

SOFTWOOD FENCE FROM CANADA

**Determination of the Commission
in Investigation No. 701-TA-199 (Preliminary)
Under Section 703(a) of 1930,
Together With the Information
Obtained in the Investigation**



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-199 (Preliminary)

SOFTWOOD FENCE FROM CANADA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Canada of softwood fence, provided for in item 200.75 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Canada. 2/

Background

On October 7, 1982, a petition was filed with the Commission and the Department of Commerce by counsel on behalf of the United States Coalition for Fair Canadian Lumber Imports, a group of 8 trade associations and more than 350 domestic producers of softwood lumber products, alleging that imports of softwood fence from Canada are being subsidized by the Government of Canada within the meaning of section 701 of the act (19 U.S.C. § 1671). Accordingly, effective October 7, 1982, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the act (19 U.S.C. § 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i), 47 F.R. 6190, Feb. 10, 1982).

2/ Commissioner Stern also determines that there is a reasonable indication of threat of material injury by reason of the allegedly subsidized imports.

material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise from Canada.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on October 20, 1982 (47 F.R. 46779). The conference was held in Washington, D.C., on November 4, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

The record of this investigation provides a reasonable indication that an industry in the United States is materially injured 1/ by reason of allegedly subsidized softwood fence imports from Canada.

Domestic Industry

The domestic industry against which the impact of allegedly subsidized imports is to be assessed is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 2/ "Like product" is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . ." 3/

The imported product subject to this investigation is softwood fence. Softwood fence includes pickets, palings, rails, and posts of softwood which have been dedicated to fence construction. 4/ The primary types of fence being imported into the United States are picket, stockade, and rail, 5/ although other styles of fence may be imported in small quantities. 6/

1/ Commissioner Stern also determines that there is a reasonable indication of threat of material injury.

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10).

4/ Report at A-2. Only posts attached to a fence section, classified under TSUS 200.75, are subject to this investigation. 47 Fed. Reg. 46779 (October 20, 1982).

5/ Transcript of Conference, November 4, 1982 (Transcript) at 71.

6/ Transcript at 77 and 111.

These fences are primarily constructed of white cedar, fir, spruce, and red cedar, 7/ but also may be made of hemlock, poplar, juniper, pine or Alaskan yellow cedar. 8/ Fences are either fully assembled in sections or unassembled, such as bundles of pickets, but clearly dedicated for fence construction. 9/

The imported product can be distinguished from both nonwood fences and from other wood used for fencing. Wood fences differ from nonwood fences such as chain link both in characteristics, i.e., construction materials, and in uses. While both wood and nonwood fences are used to enclose areas, wood fences also provide landscaping, screen undesirable views, provide a barrier to dirt, dust, and noise pollution, as well as provide privacy and security. 10/ The softwood fences subject to this investigation differ from other wood used for fencing 11/ in that the softwood fences have been notched, tooled, or otherwise dedicated for fencing.

The domestic product also consists of pickets, palings, rails and posts which have been physically processed from softwood into fence. The products are not exactly identical in that each fence may reflect a slightly different style, but these differences are minor. 12/

7/ Report at A-5.

8/ Transcript at 72 and 110.

9/ Report at A-2. See note 4 supra.

10/ Report at A-3 and transcript at 15.

11/ Wood which has not been dedicated to fence use is subject to the investigation on softwood lumber rather than this investigation. See Inv. No. 701-TA-197.

12/ "The requirement that a product be 'like' the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other..." H. Rep. 249, 96th Cong., 1st Sess. 90 (1979).

We conclude that the like product is assembled and unassembled fences constructed of pickets, palings, and rails in any softwood, and includes posts if they are attached to the assembled fence sections. The domestic industry would therefore include all domestic manufacturers of these fences.

Reasonable indication of material injury or threat thereof by reason of allegedly subsidized imports 13/

Section 771(7) of the Act directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise under investigation, (2) their impact on domestic prices, and (3) the consequent impact on the domestic industry. 14/

The Commission has made its preliminary determination on the basis of the "the best information available to it at the time of the determination". 15/ The sparseness of the information presently available to the Commission has limited the assessment of material injury and causation that can be made at this time. 16/ The information obtained in this investigation is reasonably reliable; it is consistent with regard to trends in the secondary source data. The Commission would expect to obtain more extensive and detailed information in any final investigation.

Volume of imports--Imports of wood fence pickets, palings and rails increased by 36 percent in terms of value from 1979 to 1981. 17/ Because

13/ Commissioner Haggart determines only that there is a reasonable indication of material injury and therefore does not reach the issue of reasonable indication of threat of material injury.

14/ 19 U.S.C. § 1677(7)(B).

15/ It is estimated that those producers reporting accounted for at least one-third of domestic production. Report at A-1.

16/ 19 U.S.C. § 1171b(a).

17/ Report at A-13-14. Information on the quantity of imports is not reported in the U.S. foreign trade statistics.

there is no information on apparent U.S. consumption of wood fence, it was not possible to determine the level of market penetration by traditional analysis. 18/

Impact of the imports on prices--Weighted average net selling prices (f.o.b.) 19/ for softwood fence products were compared by quarter from 1980 through September 1982. Because of the similarities among the products in this investigation, pricing is an important factor in the purchase decision. 20/ For the three products for which data was supplied, 21/ the Canadian softwood fence undersold the domestic product in all but one quarter. 22/ The margin of underselling for these products ranged from 3.8 percent to 48.8 percent. 23/

18/ Report at A-15. A comparison of the value of shipments of total softwood fence imports from Canada with the value of shipments of domestic producers that supplied data to the Commission reveals significant trends. The ratio of dollars of imports to dollars of domestic shipments has gone from 2.5-to-1 in 1979 to 4-to-1 in 1981. Although the value of imports declined in the January-August 1982 period to \$22.9 million from the level of \$25.3 million in the corresponding period, the ratio of imports to domestic shipments increased. In the interim period of 1982, it was 8.2-to-1 compared to the corresponding period of 1981 when it was 7.4-to-1.

19/ In addition to f.o.b. prices, both domestic producers and importers were requested to supply information on inland freight charges. The information supplied shows that the purchasers of domestic fence pay the freight and destination costs while the one importer of Canadian fence identifying transportation charges paid these costs.

20/ The pricing information raises certain issues regarding causation. The importers have argued that any underselling can be explained in large part, if not entirely, by the difference in exchange rates caused by the devaluation of the Canadian dollar. Should we conduct a final investigation, we shall explore this issue further.

21/ Information was supplied on cedar 6 ft. x 8 ft. sections, mixed softwood 6 ft. x 8 ft. sections, and 8-ft. cedar dowel rails. For other wood fence products, the information supplied was insufficient to make comparisons. Id. at A-22.

22/ Report at A-17.

23/ Id.

Since the ratio of general, selling, and administrative expenses to net sales has increased significantly, 24/ it would be expected that there would be upward pressure on the price of softwood fence products. 25/ The fact that the prices have not shown a comparable rise indicates price suppression.

Impact of imports on the domestic industry--A number of important indicators -- production, capacity utilization, shipments, employment, and profit-and-loss data -- reveal that the domestic producers are experiencing difficulties. Although the recession and the significant decline in the number of housing starts contributed to the weakened current condition of the industry, 26/ 27/ this deterioration has occurred at the same time that imports have increased.

Production for the firms reporting declined from 49,600 cords in 1979 to 44,900 cords in 1981. The level of production continued to decline in the January-August 1982 period to 20,700 cords, down 8 percent from the corresponding level in 1981 of 22,600 cords. 28/ Since capacity has remained fairly constant, capacity utilization has followed the same trend as production. In 1979, capacity utilization was at 68.6 percent. It then rose to 79.8 percent in 1980 before dropping to 61.6 percent in 1981. 29/ The

24/ Id. at A-11. See discussion page 6 infra.

25/ Prices used for comparison are weighted average net selling prices.

26/ Report at A-4.

27/ Even though the Commission considers other causes, the act does not "contemplate that injury from . . . imports be weighted against other factors (e.g., . . . contraction in demand . . .) which may be contributing to overall injury to an industry." H. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

28/ Id. at A-5.

29/ Id. at A-6.

