported net financing income, we included zero financing costs.

See Memorandum from Christopher J. Zimpo, Accountant, to Neal M. Halper, Director, Office of Accounting, regarding West Fraser's Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results (May 31, 2006).

(G) WFP

(1) We increased WFP's reported wood costs to include certain contract arbitration expenses.

(2) We revised the value of certain purchased lumber used by re-manufacturing facilities.

(3) We increased one of WFP's re-manufacturing facility's conversion costs to include an unreconciled difference.

(4) We decreased certain sawmills' by-product revenue to reflect arm's length prices of sawdust sold to affiliated parties in accordance with section 773(f)(2) of the Act.

(5) WFP's reported G&A expense and financial expense ratios were calculated based on the five month period ending

³⁷ We note that the vast majority of purchased lumber was excluded from our sales analyses as the producer had knowledge that the product was for export to the United States.

December 31, 2004. This period coincided with WFP's emergence from bankruptcy. We revised the G&A expense and financial expense ratios based on the 12-month period ending December 31, 2004.

See Memorandum from Mark J. Todd, Accountant, to Neal M. Halper, Director, Office of Accounting, regarding WFP Products' Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results (May 31, 2006).

(H) Weyerhaeuser

(1) We made no adjustments to Weyerhaeuser's reported information. See Memorandum from J. Laurens van Houten, Accountant, to Neal Halper, Director, Office of Accounting, regarding Weyerhaeuser's Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results (May 31, 2006).

We compared the adjusted weighted-average COP for each respondent to its home-market sales of the foreign like product, as required under section 773(b) of the Act, to determine whether these sales were made at prices below the COP within an extended period of time (i.e., a period of one year) in substantial quantities and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. On a model-specific basis, we compared the revised COP to the home-market prices, less any applicable movement charges, export taxes, discounts and rebates.

5. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of a respondent's sales of a given product were at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities.

Where 20 percent or more of a respondent's sales of a given product during the POR were at prices less than the COP, we determined such sales to have been made in substantial quantities within an extended period of time in accordance with section 773(b)(2)(B) of the Act. Because we compared prices to the POR average COP, we also determined that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. Therefore, we disregarded the below-cost sales. For all respondents, we found that more than 20 percent of the home-market sales of certain softwood lumber products within an extended period of

time were made at prices less than the COP. Further, the prices did not provide for the recovery of costs within a reasonable period of time. We therefore disregarded the below-cost sales and used the remaining sales as the basis for determining normal value, in accordance with section 773(b)(1) of the Act. For those U.S. sales of softwood lumber for which there were no useable home-market sales in the ordinary course of trade, we compared EPs or CEPs to the CV in accordance with section 773(a)(4) of the Act. See *Calculation of Normal Value Based on Constructed Value* section below.

C. Calculation of Normal Value Based on Home-Market Prices

We determined price-based NVs for each company as follows. For all respondents, we made adjustments for differences in packing in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and we deducted movement expenses consistent with section 773(a)(6)(B)(ii) of the Act. In addition, where applicable, we made adjustments for differences in cost attributable to differences in physical characteristics of the merchandise pursuant to section 773(a)(6)(C)(ii) of the Act, as well as for differences in circumstances of sale (COS) in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We also made adjustments, in accordance with section 351.410(e), for indirect selling expenses incurred on comparison-market or U.S. sales where commissions were granted on sales in one market but not in the other (the "commission offset"). Specifically, where commissions were granted in the U.S. market but not in the comparison market, we made a downward adjustment to NV for the lesser of (1) the amount of the commission paid in the U.S. market, or (2) the amount of indirect selling expenses incurred in the comparison market. If commissions were granted in the comparison market but not in the U.S. market, we made an upward adjustment to NV following the same methodology. Company-specific adjustments are described below.

(A) Blanchette

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price by the amount of billing adjustments and movement expenses, including net inland freight, warehousing, brokerage, and handling expenses. For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses incurred for home-market sales (i.e.,

credit expenses and commissions) and adding U.S. direct selling expenses (i.e., credit expenses and commissions). For comparisons made to CEP sales, we deducted home-market direct selling expenses. See *Blanchette's Preliminary Calculation Memorandum*.

(B) Interfor

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price for inland freight, brokerage, discounts, rebates, and billing adjustments. For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses incurred for home-market sales (e.g., credit expenses) and adding U.S. direct selling expenses (e.g., credit expenses). See *Interfor's Preliminary Calculation Memorandum*.

(C) Rene Bernard

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price for billing adjustments, early payment discounts, rebates, freight from the mill to intermediate inventory locations or the final customer. For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses for home-market sales (e.g., credit expenses) and adding U.S. direct selling expenses (e.g., credit expenses). For comparisons made to CEP sales, we deducted home-market direct selling expenses. See *Rene Bernard's Preliminary Calculation Memorandum*.

(D) Tembec

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price for billing adjustments, early payment discounts, rebates, freight from the mill to the reload center or VMI, reload center expenses and freight to the final customer. For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses for home-market sales (e.g., credit expenses) and adding U.S. direct selling expenses (e.g., credit expenses). For comparisons made to CEP sales, we deducted home-market direct selling expenses. See *Tembec's Preliminary Calculation Memorandum*.

(E) Tolko

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price by the amount of billing adjustments and movement expenses, including inland freight, warehousing, and miscellaneous movement charges.

For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses incurred for home-market sales (e.g., credit and warranty expenses) and adding U.S. direct selling expenses (e.g., credit and warranty expenses). For comparisons made to CEP sales, we deducted home-market direct selling expenses. See *Tolko's Preliminary Calculation Memorandum*.

(F) West Fraser

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price for early payment discounts, inland freight to the warehouse, and inland freight to customers. For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses incurred for home-market sales and adding U.S. direct selling expenses (e.g., credit expenses). For comparisons made to CEP sales, we deducted home-market direct selling expenses. See *West Fraser's Preliminary Calculation Memorandum*.

(G) WFP

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price for billing adjustments, early payment discounts, net inland freight to the reload center, warehousing expenses, net inland freight to the final customer, and a freight variance adjustment. For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses incurred for home-market sales (i.e., credit expenses and warranty expenses) and adding U.S. direct selling expenses (i.e., credit expenses and warranty expenses). For comparisons made to CEP sales, we deducted home-market direct selling expenses. See *WFP's Preliminary Results Calculation Memorandum*.

(H) Weyerhaeuser

Weyerhaeuser commingled self-produced lumber with purchased lumber in home-market sales in the same manner as it did in U.S. sales, as described in the previous section. We used Weyerhaeuser's weighting factor to determine the percentage of lumber in the commingled sales that was supplied by other producers. We did not include these quantities when calculating the weight-averaged home-market prices for comparison to EP or CEP.

