SOFTWOOD SHAKES AND SHINGLES FROM CANADA

Determination of the Commission in Investigation No. 701-TA-198 (Preliminary) Under Section 703(a) of the Tariff Act 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-198 (Preliminary)

SOFTWOOD SHAKES AND SHINGLES 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 shakes and shingles, provided for in item 200.85 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 shakes and shingles 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

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.

with 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. 46781). The conference was held in Washington, D.C., on November 5, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Introduction

Based on the record in this investigation, we determine, pursuant to section 703(a) of the Tariff Act of 1930, that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of softwood shakes and shingles, 1/ which are alleged to be subsidized by the Government of Canada.

Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" 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/ Section 771(10) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses" with the article under investigation. 3/

The imported articles under investigation are softwood 4/ shakes and shingles. Shakes and shingles are thin, rectangular pieces of wood that have been split (shakes) or sawed (shingles) from a block or bolt of wood. Shakes

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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/ Hardwood shakes and shingles are believed to account for less than 1 percent of all shakes and shingles. Report at A-38 n. 2. Included in the softwood category are shakes and shingles made from western red cedar, redwood, northern white cedar, and other species. Report at A-2. Between 85-95 percent of softwood shakes and shingles produced in the United States and those imported from Canada are made from western red cedar. Id. at A-2, A-15.

and shingles generally are used interchangeably as covering for the roof or side of a building. 5/ Shakes account for approximately 60 to 65 percent of all shakes and shingles consumed in the United States. 6/ Shakes account for approximately 55 percent of the Canadian production of shakes and shingles. 7/ Many domestic and Canadian producers manufacture both shakes and shingles. 8/ Since shakes and shingles are made from the same materials, and since generally they have the same uses, we find that softwood shakes and shingles are one like product.

Domestically produced shakes and shingles are like shakes and shingles imported from Canada with respect to both characteristics and uses. There are generally no quality differences between the domestic and the imported article of the same grade and specification. In fact, many domestically produced shakes and shingles, as well as those imported from Canada, are inspected by the same organizations and conform to the same grade and inspection standards. 9/ In addition, most domestic and imported shakes and shingles are sold to the same U.S. wholesalers, who often mix the domestically produced

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5/ Because shakes are generally thicker than shingles, they tend to be used on roofs more than shingles. Id. at A-2. Since the mid-1960's, consumers in certain parts of the United States, such as California, have preferred the rough-hewn shakes to shingles. However, shingles have remained popular in the East. Tr. at 29.

6/ Id. at A-7. This figure is based on data for 1981.

7/ Id. at A-10. This figure is based on data for 1980.

8/ Id. at A-7. According to the Red Cedar Shingle and Handsplit Shake Bureau, the members of which account for 80-90 percent of domestic, and a substantial amount of Canadian shake and shingle production, approximately 43 percent of its member mills produce both shakes and shingles, approximately 52 percent produce only shakes, and approximately 5 percent produce only shingles. Id. at A-7.

9/ Id. at A-4.

shakes and shingles with those imported from Canada. 10/ Therefore, we conclude that domestically produced softwood shakes and shingles are "like" those imported from Canada that are the subject of this investigation. 11/ Thus, the appropriate domestic industry consists of the domestic producers of softwood shakes and shingles. 12/

Condition of the Domestic Industry 13/

Relevant economic indicators show that the domestic industry is currently experiencing material injury. U.S. consumption of shakes and shingles declined steadily throughout the period under investigation coincident with the slowdown in housing construction. 14/ Apparent domestic consumption

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10/ Id. at A-8.

11/ Those opposed to the petition have not challenged the petitioner's characterization of domestically produced shakes and shingles as products "like" those imported from Canada. See, e.g., Transcript of Preliminary Conference (Tr.) at 83.

12/ Hereinafter the term "shakes and shingles" refers only to softwood shakes and shingles.

