

that it is cross-owned with a holding company; C. Cambie Cedar Products (Cambie) reported that it is cross-owned with an inactive shell company; Kootenay reported that it was cross-owned with Kalesnikoff; and Selkirk Specialty Wood Ltd. (Selkirk) reported that it is cross-owned with one of its suppliers.

Regarding Canfor's reporting of cross-ownership with Lakeland and The Pas, Canfor¹ states that in the preliminary and final determinations for the antidumping investigation of softwood lumber, the Department collapsed Lakeland, and The Pas with Canfor. Further, in two subsequent supplemental responses² Canfor reported that its investment level, board of directors representation, and management involvement with respect to Lakeland and The Pas is absolutely equal to that of the two additional investors who are also equal shareholders, with Canfor, of Lakeland and The Pas. Thus, Canfor owns and controls one-third of the voting shares in Lakeland and The Pas.

Specifically, under 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. Normally, this standard will be met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations (see 19 CFR 351.525(b)(6)(vi)). In the instant case, Canfor is not able to use Lakeland and The Pas as it would its own assets, nor does Canfor control a majority voting ownership interest in either company. Broad corporate business decisions regarding Lakeland and The Pas are made by three equal "corporate" investment entities of which Canfor is one. Finally, as Canfor has reported in its May and June supplementals, neither Canfor nor any of the one-third investment partners are involved in the day-to-day operations of Lakeland and The Pas. Therefore, we preliminarily determine that the level of Canfor's investment and management control of Lakeland and The Pas is not sufficient to consider the three companies cross-owned under 19 CFR 351.525(b)(6)(vi). Thus, with respect to Canfor, Lakeland and The Pas, because

we determine that cross-ownership does not exist, we have applied the Group 2 methodology to these companies separately. See company-specific analysis memorandum for further details.

Greenwood reported that it was affiliated and cross-owned with GFP in its March 28, 2003 questionnaire response. It stated that the two companies shared a senior management position, but that each company had its own asset base, which is not shared. In its April 29, 2003 and May 16, 2003 supplemental questionnaire responses, Greenwood confirmed that there was no controlling interest between the two companies. Therefore, we preliminarily determine that Greenwood and GFP are not crossed-owned under 19 CFR 351.525(b)(6)(vi).

Kootenay reported that it was affiliated and shared cross-ownership with Kalesnikoff in its February 18, 2003 questionnaire response. Kalesnikoff, however, reported that it was not crossed-owned with any other company during the POR in its March 20, 2003 questionnaire response. We sent supplemental questionnaires to both companies with regard to the cross-ownership between the two companies. Both Kootenay and Kalesnikoff responded that, while the owners of the two companies are affiliated, neither company held any shares of the other company, nor did they share members of a board of directors or management staff.³ Accordingly, we preliminarily determine that Kalesnikoff and Kootenay are not crossed-owned under 19 CFR 351.525(b)(6)(vi). Therefore, in these preliminary results we are rescinding the expedited review with respect to Kootenay (see "Partial Rescission" section above for further discussion). Further, we have applied the Group 2 calculation methodology to Kalesnikoff for determining its level of subsidy benefit.

Selkirk reported that it is cross-owned with another lumber producer. That producer requested the Department to calculate a separate CVD rate for its company using the arm's length methodology. On this basis, we determine that it is necessary to postpone the calculation of an individual, separate rate for Selkirk until the analysis has been completed for Selkirk's cross-owned company. Accordingly, we will combine the results of Selkirk and its cross-owned

company in the results calculated subsequent to these preliminary results.

Finally, for these preliminary results, in those instances in which we determined that cross-ownership existed between companies during the POR, such as in the case of Commonwealth, we calculated the consolidated benefit for cross-owned companies in accordance with 19 CFR 351.525(b)(6). Specifically, for cross-owned companies that are all in Group 2 and had harvesting operations during the POR, we calculated the consolidated benefit using the Group 2 methodology as described below in the "Methodology" section. We then divided the total consolidated benefit by the entity's consolidated sales (scope and non-scope softwood lumber products, net of resales, and softwood lumber by-products) to obtain the consolidated net subsidy rate.

Shawood indicated that it did not harvest timber during the POR. Instead, it purchased its log inputs from a joint-owned logging company it created with Lukwa. Shawood and Lukwa each own fifty percent of the logging company. As stated above, under 19 CFR 351.525(b)(6)(iv), the cross-ownership standard is normally met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. Because Shawood does not have a majority interest in the logging company, we preliminarily find that the two companies are not cross-owned within the meaning of 19 CFR 351.525(b)(6)(iv). Accordingly, to calculate the countervailable benefit, we multiplied the volume of the logs and lumber that Shawood purchased by the amount of the provincial unit benefit calculated in the underlying investigation.

With respect to Fryer, which is cross-owned with a holding company, and Cambie, whose cross-owned company is an inactive shell company, we applied the Group 2 methodology to the companies themselves, but not to their cross-owned companies. See company-specific analysis memorandum for further details.

Companies Addressed in These Preliminary Results

This notice includes the preliminary results of review for the following 13 Group 2, Round 1 companies:

Cambie Cedar Products Ltd
Canadian Forest Products Ltd
Commonwealth Plywood Co. Ltd.
E. Tremblay et fils ltée
Federated Co-operatives Ltd
Greenwood Forest Products Ltd.
Kalesnikoff Lumber Co. Ltd.

¹ See Canfor's March 31, 2003 expedited review questionnaire response at page 4.

² See Canfor's May 27, 2003 expedited review supplemental response (May supplemental) at page 1 and Canfor's June 16, 2003 expedited review supplemental response (June supplemental) at pages 1 through 4.

³ See Kalesnikoff's May 12, 2003 supplemental questionnaire response at pages 1 through 2, Kootenay's May 16, 2003 supplemental questionnaire response at pages 1 through 2, and Kootenay's May 22, 2003 supplemental questionnaire response at page 2.