We based home-market prices on the packed prices to unaffiliated purchasers in Canada. We adjusted the starting price for discounts, rebates, billing adjustments, freight to the warehouse/

reload center, warehousing expenses, freight to the final customer, and direct selling expenses including minor remanufacturing performed at Softwood Lumber Business (SWL) reloads and WBM locations. For comparisons made to EP sales, we made COS adjustments by deducting direct selling expenses incurred for home-market sales (e.g., credit expenses) and adding U.S. direct selling expenses (e.g., credit expenses). For comparisons made to CEP sales, we deducted home-market direct selling expenses. See *Weyerhaeuser's Preliminary Results Calculation Memorandum*.

D. Calculation of Normal Value Based on Constructed Value

Section 773(a)(4) of the Act provides that where NV cannot be based on comparison-market sales, NV may be based on CV. Accordingly, for those models of softwood lumber products for which we could not determine the NV based on comparison-market sales, either because there were no useable sales of a comparable product or all sales of the comparable products failed the COP test, we based NV on the CV.

Section 773(e) of the Act provides that the CV shall be based on the sum of the cost of materials and fabrication for the imported merchandise, plus amounts for SG&A expenses, profit, and U.S. packing costs. For each respondent, we calculated the cost of materials and fabrication based on the methodology described in the *Cost of Production Analysis* section, above. We based SG&A expenses and profit for each respondent on the actual amounts incurred and realized by the respondents in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in the comparison market, in accordance with section 773(e)(2)(A) of the Act. We used U.S. packing costs as described in the *Export Price* section, above.

We made adjustments to CV for differences in COS in accordance with section 773(a)(8) of the Act and 19 CFR 351.410. For comparisons to EP, we made COS adjustments by deducting direct selling expenses incurred on home-market sales from, and adding U.S. direct selling expenses to, CV. For comparisons to CEP, we made COS adjustments by deducting from CV direct selling expenses incurred on home-market sales.

E. Level of Trade/CEP Offset

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the

same level of trade (LOT) as the EP or CEP transaction. The NV LOT is that of the starting-price sales or the comparison market or, when NV is based on CV, that of the sales from which we derive SG&A expenses and profit. For EP, the U.S. LOT is also the level of the starting-price sale, which is usually from exporter to importer. For CEP, it is the level of the constructed sale from the exporter to the importer.

To determine whether NV sales are at a different LOT than EP or CEP, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in the levels between NV and CEP affects price comparability, we adjust NV under section 773(a)(7)(B) of the Act (the CEP offset provision). See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731 (November 19, 1997).

In implementing these principles in this review, we obtained information from each respondent about the marketing stages involved in the reported U.S. and comparison-market sales, including a description of the selling activities performed by the respondents for each channel of distribution. In identifying LOTs for EP and comparison-market sales, we considered the selling functions reflected in the starting price before any adjustments. For CEP sales, we considered only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act. We expect that, if claimed LOTs are the same, the functions and activities of the seller should be similar. Conversely, if a party claims that LOTs are different for different groups of sales, the functions and activities of the seller should be dissimilar.

In this review, we determined the following, with respect to the LOT and CEP offset, for each respondent.

(A) Blanchette

Blanchette reported two channels of distribution in the home-market. The

first channel of distribution (channel 1) consists of direct sales of subject merchandise shipped from the mill to the customer. The second channel (channel 4) consists of sales which a customer picked-up from the mill. After comparing the sales processes of these two channels of distribution, we found that they are similar with regard to the general sales process, which comprises customer identification and communication, negotiation with the customer, arranging of freight or customer pick up, invoicing and collection, claim processing, and inventory maintenance. Accordingly, we preliminarily determine that home-market sales in these two channels of distribution constitute a single LOT.

In the U.S. market, Blanchette reported both EP and CEP sales. Blanchette reported EP sales to U.S. customers through two channels of distribution. Similar to the home-market, the first channel (channel 1) consists of direct sales of subject merchandise shipped from the mill to the customer. The second channel (channel 3) consists of sales of subject merchandise that are shipped to Quebec by truck, loaded onto rail cars and then shipped to the customer. Because the sales processes in these two channels of distributions are similar with regard to the general sales process, which comprises customer identification and communication, negotiation with the customer, arranging freight or customer pick-up, invoicing and collection, claim processing, and inventory maintenance, we preliminarily determine that there is a single EP LOT and that this EP LOT is identical to the home-market LOT.

Blanchette reported CEP sales through one channel of distribution (channel 2) consisting of sales of subject merchandise shipped through a U.S. reload center en route to U.S. customers. Because the sales processes in this channel of distribution are similar, with regard to the general sales process, which comprises customer identification and communication, negotiating with the customer, arranging of freight and customer pick up, invoicing and collection, claim processing, and inventory maintenance, we preliminarily determine that CEP sales constitute a single LOT.

In determining whether separate LOTs exist between U.S. CEP sales and home-market sales, we examined the selling functions in the distribution chains and customer categories reported in both markets. In our analysis of the CEP LOT, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

Blanchette's Canadian-based services for its CEP sales were similar to the single home-market LOT with respect to sales process and inventory management. We are finding CEP sales to be at the same LOT as the home market sales, and, therefore, we are making no LOT adjustments or CEP offset. See section 773(a)(7)(A) of the Act.

(B) Interfor

Interfor reported a single channel of distribution in the home-market. This channel of distribution (channel 1) included direct sales made by Interfor's Canadian mills to customers. Accordingly, we preliminarily determine that home-market sales in this channel of distribution constitute a single LOT.

In the U.S. market, Interfor had only EP sales. Interfor reported EP sales to U.S. customers through one channel of distribution. Similar to the home-market, this channel included direct sales made by Interfor's Canadian mills to customers. Because the sales processes in this channel of distribution were similar, we preliminarily determine that there is a single EP LOT and it is identical to the home-market LOT. See section 773(a)(7)(A) of the Act.

(C) Rene Bernard

Rene Bernard reported two channels of distribution in the home-market. The first channel of distribution (Channel 1) included direct sales made by Rene Bernard and BB which were shipped directly to customers. The second channel of distribution (Channel 2) consisted of sales made through intermediate inventory locations. We compared the sales process in each channel of distribution and found that the selling functions were similar for each channel. Accordingly, we preliminarily determine that home-market sales in these channels of distribution constitute a single LOT.

Rene Bernard reported the same two channels of distribution in the U.S. market that it reported in the home-market. Rene Bernard reported EP sales to U.S. customers through channel 1. This channel included direct sales made by Rene Bernard Inc. and Bermorg. We determined that there was only one EP LOT. Because the sales processes in this channel of distribution were the same as those in the single home-market LOT, we preliminarily determine that the single EP LOT is identical to the home-market LOT.

With respect to CEP sales, Rene Bernard reported all of these sales through a single channel of distribution (channel 2). Channel 2 included all

sales by Rene Bernard Inc. made through intermediate inventory locations. We preliminarily determine that there is only one CEP LOT.

In determining whether separate LOTs exist between U.S. CEP sales and home-market sales, we examined the selling functions in the distribution chains and customer categories reported in both markets. In our analysis of the CEP LOT, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

Rene Bernard's Canadian-based services for its CEP sales were similar to the services provided in the single home-market LOT with respect to sales process and inventory management. We are finding CEP sales to be at the same LOT as the home-market sales, and, therefore, we are making no LOT adjustment or CEP offset. See section 773(a)(7)(A) of the Act.