13/ In a preliminary investigation the Commission must determine whether there is a reasonable indication that an industry is materially injured or threatened with material injury by reason of allegedly subsidized imports based upon the best information available to it at the time of the determination. (emphasis added). 19 U.S.C. § 703(a). The petitioner in this investigation represents approximately 50 to 70 percent of the approximately 400 domestic producers of the product under investigation. Report at A-10 n.1. However, the data in the Report on capacity, inventories, employment, prices, lost sales, and financial performance is based on the questionnaire responses of producers that together represent only approximately 10 percent of domestic production. Id. The petitioner supplied the Commission with copies of responses to its own questionnaire which were generally consistent with the trends in the data represented in the Report. However, these responses, most of which were by the same producers that responded to the Commission's questionnaire, represented only approximately 25 percent of domestic production. We would anticipate an improved response rate should there be a final investigation.

14/ Report at A-6. Housing starts decreased by 38 percent between 1979-81. Id. at A-16. 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 in an industry." H. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

declined steadily from 7.4 million squares in 1979 to 5.3 million squares in 1981, or by 29 percent. 15/ In January-August 1982, apparent consumption further declined to 2.6 million squares as compared with 3.7 million squares in the corresponding period of 1981, a decline of 30 percent. 15A/ Domestic production of shakes and shingles declined from 3.5 million squares in 1979 to 2.0 million squares in 1981, or by 45 percent. 16/ In January-August 1982 production stood at 0.6 million squares as compared with 1.3 million squares in the corresponding period of 1981, a decline of 55 percent. 17/ Therefore the drop in production during the period under investigation was considerably greater than the decline in consumption.

Capacity utilization dropped from 49 percent in 1979 to 31 percent in 1981, and to 23 percent in the January-August 1982 period as compared with 33 percent in the corresponding period of 1981. 18/ Inventories as a percent of average mill production increased from 6 percent in 1979 to 10 percent in 1981, and further increased to 12 percent in January-August 1982 as compared with 10 percent in the corresponding period of 1981. 19/ Employment patterns also evidenced a steadily negative trend. The average number of hours worked

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15/ Id. at A-38 (Table 1). These figures are estimates based on data published by the Northwest Independent Forest Manufacturers.

15A/ Id.

16/ Id.

17/ Id.

18/ Id. at A-11. These figures are based on data supplied by producers that together represent approximately 10 percent of domestic production. Id. at A-10 n. 1. Because this industry is characterized by numerous small, low-capital operations, figures for capacity can be expected to be large, and figures for capacity utilization can be expected to be lower than for many other industries. The petitioner estimates that the break-even capacity utilization rate is 50 percent or less. Tr. at 52. Thus, these figures indicate that the capacity utilization rate has fallen to levels that are low even for this industry.

19/ Id. at A-12. These figures are based on data supplied by producers that together represent 10 percent of domestic production.

per week declined from 27 hours in 1979 to 22 hours in 1981, and to 20 hours in January-August 1982 as compared with 22 hours in the corresponding period of 1981. 20/

The financial indicators of domestic producers declined precipitously during the period. 21/ Net sales declined steadily from $14.1 million in 1979 to $5.9 million in 1981, and to $3.1 million in the January-August 1982 period as compared with $4.3 million in the corresponding period of 1981. 22/ These producers experienced an operating loss of $106,000 in 1979, followed by an operating profit of $238,000 in 1980. 23/ However, in 1981, they again experienced an operating loss of $340,000. Moreover, in the January-August 1982 period, operating losses increased to $318,000 as compared with $279,000 in the corresponding period of 1981. 24/

The ratio of operating income to net sales followed a similar trend, increasing from a negative ratio of 0.7 percent in 1979 to a positive 2.3 percent in 1980. 25/ However, in 1981, the industry again experienced a ratio of operating loss to net sales of 5.8 percent. 26/ In the January-August 1982 period, the negative ratio further increased to 10.3 percent as compared to a negative 6.5 percent in the corresponding period of 1981. 27/ Furthermore, of the seven reporting firms, the number of individual firms reporting net losses

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20/ Id.
21/ These yearly figures are based on data supplied by domestic producers that together represent approximately 9 percent of domestic production. Id. at A-14 n. 1. The January-August figures are based on data supplied by producers that together represent approximately 8 percent of domestic production.
22/ Id. at A-42 (Table 5).
23/ Id.
24/ Id.
25/ Id.
26/ Id.
27/ Id.

