

based on the North American Industry Classification System (NAICS) to determine and to classify which economic entities can be considered small entities. The SBA classifies sawmills as small if they employ 500 or fewer employees. Pulp mills are considered small if they employ 750 or fewer employees. Nursery and garden centers are considered small if their annual sales are less than \$6 million. In 1997, the most recent year for which data are available, there were 1,678 sawmills (NAICS code 321113) in quarantined States,³ 9 pulp mills (NAICS code 322110) in generally infested areas, and 3,446 nursery and garden centers (NAICS code 444220) in generally infested areas of the United States. Approximately 93 percent of those sawmills, 95 percent of those nursery and garden centers, and 93 percent of those pulp mills are considered to be small entities under the SBA's standards.⁴

In 1997, sawmills in quarantined States produced 2,896,170 tons of primary bark residue (see table 1), which was approximately 12 percent of the national total.⁵ However, these data do not include the bark residue produced in urban areas and by land clearing operations. Additionally, most commercially available bark and mulch products are not produced at sawmills. Independent bark and mulch producers buy bark and wood residue from sawmills, reprocess the material, and then sell it in bulk or bagged. The number and size of these independent entities are not available. The impact upon these entities would depend upon what proportion of their business is bark mulch and what percentage of that is shipped to areas that are not generally infested. The higher the percentage shipped to areas that are not generally infested, the greater the negative effect would be.

TABLE 1.—POTENTIALLY AFFECTED ENTITIES AND BARK RESIDUE PRODUCTION

	Generally infested areas	U.S. total
Sawmills*	1,678	4,390
Pulp mills	9	36
Nursery and garden centers ...	3,446	16,432
Primary bark residue production (tons)	2,896,170	24,528,380

* Information about the number of sawmills is available at the State level only. County data is withheld to avoid disclosing data for individual establishments. This may result in an overestimate of the number of affected entities because not all counties within quarantined States are in generally infested areas.

Source: U.S. Census Bureau, 1997 Economic Census: Manufacturing and Retail Geographic Area Series, November 1999 (revised November 2002).

Note: Primary bark residue production data from USDA/FS, "Bark and wood residue production in gypsy moth quarantined States in 2000," Lew R. McCreery, Economic Action Program USDA/FS Northeastern Area.

The potential economic effects of these proposed changes would vary by State, depending on the number and size of entities to be regulated, the levels of infestation, the quantity of shipments to areas that are not generally infested, and whether delays occur and whether treatment is needed. Entities most likely to be affected by the proposed changes are those that produce bark products and wood chips and independent mulch and bark producers. There would be opposing results. Removal of wood chips from the list of regulated articles would result in savings, if there had been costs before the proposed changes, while the imposition of restrictions on the movement of bark and bark products may result in additional costs. Since entities located in generally infested areas produce a relatively smaller share of bark residue, as shown in table 1, most shipments of bark products are likely to be small in quantity and to be contained within generally infested areas with very few shipments to areas that are not generally infested.

If the inspection of a shipment intended for movement to an area that is not generally infested reveals the presence of gypsy moths, the infested articles would not be eligible for movement unless they were treated or consigned to a facility operating under a compliance agreement with APHIS for specified handling or processing. If treated, fumigation could cost between \$100 and \$150 per truck load, depending upon the size of the shipment. The need to treat infested bark or bark products may increase

business for certified fumigant applicators located in generally infested areas. However, overall, the results of removing wood chips and adding bark and bark products to the list of regulated articles may cancel each other out, resulting in no increase of business for certified applicators. Regional variation is possible.

The proposed changes are expected to cause a slight increase in the costs of business for the affected entities. The negative economic impact that may result from the proposed changes is small compared to the potential for harm to related industries and to the U.S. economy as a whole that would result from an increase in the artificial spread of the gypsy moth, however. Benefits from the unrestricted movement of wood chips are expected to either cancel out or be greater than any negative effects of new restrictions on the movement of bark and bark products. Since the proposed changes would not prohibit their movement, regulated articles that meet the requirements of the regulations would continue to enter the market. The overall impact on price and competitiveness is expected to be relatively insignificant.

Import Restrictions

Under the unmanufactured wood regulations in § 319.40–3, regulated articles, which include bark and bark products, to be imported into the United States from Canada are subject to the inspection and other requirements in § 319.40–9 and must be accompanied by an importer document stating that the articles are derived from trees harvested in, and have never been moved outside, Canada. Under § 319.40–9, regulated articles must have been inspected and found free of plant pests or have been treated for pests as required by the inspector before the regulated article may be moved from the port of first arrival. Adding bark and bark products as a regulated articles under the regulations related to gypsy moth host material from Canada would mean that bark and bark products to be moved into or through a noninfested area of the United States from an infested area of Canada would have to be accompanied by an officially endorsed Canadian phytosanitary certificate confirming that they have been inspected and found free of gypsy moth or have been treated in accordance with the PPQ Treatment Manual prior to importation. Because the restrictions that would apply under the regulations for gypsy moth host material from Canada are only slightly more restrictive than the restrictions that already apply under the

³ Information on the number of sawmills is available at the State level only. County information is withheld to avoid disclosing data for individual establishments. This may result in an overestimate of the number of affected entities because not all counties within quarantined States are in generally infested areas.

⁴ U.S. Census Bureau, 1997 Economic Census: Manufacturing and Retail Geographic Area Series, November 1999 (revised November 2002).

⁵ W.B. Smith, John S. Visage, David R. Darr, and Raymond M. Sheffield, Forest Resources of the United States, 1997.