(D) Tembec

Tembec reported four channels of distribution applicable to both markets. The first channel of distribution (channel 1) included direct sales from the mill to customers which included sales to wholesalers who took title to—but not physical possession of—the lumber and resold it to end-users. The second channel of distribution (channel 2) consisted of sales which were shipped through a reload center en route to the customer. The third channel of distribution (channel 3) consisted of sales made through VMIs located in Canada or the United States. The fourth (channel 4) consisted of sales where the customer picked-up the merchandise.

We found that the first three home-market channels of distribution were similar with respect to both the sales process and freight services. While channel 4 sales did not receive freight arrangement, channel 4 was the same as the other channels in terms of sales process. We do not consider arrangement of freight alone to rise to the level of a separate LOT. Accordingly, we preliminarily determine that home-market sales in these four channels of distribution constitute a single LOT.

In the U.S. market, Tembec had both EP and CEP sales. Tembec reported EP sales to end-users and distributors through channels 1, 2, and 4. These three channels of distribution as they apply to EP sales, do not differ from the three channels of distribution in the home-market. Because the sales process, freight services (for channels 1 and 2) and inventory maintenance were similar, we preliminarily determine that EP sales in these three channels of

distribution constitute a single LOT and that this EP LOT is identical to the home-market LOT.

With respect to CEP sales, Tembec reported that these sales were made through two channels of distribution (2 and 3), and consisted of U.S. sales that either pass through a U.S. reload center en route to the customer, or go to a VMI. The selling functions related to freight and delivery for these two channels of distribution were not significantly different and, therefore, we preliminarily determine there is only one CEP LOT.

In determining whether separate LOTs exist between U.S. CEP sales and home-market sales, we examined the selling functions in the distribution chains and customer categories reported in both markets. In our analysis of the CEP LOT, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

Tembec's sales to end-users and distributors in the home-market and in the U.S. market do not involve significantly different selling functions. Tembec's Canadian-based services for CEP sales were similar to the single home-market LOT with respect to sales process and freight arrangements. We are finding CEP sales to be at the same LOT as the home market sales, and, therefore, we are making no LOT adjustment or CEP offset. See section 773(a)(7)(A) of the ACT.

(E) Tolko

Tolko reported three channels of distribution in the home-market. The first channel for distribution (channel 1) included direct sales made by Tolko's TMS North American Lumber Sales, Riverside Mill Sales, Riverside Vancouver Sales, and Tolko Brokerage divisions from Tolko's Canadian mill production and may have been shipped either directly or through a reload center to customers. The second channel of distribution (channel 2) consisted of sales made principally by Tolko Brokerage, Tolko Export Sales, and Riverside Vancouver Sales from inventory locations. The third channel of distribution (channel 3) consisted of sales made pursuant to a vendor-management inventory (VMI) agreement. We compared the sales process in each channel of distribution and found that the selling functions were similar for each channel. Accordingly, we preliminarily determine that home-market sales in these channels of distribution constitute a single LOT.

In the U.S. market, Tolko had both EP and CEP sales. Tolko reported EP sales to U.S. customers through one channel

of distribution. Similar to the home-market, this distribution channel (channel 1) included direct sales made by Tolko's TMS North American Lumber Sales, Riverside Mill Sales, Riverside Vancouver Sales, and Tolko Brokerage divisions from Tolko's Canadian mill production and may have been shipped either directly or through a reload center to customers. Because the sales processes in this channel of distribution were similar, we preliminarily determine that there is a single EP LOT and it is identical to the home-market LOT.

With respect to CEP sales, Tolko reported these sales through two channels of distribution. The first (channel 2) included sales by Tolko Brokerage, Tolko Export Sales, and Riverside Vancouver Sales divisions from U.S. inventory reload centers to customers. The second (channel 3) consisted of sales made to U.S. companies pursuant to VMI contracts. The selling functions, including freight arrangements and order processing, for these two channels of distribution were not significantly different and, therefore, we preliminarily determine there is only one CEP LOT.

In determining whether separate LOTs exist between U.S. DEP sales and home-market sales, we examined the selling functions in the distribution chains and customer categories reported in both markets. In our analysis of the CEP LOT, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

Tolko's Canadian-based services for its CEP sales were similar to the single home-market LOT with respect to sales process and inventory management. We are finding CEP sales to be at the same LOT as the home market sales, and, therefore, we are making no LOT adjustment or CEP offset. See section 773(a)(7)(A) of the Act.

(F) West Fraser

West Fraser reported four channels of distribution in the home-market. The first channel of distribution (channel 1) included sales made directly to customers from a mill or origin reload.³⁸ The second channel of distribution (channel 2) consisted of sales made to customers through VMI arrangements. The third channel of distribution (channel 3) consisted of sales made to customers from inventory stored at one of two unaffiliated reloads. The fourth

³⁸ Lumber shipped to an origin reload is only unloaded and transferred to another mode of transportation (e.g., truck to rail). The reload center does not inventory the lumber.

channel of distribution (channel 4) consisted of sales made to customers from inventory that was intended for sale to third countries and was stored at one of two unaffiliated reloads. We compared these four channels of distribution and found that, while selling functions differed slightly with respect to the arrangement of freight and delivery for origin reload centers in channel 2 and the office handling sales in channel 3, all four channels were similar with respect to sales process, packing, freight services, inventory services, warranty services, and early payment discount services. Accordingly, we found that home-market sales in these four channels of distribution constitute a single LOT.

In the U.S. market, West Fraser had both EP and CEP sales. For EP sales, West Fraser reported two channels of distribution. One channel of distribution (channel 1) included sales made directly to customers from a mill or origin reload. The second channel of distribution (channel 3) was to customers through two unaffiliated reloads. Both channels of distribution for EP sales do not differ from the first and third channels of distribution within the home-market, except with respect to paper processing services in connection with brokerage and handling. Therefore, as both the above home and U.S. market channels of distribution are comparable in terms of selling functions, delivery and customer categories, we preliminarily determine there is a single EP LOT and it is identical to the single home-market LOT.

With respect to CEP sales, West Fraser had two channels of distribution (channel 2 and 4). Both channels of distribution included sales to customers through West Fraser's U.S. subsidiary, West Fraser Forest Products Inc. The second channel of distribution (channel 2) does not differ from the second channel of distribution within the home-market, except with respect to paper processing services in connection with brokerage and handling. For the fourth channel of distribution (channel 4), sales were made from unaffiliated destination reload centers in the United States by sales people located in Canada.

In determining whether separate LOTs exist between U.S. CEP sales and home-market sales, we examined the selling functions in the distribution chains and customer categories reported in both markets. In our analysis of the CEP LOT, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

West Fraser's Canadian-based services for its CEP sales include order-taking, invoicing and inventory management. West Fraser's Canadian sales agents occasionally arrange for reload center excess storage and freight from U.S. destination reload centers to unaffiliated end users. Any services occurring in the United States are provided by the unaffiliated reload centers, which are paid a fee by West Fraser. These expenses have been deducted from the CEP starting price as movement expenses.