increased from one in 1979 to three in 1980 and six in 1981. 28/ All of the six firms that reported for the January-August 1982 period experienced net losses as compared with four in the corresponding period of 1981. 29/ Furthermore, many mills have ceased operations, either permanently or temporarily, during this period. 30/

Reasonable Indication of Material Injury or Threat Thereof By Reason of Allegedly Subsidized Imports. 31/

In making a determination as to whether there is a reasonable indication of material injury, the Commission is required to consider, among other factors: (1) the volume of imports; (2) the effect of imports on domestic prices for like products; and (3) the impact of imports on the domestic industry. 32/

During the period under investigation, domestic producers steadily lost market share to shakes and shingles imported from Canada. 33/ The ratio of imports from Canada to apparent domestic consumption steadily increased from 53 percent in 1979 to 64 percent in 1981. 34/ In January-August 1982 the ratio rose to 79 percent as compared with 66 percent in the corresponding

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28/ Id.
29/ Id.
30/ Petitioner alleges that approximately 400 firms have ceased operations. Petition at appendix II B(2). Because of the large number of small producers in this industry, it is difficult to ascertain the exact number of producers that have ceased operations. Id. at A-7. We expect to develop better information on this issue should there be a final investigation.
31/ Commissioner Haggart finds that there is a reasonable indication of material injury, and therefore does not reach the issue of threat.
32/ 19 U.S.C. § 1677(7)(B).
33/ Id. at A-39 (Table 2) and A-38 (Table 1).
34/ Id. at A-38 (Table 1).

period of 1981. 35/ Thus imports from Canada have captured a significant amount of U.S. market share from domestic producers during a period of declining demand.

Imports of shakes and shingles from Canada, also affected by the decrease in U.S. consumption of shakes and shingles, declined steadily from 3.9 million squares in 1979 to 3.4 million squares in 1981 and to 2.0 million squares in January-August 1982 as compared with 2.5 million squares in the corresponding period of 1981. 36/ However, the decline in imports from Canada was significantly less than the decline in domestic production during this period. 37/

Shakes and shingles are commodity items. Sales of comparable grades and specifications are generally made on the basis of price alone. Prices of shakes and shingles are determined by negotiations between buyers and sellers based on market perceptions, and often change daily. 38/ Based on the best information currently available, it appears that the gain in market share of the allegedly subsidized imports from Canada during the 1981-1982 period is related to underselling. 39/ 40/ Margins of underselling ranged from 5 to 14

35/ Id.

36/ Id. at A-39 (Table 2).

37/ Whereas domestic production declined 45 percent between 1979 and 1981, imports from Canada declined by only 13 percent. Similarly, in the January-August 1982 period, whereas domestic production declined by 55 percent compared to the corresponding period of 1981, imports from Canada declined by only 17 percent. Id. at A-10, A-39.

38/ Id. at A-16.

39/ Id. at A-46 (Table 9). Price data for 1979 and 1980 indicate that the prices of the imported product were higher than those of the domestic product during this period.

40/ The price data regarding imports are based on the response of one importer to the Commission's questionnaire. This importer represents a very small percent of the imports under investigation. However, data published in

(Footnote continued)

percent in 1981 and 1982. In addition, purchasers contacted by the Commission stated that Canadian firms are generally the price leaders in the western marketing region and that the prices of the imports from Canada have generally been priced $1 to $3 per square below those of equivalent domestically produced shakes and shingles in recent months. 41/ Such underselling has forced domestic producers to decrease their prices or to forego price increases at a time when there was upward pressure from the increasing ratio of cost of goods sold to net sales. 42/ In addition, four of the five purchasers contacted indicated that sales of domestic products have been lost to imports from Canada based on price. 43/ 44/

(Footnote continued)
the Department of Commerce Import Monthly No. 146 on unit values of imports of shakes and shingles from Canada generally followed the same trend as price data reported to the Commission. Id. at A-17. In addition, because the importer did not provide price by grade as requested, the staff constructed a weighted average price for combined grades of both the imports and domestic products for the purpose of making price comparisons. Should the Commission undertake a final investigation, we intend to develop price comparisons based on grade.

