

it has a reference point in an independently functioning market to use in setting stumpage on the administered portion of its harvest. Province B has thus adopted a reference point that ensures that it receives adequate remuneration for its timber. Any adjustments should be kept to the minimum necessary, and must be fully and economically justified, and transparent so as to maintain a clear and observable relationship between market-determined and administered prices.

The province's efforts to strengthen its private market are intended to address the reference points it might use to set stumpage at a later date. In the interim, Province B's efforts in that regard will also serve to improve the functioning of the market within the province by lowering barriers to entry into the market by new market participants. It also ensures a more competitive market for additional fiber that may flow through the private market as a result of changes in the conditions applicable to tenures on provincial land by providing all market participants with information regarding alternative commercial opportunities. While not directly relevant to the question of whether Province B has made those changes necessary to pursue a changed circumstances review, the effort to strengthen the private market does serve to increase the confidence the Department may have in the operation of the province's stumpage system and its ability to ensure that Province B receives Adequate remuneration for its timber.

The key issue for Province B under the facts set out in the example is likely to be the transparency it can introduce into the means by which it translates prices from auctions of standing timber in the adjacent jurisdiction to stumpage charged for comparable sales of timber on the administered portion of the province's harvest. It will be essential for Province B to establish the validity of the mechanism or calculation it uses in translating the prices from the adjacent jurisdiction to Province B's harvest—it must be transparent in the sense that it is publicly available and that the potential adjustments are known and appropriate to the task.

Equally important, it will be essential that the province make the results of both its methodology and the stumpage charged on sales of standing timber available to all market participants. Market price signals are the key means for distilling information about market conditions and the province must ensure that, consistent with the other changes it has made to eliminate constraints on the ability of firms to adjust to market conditions, the province has made available the key information that should guide firms in making those adjustments.

Under the circumstances outlined above, the Department would revoke the countervailing duty order with respect to imports of softwood lumber manufactured from the timber harvested in Province B.

C. Other Timber Sales Methods Designed To Achieve Adequate Remuneration

The Department acknowledges that there may be market circumstances unique to a province such that the provincially administered portion of the harvest constitutes the vast majority of available

supply and the provincial forest industry is dominated by a single integrated forestry firm. In such circumstances it would be difficult to establish an independently functioning market, either in the form of auction of crown timber or reliance in private sales, in the province. Moreover, the biophysical characteristics of the forest resource, and its remote location, render the use of independently functioning markets in other jurisdictions highly problematic due to the magnitude of necessary adjustments.

Where such unique circumstances exist, the Department will examine whether the province's means of setting stumpage on the administered portion of its harvest achieves the equivalent economic effects of the alternatives set out above and ensures that the province receives adequate remuneration. Such an alternative would have to be independently evaluated based on its merits. Where, however, a province eliminated the conditions imposed on tenures as outlined in the discuss in Part I above, and implemented a method of timber valuation that afforded the province adequate remuneration with in the meaning of the statute, the Department would, consistent with the conditions outlined above and discussed elsewhere in the Policy Bulletin, revoke the current countervailing duty order with respect to that province.

III. Changed Circumstances Review

A. Timing

A Province may submit a request for a changed circumstances review at any time. Prior to filing such a request, at the request of a province, the Department will consult with the province over the contents of such a request.

B. Content of Request

The Department will initiate a changed circumstances review upon receipt of an application containing the following information:

1. Appropriate documentation (e.g., laws, regulations) demonstrating elimination of any policies and practices that inhibit market response, as defined in section A.1, above; and
2. A detailed explanation of the design and operation of the market-based provincial timber pricing system with supporting documentation and data showing that system meets the standards set forth in this policy bulletin.
3. Consistent with the examples set out above, evidence that provinces submit in support of their request for review should include, as appropriate—

- Evidence that the conditions a province currently imposes on tenures set out in Part I have been eliminated or reformed, as a matter of law, and that such changes in the conditions have been fully implemented in the timber sales program;
- Evidence that demonstrates that the reference markets a province chooses to use for purposes of setting stumpage on the administered portion of its harvest operates in a manner that is open and competitive, particularly with respect to the number of market participants, the volume of timber sold through the reference market, ease of

entry and exit by market participants, the quality of information available to market participants, barriers to individuals or firms artificially lowering prices in the reference market as a means of lowering stumpage charged on the administered portion of the harvest, and the transparency of the operation of the market;

- Evidence that demonstrates how the prices observed in the reference market are accurately and transparently translated to the stumpage charged on the administered portion of the harvest consistent with the examples set out above, particularly with respect to any adjustments made between the timber sold in the reference market and that sold on the administered portion of provincial lands; and

- Evidence regarding stumpage charges on the administered portion of the harvest before and after the provincial reforms are implemented that reflects the impact of the changes on stumpage prices and evidence that demonstrates that stumpage charged on the administered portion of the harvest is consistent with the range of prices observed in other open and competitive markets for timber sales of similar species, quality, and market conditions.

- Any other relevant evidence concerning the operation of the provincial timber sales system.

Although the Department may issue supplemental requests for information, the application should, to the fullest extent possible, contain all of the information necessary to determine whether the provincial timber sales system is market-based so that the Department may determine whether there is evidence of changed circumstances sufficient to warrant a review.

C. Evidentiary Standard

The Department has made a final determination that the Canadian provinces provide a subsidy to lumber producers by selling timber for less than adequate remuneration. In a changed circumstances review, the burden is on the province to establish that those circumstances have changed such that revocation of the order with respect to that province is warranted. Specifically, the province must establish the basis for revocation through substantial, verifiable evidence demonstrating, in accordance with this Policy Bulletin and as required by U.S. law, that the provincial timber sales system has been revised and is operating so as to ensure that the province receives adequate remuneration within the meaning of the U.S. countervailing duty law.

D. Conduct of the Review

The Department will conduct the Changed Circumstances Review in accordance with sections 351.216 and 351.221 of the Department's regulations. Pursuant to those regulations, the Department will, within 270 days, issue a final results of review. The Department may issue requests for information and will verify information submitted in the application and any responses to requests for additional information. The Department will, upon request by an interested party, hold a public hearing, pursuant to 19 CFR 351.310.