West Fraser's sales to customers in the and its CEP sales in the U.S. market do not involve significantly different selling functions. We are finding CEP sales to be at the same LOT as the home market sales, and, therefore, we are making no LOT adjustment or CEP offset. See section 773(a)(7)(A) of the Act.

(G) WFP

WFP reported two channels of distribution and six customer categories in the home-market. The first channel of distribution, Channel 1, consists of sales from a mill directly to distributing wholesalers, wholesalers, remanufacturers, retailers, exporters, and employees. The second channel of distribution, Channel 2, comprises sales from a Canadian inventory location to the same customers as Channel 1 except for employees sales. Although WFP provides the additional service of maintaining inventory at select locations for customers in Channel 2, we find that the two channels are similar with respect to the overall sales process, negotiations with the customer, order processing, sales support and administration, freight services, invoicing, packing, and the granting of early payment discounts. Accordingly, we preliminarily determine that this is a single EP LOT and it is the same as the home market LOT.

In the U.S. market, WFP made both EP and CEP sales. WFP reported EP sales to four customer categories (distributing wholesalers, wholesalers, remanufacturers, and retailers) through a single channel of distribution—mill direct sales (Channel 1). We find that the U.S. market EP channel is similar to the single home-market LOT with respect to the overall sales process, negotiations with the customer, order processing, sales support and administration, freight services, invoicing, packing, and granting of early payment discounts. Therefore, we preliminarily determine that home-market sales and EP sales are at an identical LOT.

WFP reported CEP sales through three of its reported channels of distribution: Channels 2, 3, and 4. Channel 2 CEP sales consist of all sales made through inventory locations in the United States to distributing wholesalers, wholesalers, remanufacturers, and retailers. Channel 3 sales are CEP sales through VMI locations to distributing wholesalers. Channel 4 sales are agent sales to retailers, distributing wholesalers, and wholesalers.

In determining whether separate LOT's exist between CEP sales and home-market sales, we examined the selling functions in the distribution chains and customer categories reported in both markets. In our analysis of the CEP LOT, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

We find that WFP's CEP sales through Channels 2 and 3 are similar to the home-market LOT with respect to the overall sales process, negotiations with the customer, order processing, sales support and administration, freight services, invoicing, packing, and the granting of early payment discounts. Therefore, we preliminarily determine that CEP sales through Channels 2 and 3 constitute a single LOT that is identical to the single home-market LOT. Because all selling functions performed for CEP sales through Channels 2 and 3 are similar to the selling functions of the home-market LOT, we are making no LOT adjustment or CEP offset for CEP sales through Channels 2 or 3. See section 773(a)(7)(A) of the Act.

For CEP sales through Channel 4, however, WFP's agent solicits orders from customers, negotiates prices with the customer, makes arrangements for transportation to the customer, and provides post-sale support to the customer. WFP pays the agent a flat monthly fee in exchange for these services. For the other three CEP channels, WFP handles these selling functions internally. Therefore, we preliminarily determine that CEP sales through Channel 4 constitute a separate U.S. LOT that is separate from the home-market LOT. We also find that this U.S. LOT is at a less advanced marketing stage than the home-market LOT because it involves fewer selling functions. Because there is only one LOT in the home-market, the data do not allow for a level of trade adjustment. Therefore, we are preliminarily granting a CEP offset to WFP's Channel 4 CEP sales. See section 773(a)(7)(B) of the Act.

(H) Weyerhaeuser

Weyerhaeuser reported seven channels of distribution in the home-market, with seven customer categories. The channels of distribution are: (1) Mill-direct sales; (2) VMI sales; (3) mill-direct sales made through WBM; (4) sales made out of inventory by WBM; (5) SWL and B.C. Costal Group's (BCC) sales through Canadian reloads; (6) BCC's sales through processing facilities; and (7) WBM cross dock sales.³⁹ To determine whether separate LOTs exist in the home-market, we examined the selling functions, the chain of distribution, and the customer categories reported in the home-market.

For each of its channels of distribution, Weyerhaeuser's selling functions included invoicing, freight arrangement, product training, marketing and promotional activities, advanced shipping notices, and order status information. Weyerhaeuser's sales made out of inventory by WBM (channel 4) appear to involve substantially more selling functions, and to be made at a different point in the chain of distribution than mill-direct sales. WBM functions as a distributor for BCC and SWL, and operates as a reseller for unaffiliated parties. WBM operates a number of customer service centers (CSC) throughout Canada where it provides local sales offices and just-in-time inventory (JIT) service for its customers. Generally, BCC and SWL make the sale to WBM, after which the merchandise is sold to the final customer by WBM's local sales force. Freight must be arranged to the WBM inventory location and then to the final customer. CSCs will also engage in minor further manufacturing to fill a customer order, if the desired product is not in inventory.

WBM also sells on a mill-direct basis (channel 3) but does not provide the JIT service for such transactions. Therefore we do not consider mill-direct sales made through WBM to be at a separate LOT from mill-direct sales made by SWL and BCC. Additionally, we compared sales invoiced from Canadian reloads (channel 5) and sales made from BCC's processing mills (channel 6) to the mill direct sales and found that the selling activities did not differ to the degree necessary to warrant separate LOTs. Our analysis of cross dock sales (channel 7) indicates that they are most similar to WBM's warehouse sales. The specialized nature of these sales

³⁹ Even though there are only seven channels of distribution in the home-market, Weyerhaeuser designated cross dock sales as channel eight in the questionnaire response and accompanying database.

requires additional services that direct sales do not. Like WBM warehouse sales, cross dock merchandise is usually part of a JIT order and is shipped from a mill to an inventory location. Even though the merchandise may not be commingled or unpacked, it often enters the warehouse and requires additional services for two freight segments and loading and unloading. Therefore, we consider cross dock sales to be at the same LOT as WBM warehouse sales.

Sales made through VMI arrangements (channel 2) also appear to involve significantly more selling activities than mill-direct sales. SWL has a designated sales team responsible for VMI sales which works with the customers to develop a sales volume plan, manages the flow of products and replenishing process, and aligns the sales volume plan with Weyerhaeuser's production plans. It also offers extra services such as bar coding, cut-in-two, half packing, and precision end trimming.

We analyzed Weyerhaeuser's customer categories in relation to the channels of distribution and application of selling functions. Each channel services multiple customer categories with channels 1, 2, 3, 4, 5 and 7 serving at least six customer categories. We found that there were not significant differences in the application of selling functions by customer and instead the activities depend on the channel of distribution. Therefore, customer category is not a useful indicator of LOT for Weyerhaeuser's home-market sales.

Because VMI, WBM inventory, and WBM cross dock sales involve significantly more selling functions than the mill-direct sales, we consider them to be at a more advanced LOT for purposes of the preliminary results. While the selling activities for VMI, WBM inventory, and cross dock sales are not identical, the principal selling activity for all three is JIT inventory maintenance. Thus, we consider them to be at the same LOT. Accordingly, we find that there are two LOTs in the home-market, mill-direct (HM1) (encompassing channels 1, 3, 5, and 6) and VMI, WBM sales out of inventory, and cross dock sales (HM2) (encompassing channels 2, 4, and 7).