41/ Id. at A-18.

42/ The ratio of cost of goods sold to net sales decreased from 95 percent in 1979 to 90 percent in 1980, but increased to 97 percent in 1981, and to 104 percent in the January-August 1982 period compared with 98 percent in the corresponding period of 1981. Id. at A-42 (Table 5). The average cost of red cedar wood accounts for approximately 70 percent of the cost of production. Tr. at 20.

43/ Id. at A-18-19. One purchaser indicated that its purchases of imports from Canada had not increased relative to its purchases of the domestic product because it was cutting back on purchases of imports in an attempt to protect its customers' list from direct sales by Canadian producers. Another purchaser noted that domestic producers are unable to supply certain higher-quality large shakes and shingles at a competitive price owing to the limitations of their raw material supply. Id.

44/ 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. In addition, they suggest that the difficulties of the domestic producers may also be explained by a price disparity attributable to shortages of old-growth red cedar trees in the United States due to either resource depletion, export sales, or both. Should we conduct a final investigation, we shall explore these issues further.

(Footnote continued)

As discussed earlier, the ratio of imports to domestic consumption increased from 66 percent in January-August 1981 to 79 percent in the corresponding period of 1982, a significantly greater increase than that occurring between other years during the period under investigation. 45/

In addition, an average of 93 percent of Canada's production of shingles and shakes were exported during the period under investigation. 46/ Furthermore, the United States is by far Canada's principal export market for shakes and shingles, accounting for virtually all of Canada's exports of shakes and shingles. 47/ Canada's other export markets are very small, and there are no indications that their share of total exports has been increasing. 48/

Given that shake and shingle production is characterized by many low-capital operations and easy market entry, and that the supply of old-growth western red cedar in Canada is much greater than that of the United States, there are no indications that Canadian producers lack the capacity to continue to supply the U.S. market at either current or increased levels. 49/

Therefore, we determine that there is a reasonable indication that a domestic industry is materially injured by reason of allegedly subsidized imports of shakes and shingles from Canada.

(Footnote continued)

Commissioner Stern notes that the petitioner provided a regression analysis indicating the existence of a causal nexus. However, due to problems with the basic assumptions used in petitioner's regression analysis, she was unable to use it. See Nov. 15, 1982 Memorandum to The Commission from the International Economist at 1-2.

45/ Id. at A-45 (Table 8).
46/ Id. at A-21.
47/ Id. at A-47 (Table 10).
48/ Id.
49/ Id. at A-20-21.

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 (Coalition), a group composed of 8 trade associations and more than 350 firms, alleging that subsidies are being granted with respect to the production and exportation of softwood shakes and shingles 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. 46781). 2/ The public conference was held in Washington, D.C., on November 5, 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 petitioner states that 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 the Provincial governments for reforestation, silviculture, construction of access roads, timber salvage, and interest-free forgivable loans to assist in

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1/ Softwood shakes and shingles are classifiable under item 200.85 of the Tariff Schedules of the United States (TSUS).

2/ Copies of the notices of investigation for the Commission and 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 softwood shakes and shingles; virtually all of the standing timber in Canada is owned by the Provincial governments.

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 shakes and shingles from Canada.

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

The products covered in this investigation are softwood shakes and shingles. Generally, these articles are thin, rectangular pieces of wood that have been split (shakes) or sawed (shingles) from a block or bolt of wood. 1/ Shakes and shingles are used in similar applications--primarily as a covering for the roof or side of a building. The shakes and shingles generally are laid in rows which overlap so that only a portion of each shake or shingle is exposed to weathering. Shakes and shingles are normally used interchangeably, although shakes are generally thicker than shingles and tend to be used more on roofs, where thickness is an advantage in the weathering process.