January-August 1982 level was 66.4 percent, down from 72 percent for the comparable period of 1981. 30/

Shipments of domestic softwood fence have declined. Quantity has decreased by 7 percent and value by almost 15 percent from 1979 to 1981. 31/ The decrease in the January-August 1982 period from the same period in 1981 was 14 percent by quantity and 18 percent by value. 32/ This decrease has occurred at the same time that imports were increasing in value by 36 percent.

Employment declined by 29 percent during the 1979-81 period, and by 18 percent in the January-August 1982 period as compared to the same period in 1981. 33/

The financial experience of the reporting domestic firms showed severe losses in operating income and net income. In 1979, the firms reported an operating income of \$594,000. Although the figure rose in 1980 to an operating income of \$712,000, it dropped to \$256,000 in 1981. An operating income of \$480,000 was reported for the January-August 1981 period compared with an operating loss of \$163,000 in the comparable 1982 period. 34/ The net income before income taxes shows an even greater decline, falling from \$374,000 in 1979 to \$63,000 in 1981. The January-August 1981 net income figure of \$296,000 dropped sharply to a loss of \$364,000 for the same period in 1982. 35/

Allegations of lost sales were made by 11 domestic producers involving 58 instances. Although it was difficult to confirm lost sales in this industry,

30/ Id.

31/ Id.

32/ Id.

33/ Id. at A-7.

34/ Id. at A-11.

35/ Id.

the staff did confirm one lost sale of between \$30,000 and \$60,000 because of price. 36/

The Commission's April 1982 investigation 37/ on softwood lumber indicates that Canada has sufficient resources to generate a higher level of softwood fence exports. 38/ The United States is currently the only market for Canadian exports of "pales or fence pickets." 39/

The information gathered in this preliminary investigation provides a reasonable indication that the allegedly subsidized imports of softwood fence from Canada are causing material injury to the domestic industry.

36/ Id. at A-21. If this case returns for a final investigation, more information regarding lost sales will be sought.

37/ Conditions Relating to the Importation of Softwood Lumber into the United States, Inv. No. 332-134, USITC Pub. No. 1241 (April 1982).

38/ Report at A-22.

39/ Id.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On October 7, 1982, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from counsel on behalf of the United States Coalition for Fair Canadian Lumber Imports, a group composed of 8 trade associations and more than 350 U.S. producers of softwood lumber products, alleging that subsidies are being paid with respect to the manufacture, production, or exportation of softwood fence 1/ imported from Canada and that an industry in the United States is materially injured by reason of such imports. The Commission therefore instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case, by November 22, 1982. Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on October 20, 1982 (47 F.R. 46779). 2/ The public conference was held in Washington, D.C., on November 4, 1982, 3/ and the Commission voted on the investigation on November 17, 1982.

Nature and Extent of Alleged Subsidies

The petitioner alleges that the Federal and Provincial governments of Canada subsidize, directly and indirectly, the Canadian forest products industry through a broad variety of programs and practices.

Although the petitioner lists about a dozen programs that provide the alleged subsidies, the principal one, by far, is the granting of stumpage rights. 4/ Specifically, the petitioner claims that the Canadian forest products industry is allowed to cut timber on Government-owned lands at a fraction of the timber's actual market value.

The other alleged subsidy of note involves Federal-Provincial government agreements, i.e., a series of agreements between the Federal Government and

1/ Softwood fence is classifiable under Tariff Schedules of the United States (TSUS) item No. 200.75. Petitioning firms are estimated to account for over 50 percent of the domestic production of softwood fence.

2/ Copies of the notices of investigation for the Commission and for the U.S. Department of Commerce are presented in app. A.

3/ A list of witnesses appearing at the conference is presented in app. B.

4/ Stumpage is standing timber which is to be cut for manufacture into various articles such as fencing sections; virtually all of the standing timber in Canada is owned by the Provincial governments.

the Provinces for reforestation, silviculture, construction of access roads, timber salvage, and interest-free forgivable loans to assist in the modernization, expansion, or establishment of small-business enterprises which would normally not meet the criteria for other financial incentive programs.

The petitioner alleges that the subsidies for stumpage constitute about 95 percent of the estimated value of all of the subsidies and averaged \$113.78 out of a total of \$120.94 per thousand board feet in recent years. This total amount, the petitioner points out, was equivalent in 1980 to about 65 percent of the average unit value of U.S. imports of softwood lumber and about 27 percent of the average unit value of imports of shingles and shakes from Canada. The petitioner was unable to make corresponding calculations with respect to the subsidies applied to U.S. imports of fence sections from Canada because of lack of information.

The petitioner maintains that the Federal-Provincial government agreements constitute about 4 percent of the estimated value of all subsidies, totaling about \$5.29 per thousand board feet in recent years.

The Product

Description and uses

Softwood fence products currently provided for under item 200.75 of the Tariff Schedules of the United States (TSUS) include wood fence pickets, palings, and rails, whether or not assembled into fence sections. These products are used principally as fencing materials and include articles treated with creosote or other wood preservatives, as well as those not so treated.

Pickets (also called palings) and rails are articles which have been so processed physically as to dedicate them to fence construction. Pickets are narrow pieces of sawed or split wood which are fastened to horizontal back rails in the fabrication of picket fences. Pickets generally range from 2 to 6 feet in length and some have pointed or sloped tops. Pickets may be round, half round, or rectangular in cross section, and generally range from 1/2 inch to 3 inches in thickness. The pickets can be sawed from larger posts or formed in a molding machine. The back rails are usually about 2 inches by 3 inches when made from dimension stock. They also can be made from half round rustic stock. The back rails are fastened to vertical posts either by nailing or by shaping the back rails to fit into holes drilled in the posts. The species of wood used in wood fences is usually a durable wood, often cedar for the post and any of the many softwoods (including cedar) for the backrails and pickets.

Rail fences consist of line posts and horizontal rails. The number of rails varies from one to five, but two and three rails are the most common. The posts are drilled to accommodate the doweled or chamfered ends of the rails. Rails generally do not exceed 4 inches in diameter (or width) and vary in length. Popular rail lengths include 8, 10, and 11 feet. Rails may be round, half round, quartered, or rectangular in cross section. A split rail fence is a fence where the posts and rails are halved or quartered. The species of wood used is usually cedar for line posts, and cedar or other

softwoods for rails. Pickets and rails last longer when made from treated wood or from the heartwood of a durable species. The kind of wood is of less importance for rails used horizontally in the fabrication of post-and-rail-type fences than for pickets or rails in contact with the ground or where dampness is a factor.

Stockade or screen-type fence is believed to account for the largest volume of softwood fence sales. Stockade fences vary in height from 3 feet to 10 feet. The most common height is believed to be 6 feet, whereas the most common width of a section or panel is 8 feet. Pickets used in the stockade-type fence can be of great variety. The most common are the rustic pickets, which are sawed or split from full round stock or milled pickets. The species of wood used for the stockade sections may be any of the softwoods, with cedar being the most popular.

Softwood fences are used for cosmetic reasons (to aid in landscaping); to mark boundaries; to enclose children, livestock, and pets; to screen undesirable views; to keep traffic out of specific areas (such as a swimming pool area); to provide a barrier to dirt, dust, and noise pollution; and to provide privacy and security.

Manufacturing processes

Wood fence is generally produced in similar fashion throughout the United States. However, manufacturing processes vary somewhat depending upon the type of wood readily available for fence fabrication and the type of fence produced. The Northeastern United States (primarily Maine) is believed to be the principal producing area for wood fence. In this area, wood fence is generally manufactured in fence mills and cedar is the primary wood used. Rough cedar logs either sawed to a specific length (6 to 12 feet) or tree length are purchased as needed. The fence manufacturer (in the Northeast) generally does not cut the logs himself. The rough logs are usually trimmed, debarked, and brought into the mill where they are sawed into dimension sizes. Pickets are then sawed from dimension sizes or formed in a molding machine. Rails are sawed to size and may be rounded, half-rounded, or quartered by special machinery. Redcedar rails (prevalent in the Western States) are generally split by hydraulic machinery. The rail ends are usually doveled or chamfered, such that the rail end fits into the holed post. Panels or sections (such as stockade fence) may be fabricated at the mill by fastening pickets or boards to a backrail or may be shipped as separate items and fastened together at a wholesale or retail operation.