Weyerhaeuser reported eight channels of distribution in the U.S. market, with

eight customer categories. The channels of distribution are: (1) Mill-direct sales; (2) VMI sales; (3) WMB direct sales; (4) WMB U.S. inventory sales; (5) SWL sales through U.S. reloads; (6) SWL and BCC sales through Canadian reloads; (7) sales from BCC's processing facilities; and (8) WMB cross dock sales. In determining whether separate LOTs existed between U.S. and home-market sales, we examined the selling functions, the chain of distribution, and customer categories reported in the U.S. market.

With regard to the mill-direct sales to the United States (channel 1 and 3), Weyerhaeuser has the same selling activities as it does for mill-direct sales in Canada. Likewise, we consider sales invoiced from Canadian reloads (channel 6) and sales made from BCC processing mills (channel 7) to be at the same LOT as the direct sales. Therefore, where possible, we matched the U.S. mill-direct sales (U.S.1) (encompassing channels 1, 3, 6, and 7) to the Canadian mill-direct sales (HM1). The other channels consist of CEP sales as addressed below.

Weyerhaeuser's Canadian selling functions for VMI sales to the United States (channel 2) include the similar selling functions performed for home-market VMI sales, as described above, except that the sales are managed by SWL Western in the United States. As a result, the selling functions, with the exception of arranging freight to the VMI locations, are performed in the United States. Therefore, after the deduction of U.S. expenses and profit, we find that the U.S. VMI sales (U.S.1) are made at the same LOT as home-market direct sales (HM1), and we have matched them accordingly in the margin program.

SWL's sales through U.S. reloads (channel 5) also appear to have selling functions performed in Canada and the United States. While Weyerhaeuser states that it maintains JIT inventory for its U.S. customers at these reloads, many of the selling functions are managed by SWL Western in the United States. After the deduction of U.S. expenses and profit, these sales do not appear to be at a different point in the chain of distribution than mill-direct sales in Canada. Therefore, for purposes of the preliminary results, we consider

SWL's sales through U.S. reloads to be at the same LOT as its mill-direct sales (U.S.1 and HM1), and we have matched them accordingly.

With regard to WBM's U.S. inventory sales (channel 4) significant selling activities occur in the United States, such as maintaining local seals offices and JIT, and arranging freight to the final customer. The selling functions performed in Canada are the same selling functions performed for mill-direct sales. Therefore, after the deduction of U.S. expenses and profit, we find that WBM's U.S. inventory sales are at the same LOT as mill-direct sales (U.S.1 and HM1), and we have matched them accordingly. We found that cross dock sales (channel 8) were most similar to WBM warehouse sales and, as such, designated them at the same LOT (i.e., U.S.1.)

As was the case with Canadian sales, each U.S. channel of distribution services multiple customer categories. Weyerhaeuser reports that channels 1-6 and 8 have potential buyers from at least five customers categories. Channel seven has two customer categories but also realized significantly fewer sales during the POR. We found there were not significant differences in the application of selling functions by customer and instead the activities depended on the channel of distribution. Therefore, customer category is not a useful indicator of LOT for Weyerhaeuser's U.S. sales.

Because we found a pattern of consistent price differences between LOTs, where we matched across LOTs, we made an LOT adjustment under section 773(a)(7)(A) of the Act.

Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A of the Act, based on exchange rates in effect on the date of the U.S. sale, as certified by the Federal Reserve Bank.

Preliminary Results of Review

As a result of this review, we preliminarily determine that the following weighted-average margins exist for the period May 1, 2004, through April 30, 2005:

Producer	Weighted-average margin (percentage)
Blanchette (and its affiliate Barrette-Chapais Ltee.)	1.25
Interfor	6.46
Rene Bernard (and its affiliates Irenee Grondin & Fils Ltée., Les Sèchoirs à Bois Rene Bernard Ltée., Bois Bohemia Inc., and Bermorg LLC)	8.62

Producer	Weighted-average margin (percentage)
Tembec (and its affiliates Tembec Industries Inc., Marks Lumber Ltd., 791615 Ontario Limited (Excel Forest Products), Produits Forestiers Temrex Limited Partnership)	1.85
Tolko (and its affiliates Tolko Marketing & Sales Ltd. and Gilbert Smith Forest Products Ltd.)	0.90
West Fraser (and its affiliates West Fraser Forest Products Inc. and Seehta Forest Products Ltd.)	1.47
WFP (and its affiliate WFP Lumber Sales Limited)	7.33
Weyerhaeuser (and its affiliate Weyerhaeuser Saskatchewan Ltd.)	2.38
Review-Specific Average Rate Applicable to the Following Companies:	
465016 BC Ltd.	
582912 BC Ltd. (dba Paragon Wood Products Lumby).	
Abitibi-Consolidated Company of Canada.	
Abitibi-Consolidated Inc.	
Abitibi-LP Engineered Wood Inc.	
AJ Forest Products Ltd.	
Alberta Spruce Industries Ltd.	
Allmac Lumber Sales Ltd.	
Allmar International.	
Alpa Lumber Mills Inc.	
Alpine Forest Trading Inc.	
American Bayridge Corporation.	
Andersen Pacific Forest Products Ltd. ⁴⁰	
Apollo Forest Products Ltd.	
Aquila Cedar Products Ltd.	
Arbec Forest Products Inc.	
Arbutus Manufacturing Limited.	
Aspen Planers Ltd.	
Atikokan Forest Products Ltd.	
Atlantic Warehousing Ltd.	
Atlas Lumber Alberta Ltd.	
AWO Forest Products.	
B&L Forest Products Ltd.	
B.B. Pallets Inc.	
Bakerview Forest Products Inc.	
Bardeaux et Cedres St-Honore Inc.	
Bathurst Lumber.	
Bathurst Lumber, Division of UPM Kymmene Miramichi.	
Beaubois Coaticook Inc.	
Bel Air Forest Products Inc.	
Bel Air Lumber Mills, Inc.	
Blackville Lumber Inc.	
Blackville Lumber Inc., Division of UPM Miramichi.	
Bois Bonsai.	
Bois Cobodex (1995) Inc.	
Bois De l'est FB Inc.	
Bois D'oeuvre Cedrico Inc. (Cedrico Lumber Inc.).	
Bois Granval G.d.s. Inc.	
Bois Kheops Inc.	
Bois Marsoui G.d.s. Inc.	
Bois Neos Inc.	
Bois Nor Que Wood Inc.	
Bois Omega Ltee.	
Boisaco Inc.	
Bonnyman & Byers Limited.	
Boucher Bros. Lumber Ltd.	
Bowater Canadian Forest Products Incorporated.	
Bowater Incorporated.	
Bridgeside Forest Industries Ltd. (Bridgeside Higa Forest Industries, Ltd.).	
Brink Forest Products Ltd.	
Brittania Lumber Company Limited.	
Brown & Rutherford Co. Ltd.	
Brunswick Valley Lumber Inc.	
Buchanan Distribution Inc.	
Buchanan Forest Products Ltd.	
Buchanan Lumber.	
Buchanan Lumber Sales Inc.	
Buchanan Northern Hardwoods, Inc.	
Busque & Laflamme Inc.	
C & C Lath Mill Ltd.	
C. Ernest Harrison & Sons Ltd.	
C.E. Harrison & Sons Limited.	
Caledonia Forest Products Ltd.	
Cambie Cedar Products Ltd.	