The usual commercial unit of measurement for shakes and shingles is a "square," the quantity required to cover 100 square feet of surface area. A square of shakes or shingles usually consists of between 3 and 5 bundles, depending on the size of the shake or shingle and the number of inches exposed to the weather. Because the exposed portion of a shake or shingle generally is greater on the sides of a building than on the roof, the number of shakes or shingles making up a wall square will usually be somewhat less than the amount needed for a roof square.

Between 85 and 95 percent of the shakes and shingles produced in the United States are manufactured from western red cedar (Thuja plicata). The remainder are produced mainly from such species as redwood (Sequoia sempervirens), and northern white cedar (Thuja occidentalis), with other species being used less frequently. Shakes and shingles are produced from these woods, because these species display such desirable qualities as having vertical grain (for ease in splitting), a low coefficient of expansion, high strength, relative freedom from checking and warping, light weight, good nail-holding qualities, and resistance to rot and insect damage.

1/ Generally a short, cylindrical section of a log.

In the trade, red cedar shakes and shingles are generally graded according to quality and size specifications, which are established by organizations with inspection services such as the Red Cedar Shingle & Handsplit Shake Bureau of Bellevue, Washington. The bureau is a marketing and inspection organization to which many U.S. and Canadian producers of red cedar shingles and shakes belong.

Nearly all softwood shakes and shingles are manufactured in random widths and are packed in bundles. Ten percent of the shingles in any shipment of a specified size category may be 1 inch over or under the specified length. There are generally four grade breakouts. The best quality, or No. 1, shingles represent the premium grade manufactured in each length. Generally, these shingles are all vertical grained, knot free, and intended primarily for roofing. When used on a roof, the life of these shingles can generally be expected to be between 20 and 35 years, depending on the pitch of the roof and climate. When used as siding, these shingles will most likely outlast the useful life of the structure to which they are attached.

Second quality (No. 2) shingles may have some flat grain wood but must be clear of knots for three-quarters of the length as measured from the butt. No. 3 shingles are basically those that do not meet No. 1 and No. 2 standards but are still usable. They must be clear of knots at least 6 inches from the butt. The fourth grade, which is known as undercoursing, is manufactured in 16-inch and 18-inch lengths and is used primarily as an underlayment for higher grade shingles.

In addition to these specifications, a small percentage of shingles are remanufactured into grooved sidewall shakes, or rebutted and rejointed shingles. Grooved sidewall shakes are shingles which have been machined to have striated faces and parallel edges. Rebutted and rejoined shingles have been trimmed so that the edges are parallel and at a right angle to the butt.

Shakes certified by an inspection bureau are all 100 percent free of knots and vertical grained, eliminating the grade requirements used for shingles. There are three basic types of shakes--handsplit and resawn, tapersplit, and straight split--all of which are manufactured in various lengths. Handsplit and resawn shakes account for about 90 percent of total U.S. shake production. A detailed grading schedule for shakes and shingles is given in appendix C.

Most of the shingles produced in the Eastern United States are manufactured from northern white cedar, for which there is no widely accepted inspection or marketing association similar to the bureau. Few, if any, shakes are produced from Eastern species. Each mill is basically on its own to develop and maintain its markets for shingles. In addition, mills must maintain their own quality control. Generally, these Eastern shingles are graded on the basis of their being free of knots.

Manufacturing processes

Shingles are sawn from a block or bolt of wood which is obtained by sawing a log into smaller pieces of the desired length. Bolts may be either

split or sawn into blocks which are then placed on a carriage for sawing into shingles. Although there are different types of carriages and saws, the actual method of producing shingles varies little between machines and has changed only slightly since the early 1900's.

Shakes are generally produced from blocks of wood which have been mechanically split from bolts. Blocks are then split into boards. Resawn shakes are produced from boards which are run diagonally through a bandsaw to produce two tapered shakes with one smooth face from each board. Straight-split shakes are produced by splitting blocks of wood into shakes of equal thickness from butt to tip. Tapersplit shakes are similar to straight-split, except the block is turned end over end with each split to achieve the tapered edge. Over 90 percent of the shakes produced in the United States and Canada are resawn.