U.S. tariff treatment

Imports of wood fence pickets, palings, and rails, whether or not assembled into fence sections, are free of duty under TSUS item 200.75. The existing treatment was derived principally from duty-free provisions in paragraphs 1803, 1804, and 1805 of the Tariff Act of 1930; the duty-free status was bound in a concession granted by the United States in the General Agreement on Tariff and Trade (GATT), effective January 1, 1948.

Prior to August 31, 1963, the effective date of the TSUS, lathe-turned wooden rails were classified as manufactures of wood not specially provided for, under paragraph 412 of the Tariff Act of 1930 and were dutiable at 16-2/3 percent ad valorem. The inconsistency of assessing duties on such rails when other wood fencing was duty free was discontinued under the TSUS. Since January 1, 1966, the duty-free treatment of all rails provided for in item 200.75 has been bound in a GATT concession.

When fence posts are attached to fence panels or sections (as an integral part of that section) the entire section (including the post) is classified as wood fence under item 200.75. When fence posts are entered separately, they are classified under item 200.60 as posts (see app. C). U.S. imports under that item also enter free of duty, but are not included within the scope of this investigation.

U.S. Market and Channels of Distribution

Apparent U.S. consumption

There are no published data available on U.S. consumption of softwood fence. Industry and trade sources report that the consumption of the wood-fencing material considered here has probably increased significantly over the last decade due to the increased use of wood fencing as a functional barrier and decorative item in the landscaping of residences and property. Fence consumption is believed to be directly related to housing starts, although probably with a timelag. In recent years, however, softwood fence consumption has probably declined because housing starts have been in a depressed state since the fall of 1979.

U.S. producers

Softwood fence is produced throughout the United States. Major areas of production include the Northeast (especially Maine), the North Central States (especially Michigan), and the Northwest. Generally, the wood-fencing concerns located in the Northeast specialize in fencing made of northern white-cedar, whereas the north central producers utilize mixed softwoods. Production in the Northwest is generally from western redcedar or redwood.

Softwood fence is generally produced in sawmills, planing mills, and specialized commercial fencing mills. Pickets (or palings) are frequently byproducts of sawmills. Round or split posts, rails, and pickets are usually produced by commercial fencing companies. Sawn or turned posts and rails, and sawn pickets are produced at sawmills or planing mills, and at commercial fencing operations. Fence is the primary product produced in a fence mill; however, a few mills are known to produce rustic furniture and/or other manufactured wood products. Fencing production in sawmills and planing mills is probably of minor importance. Trade and industry sources estimate that there are approximately 100 commercial wood fence manufacturers in the United States.

U.S. importers

Customs records indicate the majority of softwood fence imports are imported by about a dozen large importers or import brokers. The importers generally import fence for their own account, while the import broker may import for his own account or a consignee (on a commission basis). Customs records indicate the majority of 1981 wood fence imports were consigned to approximately 100 consignees.

Foreign producers

Canada.--Canada is believed to be one of the world's largest producers of softwood fence. The major production areas include the eastern Provinces of New Brunswick, Quebec, and Ontario, and the western Province of British Columbia. Cedar and mixed softwoods such as fir and spruce are commonly used in the eastern Provinces, whereas redcedar is used in British Columbia.

Other countries.--Production of softwood fence for export is very limited, except for Canada. However, limited quantities of fencing for export are known to be produced in Malaysia, Honduras, and the Republic of South Africa.

The Question of a Reasonable Indication of Material Injury

U.S. producers

U.S. production.--Production data compiled from data submitted by softwood fence producers in response to the Commission's questionnaires 1/ are presented in the following tabulation. As shown, production declined irregularly by 9 percent over the 1979-81 period, and declined by 8 percent over the January-August 1981 through January-August 1982 period.

<u>Period</u>	<u>Production</u> (<u>1,000 cords</u>)
1979-----	49.6 <u>1/</u>
1980-----	58.0 <u>1/</u>
1981-----	44.9 <u>1/</u>
January-August--	
1981-----	22.6 <u>2/</u>
1982-----	20.7 <u>2/</u>

1/ Includes data from 7 firms.

2/ Includes data from 6 firms.

1/ Producer representatives at the Commission's conference on Nov. 4 estimated the value of annual domestic shipments (of softwood fence) to be \$18 to \$20 million. Based on this estimate, the production data gathered from the Commission's questionnaires and reported above for 1979-81 represent at least a third of total domestic production of softwood fence.

Capacity and capacity utilization.--Although the supply of logs for fence manufacture is limited at certain times of the year (primarily due to weather conditions), fence manufacturers usually stock or have access to sufficient supplies of logs to operate throughout the year. Data compiled from responses to the Commission's questionnaires for the period under investigation indicate capacity and capacity utilization as follows: 1/

<u>Period</u>	<u>Capacity</u> (1,000 cords)	<u>Capacity utilization</u> (percent)
1979-----	72.3	68.6
1980-----	72.7	79.8
1981-----	72.8	61.8
January-August--		
1981-----	31.4	72.0
1982-----	31.2	66.3

The data indicate that capacity for the responding firms rose slightly during 1979-81 and declined slightly during January-August 1982 compared with capacity in the corresponding period of 1981. During 1979-81, capacity utilization declined irregularly by about 7 percentage points. This trend continued during January-August 1982, when such utilization declined by about 6 percentage points from the level reported in the corresponding period of 1981.

Domestic shipments.--The quantity and value of domestic shipments of softwood fence for firms responding to the Commission's questionnaire are shown in the following tabulation: 1/

<u>Period</u>	<u>Quantity</u> (1,000 cords)	<u>Value</u> (million dollars)
1979-----	48.3	8.8
1980-----	50.9	8.8
1981-----	44.9	7.5
January-August--		
1981-----	21.3	3.4
1982-----	18.3	2.8

During 1979-81, the quantity of domestic shipments of softwood fence declined irregularly by 7 percent, and the value declined by nearly 15 percent. A comparison of shipments in January-August 1982 with shipments in the corresponding period of 1981 reveals a decline in quantity of 14 percent and a decline in value of about 18 percent.

1/ Respondents are believed to have accounted for at least a third of total domestic production of softwood fence during 1979-81.

Employment, hours worked, and wages paid.--Data relating to the average number of persons employed by four domestic fence manufacturers in response to the Commission's questionnaires are shown in the following tabulation:

Period	: All : persons :	: Production and related workers producing--	
		: All products	: Softwood fence
1979-----	: 195 :	: 145 :	: 143
1980-----	: 185 :	: 132 :	: 128
1981-----	: 153 :	: 107 :	: 101
January-August--	: :	: :	: :
1981-----	: 156 :	: 108 :	: 103
1982-----	: 133 :	: 89 :	: 84
	: :	: :	: :

As shown above, employment declined steadily in all categories over the period under investigation. Employment for production and related workers producing softwood fence declined by 29 percent during 1979-81, and by 18 percent in January-August 1982 compared with that in the corresponding period of 1981.

Hours worked and wages paid to production and related workers in response to Commission questionnaires for four domestic firms were reported as follows:

Period	: Hours worked by workers		: Wages paid workers producing	
	: producing--		:	
	: All	: Softwood	: All	: Softwood
	: products	: fence	: products	: fence
	: <u>1,000</u>	: <u>1,000</u>	: <u>1,000</u>	: <u>1,000</u>
	: <u>hours</u>	: <u>hours</u>	: <u>dollars</u>	: <u>dollars</u>
1979-----	: 301 :	: 297 :	: 1,239 :	: 1,223
1980-----	: 283 :	: 275 :	: 1,313 :	: 1,270
1981-----	: 218 :	: 206 :	: 1,110 :	: 1,051
January-August--	: :	: :	: :	: :
1981-----	: 143 :	: 133 :	: 773 :	: 721
1982-----	: 130 :	: 120 :	: 682 :	: 638
	: :	: :	: :	: :

As shown above, hours worked by production and related workers declined by 31 percent during 1979-81 and by 10 percent in January-August 1982 compared with those in January-August 1981. Wages paid to these workers dropped by 14 percent during 1979-81 and by 12 percent in January-August 1982 compared with those in the corresponding period of 1981.

Hourly wages and the average number of hours worked per week for production and related workers producing softwood fence, as compiled from data submitted in response to Commission questionnaires, are shown in the following tabulation. Most of these workers are believed to be non-union, however, one of the largest producers is known to be unionized.