Producer	Weighted-average margin (percentage)
<p>Canadian Forest Products Ltd. Canadian Lumber Company Ltd. Canadian Overseas Log & Lumber, Ltd. Canfor Corporation. Canfor Uneeda/Uneeda Wood Products. Canwel Building Materials Ltd. Canyon Lumber Company Ltd. Cardinal Lumber Manufacturing & Sales Inc. Carrier & Begin Inc. Carrier Forest products Ltd.⁴¹ Carrier Lumber Ltd. Carson Lake Lumber Limited. Cedartone Specialties Ltd. Central Cedar, Ltd. Centurion Lumber Manufacturing (1983) Ltd. Chaleur Sawmills Associates. Cheslatta Forest Products Ltd. Choicewood Products Inc. City Lumber Sales & Services Limited. Clair Industrial Development Corp. Ltd. Clermond Hamel Ltee. Coast Clear Wood Ltd Colonial Fence Mfg. Ltd. Comeau Lumber Limited. Commonwealth Plywood Co. Ltd. Cottles Island Lumber Co. Ltd. Crystal Forest Industries Ltd. Cushman Lumber Company Ltd. Daaquam Lumber Inc. (aka Bois Daaquam Inc.). Dakeryn Industries Ltd. Davron Forest Products Ltd. Deep Cove Forest Products. Delco Forest Products Ltd. Delta Cedar Products. Deniso Lebel Inc. Devon Lumber Co. Ltd. Domexport, Inc. Domino Forest Products Inc. Domtar Inc. Downie Timber Ltd. Dubreuil Forest Products Limited. Dunkley Lumber Ltd. E. Tremblay et Fils Ltee. Eacan Timber Canada Ltd. Eacan Timber Ltd. East Fraser Fiber Co., Ltd. Eastwood Forest Products Inc. Ed Bobocel Lumber 1993 Ltd. Edwin Blaikie Lumber Ltd. Elmira Wood Products Limited. Elmsdale Lumber Co., Ltd. ER Probyn Export Ltd. Errington Cedar Products Ltd. F W Taylor Lumber Company. F.L. Bodogh Lumber Co. Ltd. Falcon Lumber Limited. Faulkener Wood Specialties. Fawcett Quality Lumber Products. Federated Co-operatives Limited. Fenclo Ltee. Finmac Lumber Limited. Forest Products Northwest Inc. Forex Log & Lumber, Ltd. Fort St. James Forest Products Ltd. Forwest Wood Specialties Inc. FPS Canada Inc. Fraser Pacific Forest Products Inc. Fraser Pacific Lumber Company. Fraser Papers Inc. Fraser Plaster Rock. Fraser Pulp Chips Ltd.</p>	

Producer	Weighted-average margin (percentage)
<p>Fraser Timber Limited. Frasierview Cedar Products Ltd. Fraserwood Industries Ltd. G.A. Grier (1991) Inc. G.A.G. Sales, Inc. G.D.S. Valoribois Inc. G.L. Sawmill Ltd. Galloway Lumber Co., Ltd. Gerard Crete & Fils Inc. Gestofor, Inc. Goldwood Industries Ltd. Goodfellow Inc. Gordon Buchanan Enterprises Ltd. Gorman Bros. Lumber Ltd. Great Lakes MSR Lumber Ltd. Great West Timber Limited. Greenwood Forest Products (1983) Ltd. H.A. Fawcett & Son Limited. H.J. Crabbe & Sons Ltd. H.S. Bartram (1984) Ltd. Haida Forest Products Ltd. Hainesville Sawmill Ltd. Halo Sawmill Limited Partnership. Halo Sawmills. Hanson's Sawmill. Harry Freeman & Son Limited. Hefler Forest Products Ltd. Herridge Trucking & Sawmilling Ltd. Hilmoe Forest Products, Ltd. Holdright Lumber Products Ltd. Howe Sound Forest Products (2005) Ltd. Hudson Mitchell & Sons Lumber Inc. Hughes Lumber Specialties Inc. Hy Mark Wood Products Inc. Industries G.D.S. Inc. Industries P.F. Inc. Industries Perron Inc. Ivor Forest Products Ltd. J&G Log and Lumber Ltd. J&G Log Works Ltd. J.A. Turner & Sons (1987) Limited. J.D. Irving, Limited. J.H. Huscroft Ltd. Jackpine Engineered Wood Products. Jackpine Forest Products Ltd. Jackpine Group of Companies. Jamestown Lumber Company Ltd. Jeffrey Hanson. John W. Jamer Ltd. JR Remanufacturing. Kalesnikoff Lumber Co. Ltd. Kebois Limited (dba Kebois Limitee). Kebois Ltee. Kenora Forest Products Ltd. Kenwood Lumber Ltd. Kitwanga Lumber Company. Kootenay Innovative Wood. KP Wood Ltd. Kruger, Inc. L&M Lumber Ltd. La Crete Sawmills Ltd. Lakeland Mills Ltd. Landmark Truss & Lumber Inc. Langevin Forest Products, Inc. Lattes Waska Laths Inc. Lecours Lumber Co. Limited. Ledwidge Lumber Co., Ltd. Leggett & Platt (B.C.) Ltd. Leggett & Platt Canada Co. Leggett & Platt Ltd. Leggett & Platt, Inc.</p>	