Marketing

Softwood shake and shingle producers generally sell and distribute their products through wholesalers. However, some producers have developed direct contacts with builders or roofers, thus eliminating the middleman. If the contact happens to be a particularly aggressive builder or roofer, it will often give a producer a competitive edge during periods of slow housing starts. However, the bad-debt risk tends to rise when such direct contacts are utilized, and in past years, some producers reported problems with some of their direct contacts who would pay cash for their first few orders, later ask for credit on a larger order, and subsequently go bankrupt.

Most softwood shakes and shingles produced in the United States are delivered by truck. The typical trailer load is about 200 squares, now worth between $8,000 and $13,000 wholesale. A typical trucking cost (from the Olympic Peninsula to the Los Angeles area) is between $1,000 and $1,500 per truckload, or about $5.00 to $7.50 per square.

Softwood shakes and shingles produced in the West destined for Eastern markets are shipped primarily by rail. The actual rail freight, not including transportation to and from the rail site, is about $10 per square (February 1981). Nearly all Eastern-produced shingles are shipped by truck.

Most of the market promotion of shakes and shingles in the United States and Canada is handled by the Red Cedar Shingle & Handsplit Shake Bureau, which maintains an inspection service that certifies the quality of each member mill's production. Other duties of the bureau include research and development, advertising, and market promotion. Although there are other grading and inspection associations in the West, the bureau is by far the largest. Grading standards are highly similar among the associations.

The greatest effect the bureau and other associations have had on the shakes and shingles industry has probably been the standardization of grades. Before the uniform grading systems, U.S. producers often marketed shingles and shakes under their own mill grades. These mill grades were often of poor and irregular quality; some industry people state that such poor and erratic quality standards helped to open the U.S. roofing and siding markets to competitive products.

The primary competition for softwood shakes and shingles is asphalt shingles, which are used extensively throughout the country. Other products that compete with softwood shingles and shakes include asbestos shingles, tile, metal roofing, aluminum and vinyl siding, other types of wood siding, and slate.

U.S. tariff treatment

Softwood shakes and shingles enter the United States free of duty under TSUS item 200.85 (app. D). The duty-free status was provided for in the Tariff Act of 1930 1/ and has been bound since January 1, 1948, as the result of a concession granted by the United States in the General Agreement on Tariffs and Trade.

Foreign tariff treatment

With the exception of the United States and Canada, most major trading countries use the Customs Cooperation Council Nomenclature (CCCN) as the basis for their tariff classifications. In the CCCN, softwood shakes and shingles are classified in heading 44.28 under "other articles of wood." However, with the exception of the Bahamas, very few U.S. shakes and shingles are exported to countries using the CCCN as the basis for their tariff classifications. Nearly all world production, consumption, and trade of softwood shakes and shingles take place in North America, with about 45 percent of U.S. exports going to Canada and about 20 percent to the Bahamas. Other significant markets include Jamaica, Barbados, and the French Pacific Islands. The following tabulation shows the 1981 rates of duty on imports from the United States for Canada and the Bahamas:

Market	Description	Rate of duty
Canada	Shingles, lath, and treenails of wood (includes shakes) 50015-1.	Free.
Bahamas	Shingles (and shakes) CCCN-44.28.1.	7¢ per 1,000 linear inches + 1 percent ad val.

1/ Based on a trade agreement with Canada in 1936, the United States reserved the right to impose semiannually an absolute quota on red cedar shingles equal to 25 percent of the combined domestic shipments and imports during the preceding 6-month period. Such quotas were imposed. In a 1939 agreement with Canada, the United States reserved the right to impose a duty not exceeding 25 cents a square on red cedar shingles entered in any calendar year after 1938 in excess of a quantity of not less than 30 percent of the annual average, for the preceding 3 years, of the combined total of domestic shipments and imports. Such duties were imposed until January 1948, when the unconditional duty-free status under the Tariff Act of 1930 was restored.