	<u>Average work week (hours)</u>	<u>Wages per hour</u>
1979-----	40	\$4.12
1980-----	41	4.62
1981-----	39	5.10
January-August--		
1981-----	37	5.42
1982-----	41	5.32

Inventories.--Data compiled for producers' inventories from the Commission's questionnaires were not adequate for analysis.

U.S. exports.--During 1979-81, U.S. exports of wood fence pickets, palings, and rails, whether or not assembled, declined significantly, from \$1.05 million to \$369,000 (table 1). During January-August 1982, exports amounted to \$325,000, or 26 percent greater than those in the corresponding period of 1981. Canada was the leading export market in 1981, when it accounted for 37 percent of total exports; however, Mexico was the chief market in 1979, 1980, and January-August 1982. In 1980, Mexico accounted for nearly one-half of U.S. wood fence exports. The majority of exports are in an unassembled form (76 percent in 1981) (tables 2 and 3).

Table 1.--Wood fence pickets, palings, and rails, whether or not assembled: U.S. exports of domestic merchandise, by principal markets, 1979-81, January-August 1981, and January-August 1982

(In thousands of dollars)						
Market	1979	1980	1981	January-August--		
				1981	1982	
Canada-----	307	116	138	123	90	
Mexico-----	704	394	128	77	107	
Saudi Arabia-----	26	230	39	10	85	
Netherlands Antilles----	-	4	17	17	-	
Trinidad-----	-	-	11	6	-	
All other-----	8	74	36	24	43	
Total-----	1,045	818	369	257	325	

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 2.--Wood fence pickets, palings, and rails, unassembled: U.S. exports of domestic merchandise, by principal markets, 1979-81, January-August 1981, and January-August 1982

(In thousands of dollars)

Market	1979	1980	1981	January-August--	
				1981	1982
Canada-----	249	95	116	101	81
Mexico-----	676	257	107	62	82
Saudi Arabia-----	26	230	39	10	85
Bahamas-----	-	4	8	8	-
Trust Territory of the Pacific Islands-----	-	-	6	6	-
All other-----	1	50	2	-	22
Total-----	953	637	280	187	270

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 3.--Wood fence pickets, palings, and rails, assembled: U.S. exports of domestic merchandise, by principal markets, 1979-81, January-August 1981, and January-August 1982

(In thousands of dollars)

Market	1979	1980	1981	January-August--	
				1981	1982
Canada-----	58	21	22	22	9
Mexico-----	28	137	21	15	25
Netherlands Antilles-----	-	-	17	17	-
Trinidad-----	-	-	11	-	-
Japan-----	-	8	11	11	-
All other-----	6	15	7	4	21
Total-----	92	181	89	70	55

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Financial experience of U.S. producers

Six U.S. firms furnished usable financial data relative to their softwood fence operations. ^{1/} In the aggregate, the six firms experienced a downward swing in sales and income during the last half of 1981, and in the interim period of 1982 their combined fence operations lost money.

Operations on softwood fence.--Net sales of softwood fence rose from \$8.3 million in 1979 to \$8.7 million in 1980 for the six firms and then fell 13 percent to \$7.6 million in 1981. Such sales dipped to \$5.9 million in interim 1982, representing a decline of 15 percent from the \$6.9 million in sales reported for the corresponding period of 1981 (table 4).

Operating income fell sharply to \$256,000 (3.3 percent of net sales) in 1981, compared with operating income of \$594,000 (7.1 percent of net sales) and \$712,000 (8.2 percent of net sales), respectively, in 1979 and 1980. The six firms posted a combined operating loss of \$163,000 (2.8 percent of net sales) during interim 1982, compared with an operating income of \$480,000 (6.9 percent of net sales) for the corresponding period of 1981.

Aggregate net income fell at a faster rate than operating income during 1979-81 and interim 1982. Such profit declined from 5.7 percent of net sales in 1980 to a loss equal to 6.2 percent of net sales during interim 1982.

Three firms reported operating losses in 1979; the number declined to one firm in each of the years 1980 and 1981, before increasing to four during interim 1982. Five firms sustained net losses during interim 1982 compared with three firms in 1979 and 1981, and two firms in 1980.

^{1/} It is estimated that these firms account for at least one-third of domestic production.

Table 4.--Income-and-loss experience of 6 U.S. producers on their softwood fence operations, 1979-81, interim 1981, and interim 1982

Item	1979	1980	1981	Interim period ended Aug. 31--	
				1981	1982
Net sales---1,000 dollars--:	8,322	8,681	7,641	6,937	5,853
Cost of goods sold---do----:	6,504	6,564	6,018	5,355	4,726
Gross income-----do-----:	1,818	2,117	1,623	1,582	1,127
General, selling, and administrative expenses 1,000 dollars--:	1,224	1,405	1,367	1,102	1,290
Operating income----do-----:	594	712	256	480	(163)
Other income or (expense) 1,000 dollars--:	(220)	(218)	(193)	(184)	(201)
Net income or (loss) before income taxes 1,000 dollars--:	374	494	63	296	(364)
Depreciation and amorti- zation expense 1,000 dollars--:	148	179	230	203	224
Cash flow from operations 1,000 dollars--:	522	673	293	499	(140)
Ratio to net sales of--					
Gross income----percent--:	21.8	24.4	21.2	22.8	19.3
Operating income or (loss)-----percent--:	7.1	8.2	3.3	6.9	(2.8)
Net income or (loss) before income taxes percent--:	4.5	5.7	0.8	4.3	(6.2)
Cost of goods sold-do----:	78.2	75.6	78.8	77.2	80.7
General, selling, and administrative expenses: percent--:	14.7	16.2	17.9	15.9	22.0
Number of firms reporting operating losses-----:	3	1	1	1	4
Number of firms reporting net losses-----:	3	2	3	3	5

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Investment in productive facilities.--Six firms supplied data relative to their investment in productive facilities during 1979-81, interim 1981, and interim 1982 (table 5). The six firms' investment, valued at cost, in facilities used in the production of softwood fence increased by \$649,000 during the reporting period. The book value of such assets increased by only \$43,000.

Table 5.--Investment in productive facilities by 6 U.S. producers of softwood fence, as of the end of accounting years 1979-81, Aug. 31, 1981, and Aug. 31, 1982

Item	1979	1980	1981	As of Aug. 31--	
				1981	1982
Original cost--1,000 dollars--	2,083	2,328	2,618	2,615	2,732
Book value-----do-----	1,311	1,354	1,447	1,462	1,354
Ratio of operating profit or (loss) to:					
Net sales-----percent--	7.1	8.2	3.3	6.9	(2.8)
Original cost-----do-----	28.5	30.6	9.8	18.4	(6.0)
Book value-----do-----	45.3	52.6	17.7	32.8	(12.0)

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Capital expenditures.--Six firms supplied data relative to their expenditures during 1979-81, interim 1981, and interim 1982 for land, buildings, and machinery and equipment used in the production of softwood fence. Such expenditures are summarized as follows:

<u>Period</u>	<u>Capital expenditures</u> <u>(1,000 dollars)</u>
1979-----	309
1980-----	278
1981-----	349
Interim--	
1981-----	249
1982-----	106

The Question of the Causal Relationship Between Alleged
Material Injury and Allegedly Subsidized Imports From Canada

U.S. imports

U.S. imports of wood fence pickets, palings, and rails, whether or not assembled into fence sections, increased significantly during 1979-81, from \$22.3 million to \$30.3 million, or by 36 percent (table 6). ^{1/} During January-August 1982, the value of imports, \$23.1 million, was below the value of imports in the corresponding period of 1981, when they totaled \$25.6 million. Imports from Canada accounted for between 96.6 percent in 1980 and 99.3 percent in January-August 1982 of total imports during the period under investigation. About two-thirds of the value of imports in 1981 consisted of assembled fence, and the remainder was unassembled (tables 7 and 8). Imports of assembled wood fence increased from \$14.4 million to \$20.2 million during 1979-81, and reached \$14.0 million during January-August 1982. Imports of unassembled wood fence increased from \$7.9 million in 1979 to \$10.1 million in 1981, and reached \$9.0 million during January-August 1982.