Producer	Weighted-average margin (percentage)
<p>Leggettwood. Leonard Ellen Canada (1991) Inc. Les Bois D'oeuvre Beaudoin & Gauthier. Les Bois S&P Grondin Inc. (aka Les Bois Grondin Inc.). Les Chantiers Chibougamau Ltee. Les Produits Forestiers D.G. Ltee. Les Produits Forestiers Fbm Inc. Les Produits Forestiers Miradas Inc. Les Scieries du Lac St-jean Inc. Leslie Forest Products Ltd. Ligni Bel Ltd. Lignum Ltd. Lindsay Lumber Ltd. Liskeard Lumber Limited. Long Lake Forest Products Inc. Long Lake Forest Products Inc. (Nakina Division). Louisiana Pacific Corporation. Lulumco Inc. Lumberplus Industries Inc. Lyle Forest Products Ltd. M & G Higgins Lumber Ltd. M.L. Wilkins & Son Ltd. Mactara Limited. Mainland Sawmill. Mainland Sawmill (Division of Terminal Forest Products). Manitou Forest Products Ltd. Manning Diversified Forest Products Ltd. Maple Creek Saw Mills Inc. Marcel Lauzon Inc. Marine Way Industries Inc. Marwood Ltd. Mckenzie Forest Products Inc. MDFP Sales. MF Bernard Inc. Mid America Lumber. Mid Valley Lumber Specialties Ltd. Midway Lumber Mills Ltd. Mill & Timber Products Ltd. Millar Western Forest Products Ltd. Millco Wood Products Ltd. Miramichi Lumber Products. Mirax Lumber Products Ltd. Mobilier Rustique (Beauce) Inc. Monterra Lumber Mills Limited. Mountain View Specialties. Mountain View Specialties Products Inc. N.F. Douglas Lumber Ltd. Nechako Lumber Co., Ltd. Newcastle Lumber Co. Inc. Nexfor Inc. Nicholson and Cates Limited. Nickel Lake Lumber. Norbord Industries Inc. Norsask Forest Products Inc. North American Forest Products Ltd. North Enderby Distribution Ltd. North Enderby Timber Ltd. North Mitchell Lumber Company Ltd. North Star Wholesale Lumber. North Star Wholesale Lumber Ltd. Northern Sawmills, Inc. Northland Forest Products Ltd. Northwest Specialty Lumber. Olav Haavaldsrud Timber Company Limited. Olympic Industries Inc. P. Proulx Forest Products Inc. (aka Proulx, Proulx Forest Products Inc. and Produits Forestiers P. Proulx Inc).⁴² Pacific Coast Timber Inc. Pacific Lumber Remanufacturing Inc. Pacific Specialty Wood Products Ltd. (Clearwood Industries Ltd.). Pallan Timber Products (2000) Ltd. Pallan Timber Products Ltd.</p>	

Producer	Weighted-average margin (percentage)
<p> Palliser Lumber Sales Ltd. Parallel Wood Products, Ltd. Pat Power Forest Products Corporation. Patrick Lumber Company. Paul Vallee Inc. Peak Forest Products, Ltd. Pharlap Forest Products Inc. Phoenix Forest Products Inc. Pope & Talbot Inc. Pope & Talbot Ltd. Porcupine Wood Products Ltd. Port Moody Timber Ltd. Portbec Forest Products Ltd. Power Wood Corp. Pro Lumber Inc. Produits Forest La Tuque Inc. Produits Forestiers Petit Paris Inc. Produits Forestiers Saguenay Inc. Promobois G.D.S. Inc. Prudential Forest Products Limited. Quadra Wood Products Ltd. R. Fryer Forest Products Limited. Raintree Lumber Specialties Ltd. Ratcliff Forest Products Inc. Redtree Cedar Products Ltd. Redwood Value Added Products Inc. Ridge Cedar Ltd. Ridgetimber Trading Inc. Ridgewood Forest Products Limited. Rielly Industrial Lumber Inc. Riverside Forest Products Ltd. Riverside Marketing and Sales. Rojac Enterprises Inc. Roland Boulanger & Cie Ltee. Russell White Lumber Limited. Sauder Industries Limited. Sauder Industries Ltd.—Cowichan Division. Sawarne Lumber Co. Ltd. Scierie Adrien Arseneault Ltee. Scierie Alexandre Lemay & Fils Inc. Scierie Chaleur. Scierie Dion et Fils Inc. Scierie Duhamel Sawmill Inc. Scierie Gallichan. Scierie Gauthier Ltee. Scierie La Patrie, Inc. Scierie Landrienne, Inc. Scierie Lapointe & Roy Ltee. Scierie Leduc, Division of Stadaconia Inc. Scierie Norbois Inc. Scierie Nor-Sud (North-South Sawmill Inc.). Scierie Tech. Scieries du Lac St. Jean Inc. Seed Timber Co. Ltd. Selkirk Specialty Wood Ltd. Sexton Lumber Co. Limited. Seycove Forest Products Limited. Seymour Creek Cedar Products Ltd. Shawood Lumber Inc. Sigurdson Bros. Logging Company Ltd.⁴³ Silvermere Forest Products Inc. Sinclar Enterprises Ltd. Skana Forest Products Ltd. Slocan Forest Products Ltd. Societe En Commandite Scierie Opticiwan. Solid Wood Products Inc. South Beach Trading Inc. Spray Lake Sawmills Ltd. Spruceland Millworks (Alberta). Spruceland Millworks Inc. St. Anthony Lathing Ltd. </p>	

Producer	Weighted-average margin (percentage)
Stuart Lake Lumber Co. Ltd. Stuart Lake Marketing Corporation. ⁴⁴ Sunbury Cedar Sales. Sundance Forest Industries Ltd. Swiftwood Forest Products Limited. Sylvanex Lumber Products Inc. T.P. Downey & Sons Ltd. Taiga Forest Products. ⁴⁵ Taylor Lumber Company Ltd. Teal Cedar Products Ltd. Teal-Jones Group. Teeda Corp. Terminal Forest Products Ltd. Terminal Forest Products (Terminal Sawmill Division). The Pas Lumber Co. Ltd. The Teal Jones Group—Stag Timber Division. ⁴⁶ TimberWest Forest Corp. ⁴⁷ Timberworld Forest Products Inc. T'loh Forest Products Limited Partnership. Top Quality Lumber Ltd. Trans-Pacific Trading Ltd. Treeline Wood Products Ltd. Twin Rivers Cedar Products Ltd. Tye Timber Products Ltd. Uniforet Inc. ⁴⁸ Uniforet Scierie-Pate Inc. Uphill Wood Supply Inc. UPM Miramichi. UPM-Kymmene Miramichi Inc. Vancouver Specialty Cedar Products Ltd. Vandermeer Forest Products (Canada) Ltd. Vanderwell Contractors (1971) Ltd. Vanport Canada, Co. Vernon Kiln & Millwork Ltd. Visscher Lumber Inc. W.I. Woodtone Industries Inc. Wakefield Cedar Products Ltd. Welco Lumber Corporation. Weldwood of Canada Ltd. Wentworth Lumber Ltd. West Bay Forest Products and Manufacturing Ltd. West Chilcotin Forest Products Ltd. Weston Forest Corp. Westshore Specialties Ltd. West-Wood Industries Ltd. Wilfrid Paquet & Fils Ltee. Williams Brothers Ltd. Winnipeg Forest Products, Inc. Winton Global Ltd. Woodline Forest Products Ltd. Woodwise Lumber Limited. Wynndel Box & Lumber Co., Ltd	3.47
Adverse Facts Available Rate Applicable to the Following Companies: Chasyn Wood Technologies. Cowichan Lumber Ltd. Forwood Forest Products Inc. Hyak Specialty Wood Products Ltd. Jasco Forest Products. Noble Custom Cut Ltd. North American Hardwoods Ltd. North of 50. Scierie A&M St-Pierre Inc. South-East Forest Products Ltd. Spruce Products. Triad Forest Products, Ltd. Westmark Products Ltd. Woodko Enterprises Ltd. Woodtone Industries Inc	37.64

Please note that the names of the companies are listed above exactly as they will be included in instructions to CBP. Any alternate names, spellings, affiliated companies or divisions will not be considered or included in any instructions to CBP unless they are brought to the attention of the

⁴⁰The name was incorrectly identified as Andersen Pacific Forest Ltd. in the Initiation Notice. We have corrected the name as per the original request. See Letter from Kaye Scholer to the Department regarding Certain Softwood Lumber Products from Canada; Third Administrative Review Antidumping Order (May 27, 2005). We will also remove Andersen Pacific Forest Products from the list of companies as the address provided by Fred Tebb & Sons, Inc. for this company matched Andersen Pacific Forest Products Ltd. We believe the name to be a misspelling of Andersen. See Letter from Betts Patterson Mines to the Department regarding Request for an Administrative Review (May 26, 2005).

