

tenure agreements because they are awarded to the sealed tender bidder with the highest bonus bid through a Market Pricing System. Moreover, Cambie argues that the small companies that hold only Section 20 Timber Sale Licenses conduct their business in a way that closely approximates a free market system in the acquisition of timber. Therefore, they are the least likely to benefit from the set stumpage rates which are favorably applied to large tenure holders under Tree Farm Licenses and Forest Licenses. As a result of these differences between Timber Sale Licenses and tenure agreements, Cambie argues that Timber Sale Licenses should not be considered "tenure" for purposes of categorizing applicants into Group 1 or Group 2 for purposes of these expedited reviews.

Cambie also argues that a distinction should be made between companies that had harvesting contracts during the POR, and those that actually harvested crown timber pursuant to harvesting rights that existed during the POR. In the instant case, Cambie reported that it obtained a one year Timber Sale License with respect to certain crown timber in British Columbia during the POR. However, Cambie also reported that it did not harvest any Crown timber during the POR and provided certifications from the province of British Columbia to support this claim. Therefore, Cambie concludes that its company should be classified under Group 1(b), "companies that source less than a majority of their wood from the United States, Maritime Provinces, Canadian private lands, and/or Canadian companies excluded from the order and have not acquired Crown timber through their own tenure contracts during the POR." Thus, Cambie argues that the actual harvesting of Crown timber, rather than the existence of harvesting rights should govern whether a company is categorized within Group 1 or Group 2. Based on these arguments, Cambie contends that it should be considered a Group 1(b) company or alternatively, classified within Group 2. Cambie argues that if the Department determines that Cambie should be classified as a Group 2 company, it should be considered and analyzed first among that group because its data is not very complex.

Petitioners contest Cambie's request that companies with Section 20 Timber Sale Licenses should be reviewed using the Group 1 methodology for several reasons. According to petitioners, Section 20 sales are far below market value as recognized by the Department in the *Final Determination*. Petitioners

assert that to the extent that these licenses exceed British Columbia administered stumpage rates generally paid, they would be reflected within the Department's subsidy calculations. Moreover, petitioners argue that as a tenure holder, Cambie should be subject to the calculation methodology of Group 2, irrespective as to whether or not it harvested crown timber during the POR.

Department's Position

Record evidence indicates that Cambie did not harvest Crown timber during the POR. Therefore, questions surrounding how the Department should calculate benefits stemming from Crown harvest operations are moot. Accordingly, since Cambie has indicated that it has no countervailable log harvests, we derived the benefit attributable to Cambie's purchases of countervailable log and lumber inputs using the approach, effectively the Group 1 methodology, described in the "Methodology" section of this notice.

Comment 2: Whether Harvested Crown Logs Not Entering the Respondent's Mill Should Be Excluded

Canfor argues that harvested Crown logs that do not enter Canfor's mill should not be included in the calculation. Additionally, Canfor states that the cash deposit rate should reflect the actual subsidy benefit it received on the logs it harvested for its lumber production.

According to petitioners, Canfor has suggested changes to the investigation methodology and the exclusion methodology. Petitioners assert that Canfor's contention that a stumpage benefit should be calculated only on the volume of crown logs that were manufactured into lumber is not consistent with the statute. Petitioners argue that a benefit has been conferred when a company pays less for goods than it would have paid absent the government subsidy program. Thus, petitioners assert that Canfor receives a countervailable subsidy benefit when it harvests timber at below-market prices.

Department's Position

With respect to harvested Crown logs that do not enter a lumber producer's mill, we agree with Canfor. We note that to do otherwise would be inconsistent with our approach in the underlying investigation. See, the "Numerator Issues" section of the *Investigation Decision Memo* in which we stated that we were not deviating from the approach used in Lumber III, " * * * because the stumpage benefit that we are calculating is that which is received by lumber producers which purchase

the subsidized stumpage * * * the subsidy is properly attributed to the value of the lumber products produced from that input * * * See also the "Denominator Issues" section of the *Investigation Decision Memo* in which the Department stated that it was only including in the denominators those sales which were the result of the lumber manufacturing process.

Comment 3: Whether a Single, Provincial Unit-Benefit Should Be Applied to Purchased Logs and Lumber

Canfor argues that the Department should calculate a benefit for countervailable log and lumber purchases using a species/regional specific benefit rate (as opposed to the single province specific unit benefit rate used in our prior expedited review notices—e.g., *Notice of Initiation/Round 1*). Canfor argues that, while the calculation methodology for purchases of logs and lumber was used in the exclusion process in the investigation as well as prior expedited review determinations, the methodology is distortive in provinces, such as British Columbia, where there are a variety of species groups and a wide disparity in stumpage fees among the species. For example, Canfor points out that the majority of logs and lumber harvested and acquired in Manitoba, Ontario, and Quebec fell into the spruce, pine, fir (SPF) category and, thus, the single, unit-benefit rate applied to purchased logs and lumber during the exclusion and expedited review process was almost identical to the SPF-specific stumpage rate for those provinces. However, they contend that in the case of British Columbia, the application of a single, unit-benefit to the purchases of logs and lumber overstates the benefit for certain, less expensive, species of logs and lumber acquired by the company. They further argue that the application of a single, unit-benefit to the purchases of logs and lumber fails to account for the real price differences that exist between logs and lumber acquired in the coastal and interior regions of the Province.

According to Canfor, companies can easily identify and quantify the volumes of logs and lumber purchased by source, province, geographic area in British Columbia, and species purchased, because they maintain the records for this information. Thus, Canfor argues that the Department should apply its suggested methodology for purchased logs and lumber and calculate the subsidy based on species-specific and region-specific benefit rate.

With respect to Canfor's argument that the Department's approach to