Table 6.--Wood fence pickets, palings, and rails, whether or not assembled:
U.S. imports for consumption, by principal sources, 1979-81, January-
August 1981, and January-August 1982

(In thousands of dollars)

Source	1979	1980	1981	January-August--	
				1981	1982
Canada-----	21,836	22,842	29,868	25,329	22,902
Malaysia-----	253	316	321	188	146
Honduras-----	63	440	54	54	17
Taiwan-----	11	6	23	23	-
Republic of South Africa:	12	-	15	15	-
All other-----	74	43	-	-	6
Total-----	22,250	23,647	30,281	25,608	23,072

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

^{1/} The quantity of imports is not reported in U.S. foreign trade statistics.

Table 7.--Wood fence pickets, palings, and rails, assembled: U.S. imports for consumption, by principal sources, 1979-81, January-August 1981, and January-August 1982

(In thousands of dollars)

Source	1979	1980	1981	January-August--	
				1981	1982
Canada-----	14,311	13,613	20,146	17,132	14,073
Republic of South Africa:	8	4	15	15	-
West Germany-----	-	7	-	-	-
Sweden-----	-	7	-	-	-
Italy-----	21	5	-	-	-
All other-----	30	8	-	-	1
Total-----	14,370	13,644	20,161	17,147	14,073

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 8.--Wood fence pickets, palings, and rails, unassembled: U.S. imports for consumption, by principal sources, 1979-81, January-August 1981, and January-August 1982

(In thousands of dollars)

Source	1979	1980	1981	January-August--	
				1981	1982
Canada-----	7,525	9,229	9,722	8,197	8,829
Malaysia-----	253	316	321	188	146
Honduras-----	58	436	54	54	17
Taiwan-----	4	-	15	15	-
Republic of South Africa:	3	1	8	8	-
All other-----	35	20	-	-	6
Total-----	7,879	10,003	10,121	8,461	8,999

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Examination of data on imports of wood fence by customs districts for the period under investigation indicates that the majority of imports (90 percent in 1981) entered in four districts, primarily in the northeastern United States (table 9). These districts and the percent of total wood fence imports which entered in each during 1981 are as follows: Ogdensburg, N.Y. (31 percent), Portland, Maine (21 percent), Detroit, Mich. (20 percent), and St Albans, Vt. (19 percent).

Table 9.--Wood fence pickets, palings, and rails, whether or not assembled: U.S. imports for consumption, by customs districts, 1979-81 and January-June 1982

(In thousands of dollars)

Customs district	1979	1980	1981	January- June 1982
Ogdensburg, N.Y.-----	8,514	7,917	9,270	7,260
Portland, Maine-----	4,501	5,047	6,312	4,665
Detroit, Mich-----	2,908	3,967	6,195	3,714
St Albans, Vt-----	3,450	3,605	5,626	2,818
Buffalo, N.Y-----	318	401	864	436
Duluth, Minn-----	771	764	701	152
Pembina, N. Dak-----	735	430	396	112
Seattle, Wash-----	443	612	332	273
Los Angeles, Calif-----	253	308	325	103
Great Falls, Mont-----	197	99	160	55
Miami, Fla-----	58	410	54	5
Anchorage, Alaska-----	-	1	8	-
New York City, N.Y-----	-	-	-	1
Tampa, Fla-----	1	30	<u>1/</u>	5
New Orleans, La-----	4	-	-	-
All other-----	98	58	37	-
Total-----	22,250	23,647	30,281	19,598

1/ Less than \$500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Market penetration

There are no published data available on apparent U.S. consumption of wood fence. Consequently, it is not possible to present a traditional market penetration analysis (i.e., the ratio of imports of wood fence to apparent U.S. consumption). However, if shipments of those producers that provided usable data in response to the Commission's questionnaire are compared with imports, it is apparent that import penetration has increased. The value of reported producers' shipments and the value of imports as reported by the U.S. Department of Commerce during the period under investigation are as follows:

Period	Domestic shipments ^{1/}	Imports from Canada	Ratio of imports to domestic shipments
-----Million dollars-----			
1979-----	8.8 :	21.8 :	2.5:1
1980-----	8.8 :	22.8 :	2.6:1
1981-----	7.5 :	29.9 :	4.0:1
January-August--	:	:	:
1981-----	3.4 :	25.3 :	7.4:1
1982-----	2.8 :	22.9 :	8.2:1

^{1/} Shipment data for 1979-81 are based on the response of 7 producers, and those for January-August 1981 and 1982 are based on the response of 6 producers. It is estimated that these producers accounted for at least one-third of domestic shipments during 1979-81.

Prices

The Commission requested domestic producers to furnish f.o.b. prices for January 1980 through September 1982. Prices were requested for the largest shipment in each quarter of nine sample fencing products covering finished 6 foot by 8 foot sections and the components thereof (see app. D for a list of the nine softwood fence products). Prices on a tenth product, to be determined by the producer, were also to be furnished if a product not identified by the Commission's sample accounted for 10 percent or more of the producer's business. Questionnaires were sent to 35 domestic producers, 5 of which provided price data covering 7 of the 9 sample items and 3 different fence products under product 10.

Importers were also requested to supply f.o.b. prices for January 1980-September 1982 for the largest shipment in each quarter of the same nine sample fencing products imported from Canada. Provision for pricing a tenth product was also made. Questionnaires were sent to 60 importers, 4 of which provided price information covering 7 of the 9 sample items and 2 different fence items under product 10.

Domestic producers and importers were also requested to report the inland freight charges on these shipments paid by them and those paid by the customers. Where these freight charges were identified, it appears that purchasers of domestic fence bear the freight and destination charges directly or indirectly (use of purchaser's own truck) and the single importer identifying transportation charges absorbed the freight costs. Price data reported, however, suggest that the difference between mill prices of domestic and imported softwood fence outweighs the influence of freight costs in purchasing decisions.

Tables 10 through 12 present weighted average net selling prices for the nine sample softwood fence products produced domestically and imported from Canada. In general, Canadian import prices are shown for shipments during only the spring and summer quarters, highlighting the seasonality of this

Table 10.—Softwood fence (products 1 through 3): Weighted average net selling prices for sales of domestic products and for sales of imports from Canada, and average margins of underselling, by quarters, January 1980–September 1982

Period	Product 1 1/				Product 2 1/				Product 3 1/			
	Produced domestically	Imported from Canada	Margins of underselling	Percent	Produced domestically	Imported from Canada	Margins of underselling	Percent	Produced domestically	Imported from Canada	Margins of underselling	Percent
	Per unit				Per unit				Per unit			
1980:												
Jan-Mar	\$24.50	2/	-	-	\$21.92	2/	-	-	\$1.83	2/	-	-
Apr-June	31.12	\$19.78	\$11.35	36.4	22.03	\$21.20	\$0.83	3.8	2.16	\$1.85	\$0.31	14.4
July-Sept	25.18	17.05	8.13	32.3	22.12	18.94	3.18	14.4	1.93	1.85	.08	4.1
Oct-Dec	23.24	2/	-	-	22.09	16.50	5.59	25.3	2.08	2/	-	-
1981:												
Jan-Mar	31.12	2/	-	-	19.98	2/	-	-	2.37	2/	-	-
Apr-June	30.27	19.61	10.66	35.2	18.11	18.93	(.82)	(4.5)	2.42	1.85	.57	23.6
July-Sept	31.67	16.22	15.45	48.8	18.42	17.25	1.17	6.4	2.19	1.85	.34	15.5
Oct-Dec	30.48	2/	-	-	22.08	2/	-	-	2.07	2/	-	-
1982:												
Jan-Mar	32.32	18.50	13.82	42.7	17.49	2/	-	-	1.98	2/	-	-
Apr-June	35.36	18.57	16.79	47.5	19.48	18.71	.77	4.0	2.12	2.04	.08	3.8
July-Sept	35.36	18.72	16.64	47.1	22.08	12.50	9.58	43.4	2.99	2/	-	-

1/ See product list for specifications.
2/ No prices reported.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 11.--Softwood fence (products 4 ^{1/} through 6): Weighted average net selling prices for sales of domestic products and for sales of imports from Canada, and average margins of underselling, by quarters, January 1980-September 1982

Period	Product 5 ^{2/}			Product 6 ^{2/} ^{3/}
	Produced domestically	Imported from Canada	Margins of underselling	Produced domestically
	Per unit		Percent	Per unit
1980:				
Jan-Mar----	\$0.48	^{1/}	-	\$0.50
Apr-June---	.53	^{1/}	-	^{1/}
July-Sept--	.53	^{1/}	-	.50
Oct-Dec----	.51	^{1/}	-	^{1/}
1981:				
Jan-Mar----	.51	^{1/}	-	.50
Apr-June---	.56	^{1/}	-	.53
July-Sept--	.57	^{1/}	-	.53
Oct-Dec----	.60	^{1/}	-	^{1/}
1982:				
Jan-Mar----	.59	\$.54	\$.05	8.5
Apr-June---	.60	.54	.06	10.0
July-Sept--	.61	.54	.07	11.5

^{1/} No prices were reported for product 4.