⁴¹The company provided a correction to the name as it appeared in the *Initiation Notice* (Carrier Forest Products). See Letter from Kaye Scholer to the Department regarding Certain Softwood Lumber Products from Canada; Third Administrative Review Antidumping Order (August 3, 2005).

⁴²The company notified the Department that it is also known by the above names. We have amended its name since the *Initiation Notice* (P. Proulx Forest Products Inc.). See Letter from Arent Fox to the Department regarding Clarification of P. Proulx Forest Products Inc.'s Names (October 18, 2005).

⁴³The company notified the Department that its correct name is Sigurdson Bros. Logging Company Ltd. We have amended its name since the *Initiation Notice* (Sigurdson Brothers Logging Co. Ltd.). See Letter from Kaye Scholer to the Department regarding Certain Softwood Lumber Products from Canada; Third Administrative Review Antidumping Order (August 3, 2005).

⁴⁴The company notified the Department that its correct name is Stuart Lake Marketing Corporation. We have amended its name since the *Initiation Notice* (Stuart Lake Marketing Co. Ltd.). See Letter from Kaye Scholer to the Department regarding Certain Softwood Lumber Products from Canada; Third Administrative Review Antidumping Order (August 3, 2005).

⁴⁵As per Elmira Forest Products' request, we are adding its parent company's name, Taiga Forest Products to the list of covered companies. See Letter from Constance Handley, Program Manager, to Taiga Forest Products (Elmira Wood Products) regarding the Second and Third Antidumping Administrative Reviews of Certain Softwood Lumber Products from Canada (January 12, 2006).

⁴⁶Stag Timber was inadvertently listed twice in the *Initiation Notice*. Stag Timber was included in the Teal Jones Group quantity request submission and, therefore, Stag Timber was removed from the list of companies. See Letter from Kaye Scholer to the Department regarding Certain Softwood Lumber Products from Canada; Third Administrative Review Antidumping Order (August 3, 2005).

⁴⁷The company notified the Department that TFL Forest Ltd. and TimberWest Forest Company should be considered variants of TimberWest Forest Corp. See Letter from Kaye Scholer to the Department regarding Certain Softwood Lumber Products from Canada; Third Administrative Review Antidumping Order (August 3, 2005).

⁴⁸On October 13, 2005, we found that Produits Forestiers Arbec Inc. (Arbec Forest Products Inc.) was the successor-in-interest to Uniforet Inc. See *Notice of Final Results of Antidumping Duty Changed Circumstances Review: Certain Softwood Lumber Products from Canada*. 70 FR 59721 (October 13, 2005).

Department in a case brief. There will be no exceptions.

Disclosure

The Department will disclose calculations performed in accordance with 19 CFR 351.224(b).

Public Hearing

An interested party may request a hearing within 90 days of publication of these preliminary results. See 19 CFR 351.310(c). Any hearing, if requested, will be held 114 days after the date of publication, or the first working day thereafter. Interested parties may submit case briefs and/or written comments no later than 90 days after the date of publication of these preliminary results. See 19 CFR 351.309(ii). Rebuttal briefs and rebuttals to written comments, limited to issues raised in such briefs or comments, may be filed no later than 97 days after the date of publication. See 19 CFR 351.309(d). Parties who submit arguments are requested to submit with the argument (1) a statement of the issue, (2) a brief summary of the argument, and (3) a table of authorities. Further, the parties submitting written comments should provide the Department with an additional copy of the public version of any such comments on diskette. The Department will issue the final results of this administrative review, which will include the results of its analysis of issues raised in any such comments, within 180 days of publication of these preliminary results.

Assessment

Upon completion of the administrative review, the Department shall determine, and CBP shall assess, antidumping duties on all appropriate entries.

Pursuant to 19 CFR 351.212(b)(1), for all sales made by respondents for which they have reported the importer of record and the entered value of the U.S. sales, we have calculated importer-specific assessment rates based on the ratio of the total amount of antidumping duties calculated for the examined sales to the total entered value of those sales.

For the U.S. sales that respondents have estimated the entered value, we have estimated the entered value. We have done this instead of our normal practice of calculating per unit duties, because the respondents have been excused from reporting certain U.S. sales. While not reported, these sales are subject to duties and the only basis for assessing duties is to apply an *ad valorem* rate. To determine whether the duty assessment rates were *de minimis*, in accordance with the requirement set

forth in 19 CFR 351.106(c)(2), we calculated importer-specific *ad valorem* ratios based on the estimated entered value. Where the assessment rate is above *de minimis*, we will instruct CBP to assess duties on all entries of subject merchandise by that importer. Pursuant to 19 CFR 351.106(c)(2), we will instruct CBP to liquidate without regard to antidumping duties any entries for which the assessment rate is *de minimis* (i.e., less than 0.50 percent).

For the companies requesting a review, but not selected for examination and calculation of individual rates, the Department has:

(a) calculated a simple average margin for each stratum. In the average for the first stratum (which included Interfor, Tembec, Tolko, West Fraser, WFP and Weyerhaeuser), the margins from West Fraser and Weyerhaeuser were counted twice to reflect that these two companies were selected twice.

(b) combined the averages of the two strata, weighting them by the share of exports accounted for by producers/exporters in the stratum.

The Department followed the same methodology to calculate the review-specific cash deposit rate by using each selected respondent's margin.

The Department will issue appraisal instructions directly to CBP.

Cash Deposit Requirements

The following deposit rates will be effective upon publication of the final results of this administrative review for all shipments of certain softwood lumber products from Canada entered, or withdrawn from warehouse, for consumption on or after the publication date, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate listed above for each specific company will be the rate established in the final results of this review, except if a rate is less than 0.5 percent, and there *de minimis*, the cash deposit will be zero; (2) for previously reviewed or investigated companies not participating in this review, the cash deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or the less-than-fair-value (LTFV) investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) if neither the exporter nor the manufacturer is a firm covered in this or any previous review conducted by the Department, the cash deposit rate will be 11.54, the "All Others" rate calculated in the Department's recent determination

under section 129 of the Uruguay Round Agreement Act. See *Notice of Determination Under Section 129 of the Uruguay Round Agreements Act: Antidumping Measures on Certain Softwood Lumber Products from Canada*, 70 FR 22636 (May 2, 2005). These cash deposit requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

This notice serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entities during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the

subsequent assessment of double antidumping duties.

This determination is issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: May 31, 2006.

David M. Spooner,
Assistant Secretary for Import Administration.

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