Worker trade adjustment assistance

In 1979, the U.S. Department of Labor began to administer trade adjustment assistance to Northwest shake and shingle mills. As of September 30, 1982, petitions for assistance had been received from 146 mills under provisions of the Trade Act of 1974, which provided for trade adjustment allowances during times of total or partial unemployment as a result of increased imports. Of the 146 petitions received, 55 were certified for assistance, 82 were administratively denied assistance, and 9 were administratively terminated. Overall, 775 workers have received compensation. 1/

U.S. Market and Channels of Distribution

Apparent U.S. consumption

Virtually all the shingles and shakes consumed in the United States are used on the roofs or sides of buildings. In years of near-average housing starts, about 75 percent of the U.S. consumption of shingles and shakes is on new structures, with reroofing or re-siding accounting for the remainder. Because of this relationship with the residential home market, demand for shakes and shingles is highly dependent on housing construction and related factors, especially interest rates. Recently, with the slowdown in housing activities, the share of U.S. consumption of shakes and shingles used in new construction has dropped to approximately the 50-percent level.

About one-half of the red cedar shakes and shingles consumed domestically are shipped to two States, California and Texas. In 1981, California was reported to have taken nearly one-half of all red cedar shakes (32 percent of total shakes and shingles) sold in the United States, and Texas consumed more than one-third of all red cedar shingles (15 percent of total shingles and shakes). Combined, the four States of California, Texas, Washington, and Oregon accounted for over 60 percent of all red cedar shakes and shingles sold in the United States in 1981. The 1981 percentages are essentially the same as those during 1976-80.

Shakes and shingles produced from species other than red cedar are generally marketed in the area of production and are not included with red cedar distribution statistics. Figure 1 in appendix E shows U.S. distribution of red cedar shakes and shingles in 1981, by States, as published by the Red Cedar Shingle & Handsplit Shake Bureau.

U.S. consumption of softwood shakes and shingles declined steadily during 1979-81, as shown in table 1, appendix F. During this period, consumption ranged from a high 7.4 million squares in 1979 to a low of 5.3 million squares in 1981. Historically, consumption of shakes and shingles has been associated with the level of housing starts in the United States. As mentioned previously, industry officials estimate that as much as 75 percent of U.S.

1/ The process of certification was not completed at the time of this investigation.

consumption of shakes and shingles is used in new-home construction in years of normal housing activity.

Generally, shakes account for substantially more than half of total U.S. consumption of shingles and shakes. Of the 5.3 million squares of softwood shakes and shingles consumed in the United States in 1981, approximately 60 to 65 percent were shakes.

In the 20th century, consumption of wood shakes and shingles has not kept pace with the general increase in housing construction. In the early 1900's, annual consumption of shingles often exceeded 10 million squares, 1/ but in 1981, consumption of both softwood shakes and shingles was only 5.3 million squares. This long-term downward trend in U.S. consumption is due primarily to competition from other products--such as asphalt shingles, aluminum and plywood siding, and so forth, and to the limited availability of suitable old-growth cedar logs.

U.S. producers

Bureau of the Census data indicate that in 1977 there were 566 establishments in Standard Industrial Classification (SIC) 2429--Special Product Sawmills. The establishments represented in this SIC group cover principally those that produce softwood shakes and shingles; also included are producers of cooperage stock and excelsior, not covered by this investigation.

The Red Cedar Shingle & Handsplit Shake Bureau, which in October 1982 reported 241 member U.S. mills, accounting for between 80 and 90 percent of U.S. western red cedar shake and shingle production, estimates there are now only 275 mills operating in the United States. In 1981, of the bureau's member mills, roughly 52 percent produced only shakes, 5 percent, only shingles, and 43 percent, both types. These figures are believed to reflect the industry as a whole.

Production of shakes and shingles is concentrated in the Pacific Northwest, especially in Washington. In 1982, the bureau reported that of its 241 member U.S. mills producing red cedar shakes and shingles, 162 were located in Washington, 56, in Oregon, 20, in Idaho, 2, in Montana, and 1, in Alaska. Bureau member mills also reportedly manufacture shakes and shingles from other species of wood such as sitka spruce, larch, Douglas-fir, and incense cedar.