^{2/} See product list for specifications.

^{3/} No prices for fence product 6 imported from Canada.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 12.—Softwood fence (products 7 through 9): Weighted average net selling prices for sales of domestic products and for sales of imports from Canada, and average margins of underselling, by quarters, January 1980–September 1982

Period	Product 7 1/			Product 8 1/ 3/			Product 9 1/			
	Produced domestically	Imported from Canada	Margins of underselling	Imported from Canada	Produced domestically	Imported from Canada	Margins of underselling	Produced domestically	Imported from Canada	Margins of underselling
	Per unit			Per unit			Per unit			Percent
1980:										
Jan-Mar	\$0.62	2/	-	\$0.64	2/	-	2/	\$4.37	2/	-
Apr-June	.75	2/	-	.64	2/	-	2/	4.46	2/	-
July-Sept	.72	2/	-	.64	2/	-	2/	4.46	2/	-
Oct-Dec	.75	2/	-	.64	2/	-	2/	4.46	2/	-
1981:										
Jan-Mar	.74	2/	-	.60	2/	-	2/	4.75	2/	-
Apr-June	.79	\$0.90	(\$0.11): (12.2)	.60	2/	-	2/	4.75	2/	-
July-Sept	.79	2/	-	.60	2/	-	2/	4.75	2/	-
Oct-Dec	.79	2/	-	.60	2/	-	2/	4.75	2/	-
1982:										
Jan-Mar	.78	2/	-	.57	2/	-	2/	4.66	2/	-
Apr-June	.87	2/	-	.57	2/	-	2/	4.66	\$4.25	\$0.41
July-Sept	.87	2/	-	.57	2/	-	2/	4.66	2/	8.8

1/ See product list for specifications.

2/ No prices reported.

3/ No domestic producers reported prices for product 8.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

commodity. This seasonality is also apparent to a lesser degree for certain of the domestically produced softwood fence products. Where domestic and import prices were reported in the same quarters, margins of underselling have also been estimated.

The weighted average prices of domestically produced and imported Canadian fence detailed in these tables show occasional erratic movements. This is because (1) not all firms reporting prices for a specific product reported in the same quarters, and (2) within product categories there are differences of grade which are reflected in widely varying prices for the same product category whether produced domestically or imported from Canada. When both of these occur in the same quarter, an abnormally high or low price (compared with the other quarter's prices for the same product) will be evident.

Table 10 presents weighted average net selling prices for sales of domestically produced and imported Canadian softwood fence products 1 (cedar 6 foot x 8 foot sections), 2 (mixed softwoods 6 foot by 8 foot sections), and 3 (8-foot cedar dowel rails). With the exception of three quarters in 1980 during which prices on a lower grade cedar section were reported by one domestic producer, domestic prices for fence product 1 have ranged between about \$30 per section and \$35 per section and have increased 14 percent from April 1980 through September 1982. Although it appears that during the corresponding period prices of fence product 1 imported from Canada dropped, the lower 1982 Canadian prices are attributable to a single importer reporting relatively large shipments of lower priced cedar sections. This importer reported only for 1982, but prices reported by another importer for 1980 through 1982 show an increase of about 22 percent from April 1980 through September 1982. Regardless of these price variations, however, the margins of underselling are fairly representative and show significantly lower prices for fence product 1 imported from Canada.

With the exception of April-June 1980 and July-September 1982, during which a single high and low importer's price was reported by separate firms, the weighted average net selling prices for both domestic producers and importers of Canadian softwood fence product 2 show little long term movement. Noting these exceptions, the overall trend in producers' and importers' selling prices appears to reflect a modest drop. Again, however, import underselling is prevalent with the exception of April-June 1982.

The prices of fence product 3, also shown in table 10, represent the reporting of a single domestic producer and a single importer of Canadian fence. The domestic price dropped about 2 percent from April 1980 through June 1982 and the import price rose about 10 percent. Underselling of the Canadian product was evident in each of the quarters for which comparisons were possible.

Table 11 presents weighted average net selling prices for sales of domestically produced and imported Canadian softwood fence products 4 (8-foot mixed softwoods dowel rails), 5 (6-foot cedar pickets) and 6 (6-foot mixed softwoods pickets). No prices were reported for product 4 by either producers or importers. Prices for domestically produced fence product 5 rose 27 percent from January 1980 through September 1982, and prices of fence

product 5 imported from Canada remained unchanged in 1982, the only year for which import prices were received. For the first three quarters of 1982, the Canadian import undersold the domestic product by about 10 percent. The unit price of domestically produced fence product 6 rose from \$0.50 to \$0.53 (6 percent) during April-June 1981, but remained unchanged before and after. No prices for fence product 6 imported from Canada were received by the Commission.

Table 12 presents weighted average net selling prices for sales of domestically produced and imported Canadian softwood fence products 7 (6-foot, cedar 1 by 4 inch stock), 8 (6-foot, mixed softwoods 1 by 4-inch stock) and 9 (8-foot, 4 by 4-inch cedar square stock). Prices of domestically produced fence product 7 rose from \$0.62 per unit to \$0.87 per unit (40 percent) from January 1980 through September 1982. A single price of \$0.90 per unit for fence product 7 imported from Canada was reported for April-June 1981 (\$0.11 higher than the corresponding price of the domestic product). No domestic producers reported prices for fence product 8, and the Canadian import prices for product 8 declined in each of the last 2 years. Both domestic and import prices are scant for fence product 9, with the single comparably reported quarter (April-June 1982) showing the presence of import underselling.

None of the products identified as product 10 by domestic producers or importers of Canadian fence were comparable; thus no discussion of these prices is presented.

Lost sales

Petitioners submitted 58 instances in which 11 domestic producers alleged lost sales of domestic fence to competitive fence products imported from Canada. In 14 of these instances, specific details were given of the dollar volume of business lost to Canadian imports or the quoted Canadian prices that could not be met by domestic producers. Separate allegations were made by two firms of sales of 6 foot by 8 foot stockade fence lost to a large retail chain because the Canadian delivered price (\$12.95) was as little as one-half the domestic mill price. This large retailer denied the allegation of lost sales of domestic product to Canadian product in a phone conversation with staff. Another fence buyer reported to the staff that in 1981 he purchased about \$30,000 to \$60,000 worth of Canadian fence because of lower prices, which he would normally have purchased from domestic suppliers.

The Question of a Reasonable Indication of the Threat of Material Injury

The rate of increase of imports from Canada

As shown in the following tabulation, imports of wood fence from Canada have increased significantly from 1979 through August 1982 (although the value of imports in January-August 1982 is lower than that reported in the corresponding period of 1981):

<u>Period</u>	<u>Imports from Canada</u> <u>(million dollars)</u>	<u>Percentage change</u>
1979-----	21.8	1/
1980-----	22.8	5
1981-----	29.9	31
January-August--		
1981-----	25.3	1/
1982-----	22.9	-10

1/ Not available.

Imports increased by about 37 percent from 1979 to 1981, and then declined by nearly 10 percent from January-August 1981 to January-August 1982.

The capacity of producers in Canada to generate exports
and the availability of other export markets

There is little information available on Canada's ability to generate exports of softwood fence or the availability of other export markets. However, on the basis of the Commission's April 1982 investigation (No. 332-134) on softwood lumber, it is believed that sufficient resources (such as mills and supplies of softwood lumber) exist in Canada so that for the indefinite future, it can continue to generate the present, or higher, level of exports of softwood fence. During the period under investigation, almost all of the exports in the Canadian export category of "pales or fence pickets" (which is the only fence or fence product category specifically identified in Canadian export statistics) were shipped to the United States (with the exception of West Germany in 1980).

APPENDIX A
NOTICES OF INVESTIGATION

[Investigation No. 701-TA-199
(Preliminary)]

Softwood Fence From Canada

AGENCY: United States International Trade Commission.

ACTION: Institution of a preliminary countervailing duty investigation and scheduling of a conference to be held in connection with the investigation.

EFFECTIVE DATE: October 7, 1982.

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of an investigation under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada of softwood fence, provided for in item 200.75 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Canada.

FOR FURTHER INFORMATION CONTACT: Mr. Edward Furlow (202-724-0068), Chief of the Agriculture, Fisheries, and Forest Products Division, Office of Industries, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:
Background.—This investigation is

being instituted in response to a petition filed October 7, 1982, on behalf of the United States Coalition for Fair Canadian Lumber Imports, a group composed of 8 trade associations and more than 350 U.S. producers of softwood lumber products. A copy of this petition is available for public inspection in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. The Commission must make its determination in this investigation with 45 days after the date of the filing of the petition or by November 22, 1982 (19 CFR 207.17). Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided for in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11, as amended by 47 FR 6189, February 10, 1982), not later than seven (7) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

Service of documents.—The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting a document in connection with the investigation shall, in addition to complying with section 201.8 of the Commission's rules (19 CFR 201.8, as amended by 47 FR 6188, February 10, 1982, and 47 FR 13791, April 1, 1982), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rule (19 CFR 201.16(b), as amended by 47 FR 33682, August 4, 1982).

In addition to the foregoing, each document filed with the Commission in the course of this investigation must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Written submissions.—Any person may submit to the Commission on or before November 10, 1982, a written statement of information pertinent to the subject matter of this investigation (19 CFR 207.15, as amended by 47 FR 6190, February 10, 1982). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8, as

amended by 47 FR 6188, February 10, 1982, and 47 FR 13791, April 1, 1982).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6). All written submissions except for confidential business data, will be available for public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m., on November 4, 1982, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisor for the investigation, Mr. Edward Furlow, telephone 282-724-0068, not later than October 29, 1982, to arrange for their appearance. Parties in support of the imposition of countervailing duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207, as amended by 47 FR 6182, February 10, 1982, and 47 FR 33682, August 4, 1982), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 47 FR 6182, February 10, 1982, 47 FR 13791, April 1, 1982, and 47 FR 33682, August 4, 1982). Further information concerning the conduct of the conference will be provided by Mr. Furlow.

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: October 12, 1982.

Kenneth R. Mason,
Secretary.

[FR Doc. 82-28980 Filed 10-19-82; 8:45 am]
BILLING CODE 7020-02-M

**Initiation of Countervailing Duty
Investigations; Certain Softwood
Lumber Products From Canada**

AGENCY: International Trade
Administration, Commerce.

ACTION: Initiation of countervailing duty
investigations.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating countervailing duty investigations to determine whether producers, manufacturers, or exporters in Canada of certain softwood lumber products receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of certain softwood lumber products are materially injuring, or threatening to materially injure, a U.S. industry. If the investigations proceed normally, the ITC will make its preliminary determinations on or before November 22, 1982, and we will make ours on or before December 31, 1982.

EFFECTIVE DATE: November 3, 1982.

FOR FURTHER INFORMATION CONTACT:
Roland MacDonald, Office of
Investigations, Import Administration,
International Trade Administration, U.S.
Department of Commerce, 14th Street
and Constitution Avenue, NW.,
Washington, D.C. 20230, (202) 377-4036.

SUPPLEMENTARY INFORMATION:

Petitions

On October 7, 1982, we received a petition from the United States Coalition for Fair Canadian Lumber Imports on behalf of a number of trade associations and producers in the United States softwood forest products industries. The petitioner alleges that manufacturers, producers, or exporters in Canada of certain forest products receive benefits that constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act). The petitioner further alleges that imports of this product are materially injuring, or threatening to materially injure, a U.S. industry.

Canada is a "country under the Agreement" within the meaning of

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section 701(b) of the Act; accordingly, Title VII of the Act applies.

Initiation of Investigations

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets forth the allegations necessary for the initiation of a countervailing duty investigation, and whether it contains information reasonably available to the petitioner supporting these allegations. We have examined the petition on certain forest products from Canada and we have found that the petition meets these requirements.

Therefore, in accordance with section 702(c) of the Act, we are initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters in Canada of certain softwood forest products, as specified in the "Scope of Investigations" section of this notice, receive benefits that constitute subsidies within the meaning of section 771(5) of the Act. If the investigations proceed normally, we will make our preliminary determinations by December 31, 1982.

Scope of Investigations

The products covered by these investigations are softwood lumber, softwood shakes and shingles, and softwood fence. For a further description of these products, see the appendix to this notice.

Allegation of Subsidies

The petitioner alleges that producers, manufacturers, or exporters in Canada of softwood forest products receive benefits that constitute subsidies, including:

1. The provision of capital, loans, or loan guarantees on terms inconsistent with commercial considerations.
2. The provision of goods or services at preferential rates.
3. The grant of funds or forgiveness of debt to cover operating losses sustained by a specific industry.
4. The assumption of costs or expenses of manufacture, production, or distribution.

The petitioner alleges that the above benefits are realized through a number of agencies and types of programs, including:

- Assumption of stumpage costs
- Regional development incentives programs
- Federal and provincial government agreements
- Enterprise Development Program
- Forest Industry Renewable Energy
- Program for export market development
- Federal Business Development Bank

- Export Development Corporation
- Transportation
- Canadian Forestry Service
- Manpower
- Small business loans
- Taxation measures
- Other provincially funded programs

At this time, the Department has of course made no determination as to whether any of the alleged benefits, including stumpage, in fact constitutes subsidies.

Notification of ITC

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determinations by ITC

The ITC will determine by November 22, 1982, whether there is a reasonable indication that imports of softwood lumber products from Canada are materially injuring, or threatening to materially injure a U.S. industry. If its determinations are negative, these investigations will terminate; otherwise, they will proceed to conclusion.

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

APPENDIX—Description of Products

For purposes of these investigations:

1. The term "software lumber" covers those products included in the *Tariff Schedules of the United States Annotated (1982) (TSUSA)* in items 202.03-202.30 (rough, dressed, or worked softwood lumber) specifically excluded are drilled and treated lumber, wood siding, and edge-glued or end-glued wood not over 6 feet in length or over 15 inches in width. "Rough lumber" is "lumber just as it comes from the saw; whether in its original sawed size or edged, resawn, crosscut, or trimmed to smaller sizes." "Dressed lumber" is "lumber which has been dressed or surfaced by planing on at least one edge or face." "Worked lumber" is "lumber which has been matched (tongue-and-grooved), shiplapped (rabbeted or lapped joint), or patterned on a matching machine, sticker, or molder."

2. The term "softwood shakes and shingles" refers to wood products most frequently made from red cedar, that are

used for roofing or siding." Softwood shakes, "approved durable wood of random widths ranging from 4 inches to 14 inches come in four types: Hand-split and resawn, taper split, straight-split and taper sawn." "Softwood shingles are tapered pieces of approved durable wood, sawed both sides, of random width ranging from 3 inches to 14 inches and in lengths of 16 inches, 18 inches or 24 inches; for purposes of this investigation, the term softwood shakes and shingles refers only to those products designated in *Tariff Schedules of the United States Annotated (1982) (TSUSA)*, as item 200.85.

3. The term "software fence" refers to three types of fences: picket, stockade, and rail. Picket fences are made of wood pickets nailed to horizontal back rails which are fastened to the supporting posts. The pickets vary in length and thickness, lengths range from 24" to 92", and thickness varies from ½" to 3". The species of wood fences is usually cedar for the post and conifers or softwoods for the backrails and pickets. Rail fences consist of line post and horizontal rails. Cedar is generally used for the line posts and cedar or conifers or northern softwoods are used for the rails. Stockade fences vary in height from 3 feet to 10 feet. Widths are usually 7 feet or 8 feet. Line posts are generally cedar, and stockade sections are made from northern softwoods. This investigation covers softwood fences both assembled and unassembled, which fall under *TSUSA* item 200.75.

[FR Dec. 02-30208 Filed 11-3-82; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX B

WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-199 (Preliminary)

SOFTWOOD FENCE FROM CANADA

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigation on November 4, 1982, in the Commission's Hearing Room, 701 E Street, NW., Washington, D.C.

In support of the imposition of countervailing duties

Preston, Thorgrimson, Ellis & Holman
Washington, D.C.
on behalf of

United States Coalition for Fair Canadian Lumber Imports

Thomas C. Newberry, General Manager, Habitant Corp.
Donald Bishop, President, Maine Fence Co.
Richard V.L. Cooper, Partner in Charge, Economic Studies,
Coopers & Lybrand

Kermit W. Almstedt)
Richard L. Barnes)--OF COUNSEL
F. Amanda DeBusk)

In opposition to the imposition of countervailing duties

Herbert A. Fierst, Esq.
Arnold & Porter
Washington, D.C.
on behalf of

Canadian Softwood Lumber Committee

Herbert A. Fierst)
Robert E. Herzstein)--OF COUNSEL
Hadrian R. Katz)
Lawrence A. Schneider)

North American Wholesale Lumber Association, Inc.

Harlan M. Niebling, Executive Vice President

APPENDIX C

TSUSA ITEM'S 200.7520 AND 200.7540
AND HEADNOTES

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 2. - WOOD AND PAPER; PRINTED MATTER
Part 1. - Wood and Wood Products

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
PART 1. - WOOD AND WOOD PRODUCTS							
<u>Part 1 headnotes:</u>							
1. For the purposes of subparts D, E, and F of this part, hardboard shall be deemed to be wood.							
2. The effectiveness of the proviso to section 304(a)(3)(J) of the Tariff Act of 1930 (19 U.S.C. 1304(a)(3)(J)), to the extent permitted by that section and as provided for in Schedules XX to the General Agreement on Tariffs and Trade, is suspended, with the result that sawed lumber and sawed timbers however provided for, telephone, trolley, electric-light, and telegraph poles of wood, and bundles of shingles, other than redcedar shingles, shall not be required to be marked to indicate the country of origin.							

Subpart A. - Rough and Primary Wood Products; Wood Waste							
<u>Subpart A headnotes:</u>							
1. The term "wood waste", as used in this subpart, means residual material other than firewood resulting from the processing of wood, including scraps, shavings, sawdust, veneer clippings, chipper rejects and similar small wood residues, and also larger or coarser solid types of residual wood such as slabs, edgings, cull pieces, and veneer log cores.							
2. The provisions for wood products in items 200.60 (poles, piles, and posts), 200.65 (laths), 200.75 (fence pickets, palings, and rails), 200.80 (railroad ties), and 200.85 (shingles and shakes) cover such products whether or not they have been treated with creosote or other wood preservatives.							

Firewood, hogged-wood fuel and wood waste made into fuel by compression, whether or not containing an added binder:							
	200.03	00	Firewood, and fuel not containing an added binder.....	X.....	Free		Free
A	200.06	00	Fuel containing an added binder.....	X.....	4.5% ad val.	3.7% ad val.	20% ad val.
	200.10	00	Wood waste.....	X.....	Free		Free
	200.15	00	Wood chips other than waste.....	S. ton..	Free		Free
	200.20	00	Wood flour.....	Lb.....	4.7% ad val.	2.4% ad val.	25% ad val.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).							

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 2. - WOOD AND PAPER; PRINTED MATTER

Part 1. - Wood and Wood Products

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200.25 - 200.65

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
	200.25	00	Wood excelsior, including excelsior pads and wrappings.....	S. con..	6.9% ad val.	5.1% ad val.	33-1/3% ad val.
	200.30	00	Wood charcoal, including shell and nut charcoal.....	Lb.....	Free		Free
	200.35		Logs and timber, in the rough, split, hewn, or roughly sided or squared but not made into lumber.....	.....	Free		Free
		16	Logs and timbers (except pulpwood): Softwood.....	M.bd.ft.			
			Hardwood:				
		27	Birch (<i>Betula</i> spp.).....	M.bd.ft.			
		29	Maple (<i>Acer</i> spp.).....	M.bd.ft.			
		37	Mahogany (<i>Swietenia</i> spp., or <i>Khaya</i> spp.).....	M.bd.ft.			
		41	Philippine mahogany (almon (<i>Shorea almon</i>), bagtikan (<i>Parashorea plicata</i>), red lauan (<i>Shorea negrosensis</i>), white lauan (<i>Pentacme contorta</i> and <i>P. mindanensis</i>), mayapis (<i>Shorea squamata</i>), tangile (<i>Shorea polysperma</i>) and tiaong (<i>Shorea</i> spp.); meranti (<i>Shorea</i> spp.); red seraya (<i>Shorea</i> spp.); and white seraya (<i>Parashorea</i> spp.).....	M.bd.ft.			
		49	Other.....	M.bd.ft.			
			Pulpwood:				
		53	Spruce (<i>Picea</i> spp.).....	Cord			
		57	Pine (<i>Pinus</i> spp.).....	Cord			
		63	Other softwood.....	Cord			
		67	Hardwood.....	Cord			
		73	Mixed softwood and hardwood.....	Cord			
	200.40	00	Wood sticks (except bamboo and rattan sticks), in the rough, or cut into lengths suitable for sticks for umbrellas, parasols, sunshades, whips, fishing rods, or walking canes.....	X.....	Free		Free
A	200.45	00	Brierroot, in the rough or not further advanced than cut into blocks.....	Gross...	0.6% ad val.	Free	10% ad val.
			Wood blocks, blanks, or sticks, rough shaped by boring, hewing, or sawing so as to be dedicated to finishing into specific articles such as gunstocks, lasts, heels, handles, oars, shuttles, archery bows, or billiard cues:				
	200.50	00	Blocks or blanks rough shaped for gunstocks.....	No.....	Free		Free
	200.55	00	Other.....	X.....	Free		10% ad val.
	200.60		Wood poles, piles, and posts.....	.....	Free		Free
			Not over 15 feet in length:				
		25	Treated.....	No.			
		35	Untreated.....	No.			
			Over 15 feet in length:				
		55	Treated.....	No.			
		70	Untreated.....	No.			
	200.65	00	Wood laths.....	M.....	Free		Free

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 2. - WOOD AND PAPER; PRINTED MATTER
Part 1. - Wood and Wood Products

C S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
	200.75		Wood fence pickets, palings, and rails, whether or not assembled into fence sections.....	.....	Free		Free
		20	Unassembled.....	X			
		40	Assembled.....	X			
	200.80		Wood railroad ties (except switch or bridge ties).....	.....	Free		Free
		20	Treated.....	M.bd.ft.			
		40	Untreated.....	M.bd.ft.			
	200.85		Wood shingles and shakes.....	.....	Free		Free
		20	Red cedar.....	Square			
		40	Other.....	Square			
			Wood dowel rods and pins, plain, or sanded, grooved, or otherwise advanced in condition:				
			Plain:				
			Softwood.....	Lin.ft.	2.5% ad val.		5% ad val.
A*	200.91	00	Hardwood.....	Lin.ft.	Free		5% ad val.
	200.93	00	Advanced in condition.....	.....	13.3% ad val.	7.6% ad val.	33-1/3% ad val.
	200.95		Softwood.....	Lin.ft.			
		20	Hardwood.....	Lin.ft.			
		40					

APPENDIX D

SOFTWOOD FENCE PRODUCTS FOR WHICH PRICE DATA WERE REQUESTED
IN THE COMMISSION'S QUESTIONNAIRE

PRODUCT LIST

- PRODUCT 1: Cedar; 6 foot x 8 foot sections or panels, including pickets, three 2 inch x 3 inch mixed softwoods backrails.
- PRODUCT 2: Mixed softwoods; 6 foot x 8 foot sections or panels, including pickets, three 2 inch x 3 inch mixed softwoods backrails.
- PRODUCT 3: Cedar; 8 foot dowel rail.
- PRODUCT 4: Mixed softwoods; 8 foot dowel rail.
- PRODUCT 5: Cedar; 6 foot picket.
- PRODUCT 6: Mixed softwoods; 6 foot picket.
- PRODUCT 7: Cedar; 6 foot; 1 inch x 4 inch.
- PRODUCT 8: Mixed softwoods; 6 foot; 1 inch x 4 inch.
- PRODUCT 9: Cedar; 4 inch x 4 inch square stock; 8 foot; smooth.
- PRODUCT 10: Any other softwood fence product which accounts for over 10 percent of your firm's production and not listed above in codes 1-9.