In the Eastern United States, there are many shingle mills not reported by the Bureau of the Census or represented by associations. These Eastern mills are generally small establishments which have limited production and which generally serve local markets. Because of the Eastern mills, as well as mills not represented by the bureau or other associations in the West, the actual number of establishments that produced softwood shakes and/or shingles in 1981 is estimated to have totaled about 400; the unreported mills are thought to account for about 5 percent of U.S. production.

1/ Report to the U.S. Senate on Red-Cedar Shingles . . ., U.S. Tariff Commission, report No. 149, 1942.

Concentration of production among firms is not significant in the shakes and shingles industry. The largest U.S. mill reported by the bureau in 1980 had 17 shake machines, with an annual capacity of about 117,000 squares. Approximately 60 percent of bureau members' capacity in the United States is accounted for by mills with 3 machines or less, with 150 mills having only 1 machine. Approximately 40 percent of the bureau's reported U.S. capacity is accounted for by 48 mills, each of which has more than 3 machines.

It is estimated that there were between 2,500 to 3,000 persons employed in the U.S. softwood shakes and shingles industry in 1981. Of these, most were production workers, with owners and/or managers in many cases taking an active role in the production process.

The labor force involved in the production of softwood shakes and shingles is fairly specialized. The typical worker will take about 6 months to become proficient on a shingle saw or a shake-resaw. Once such a worker, known as a shingle or shake sawyer, becomes familiar with the process, production will be about 40 squares per 8-hour day. Workers are generally paid on a piecework basis, with $100 being an average day's pay for an experienced sawyer or splitter.

In addition to the workers involved with sawing or splitting the wood, other employees pack the shingles and shakes, by grades, into bundles. These positions also require some training for proficiency but are generally less demanding and less dangerous than sawing and splitting the wood.

Production methods in the shakes and shingles industry have not changed significantly in recent years. Although 100 years ago many shake boards were handsplit in the woods, the basic equipment used today is essentially the same as was used in the early 1900's. Hydraulic splitters and automated shake resaw guides have been some of the few technological innovations in recent years. Because of the simplicity and availability of equipment, a typical shingle or shake mill can be started with a capital investment of as little as $25,000 to $30,000.

U.S. importers

The leading U.S. importers of softwood shakes and shingles from Canada are the major U.S. wholesalers. As with U.S.-produced shakes and shingles, most Canadian-produced shakes and shingles are sold to the wholesalers. A small percentage of imports are purchased directly by retailers, builders, and roofers. The wholesaler usually mixes the Canadian-produced and U.S.-produced products together for sale, as quality differences are generally not a factor.

Related-party imports

Imports of softwood shakes and shingles by related parties were 174,000 squares in 1981, 5 percent of total U.S. imports (table 2). It is believed that most related-party transactions involve large multinational corporations operating in both Canada and the United States. Related-party U.S. imports for 1979-81 are shown in the following tabulation:

	Related-party imports (1,000 squares)	Percent of total imports
1979----------	260	7
1980----------	213	6
1981----------	174	5

Foreign producers

Canada.--The Canadian shakes and shingles industry consisted of 124 mills in 1980. 1/ In that year, those mills were reported to have employed 2,034 workers. British Columbia accounted for 100 of the 124 mills, with the balance as shown in the following tabulation:

Province	Mills
British Columbia----------	100
Quebec--------------------	13
New Brunswick-------------	10
Alberta-------------------	1

Canadian statistics do not account for all establishments producing shakes and shingles, because much of the industry consists of small or part-time operations. Therefore, based on information published by the Red Cedar Shingle & Handsplit Shake Bureau, the total number of producing establishments in Canada is estimated to be at least 200.

Estimated Canadian consumption of shakes and shingles declined steadily from 229,000 squares in 1979 to 195,000 squares in 1981. Consumption declined 10 percent, from 101,000 squares during January-June 1981 to 91,000 squares during the corresponding period of 1982.

Shipments (approximately equal to production) as reported by Statistics Canada were 2.6 million squares in 1980, down 6 percent from 2.8 million in 1979. However, exports from Canada were reported at 3.6 million squares in 1979 and at 3.5 million squares in 1980. Officials indicate that the production unaccounted for in Canada is the result of numerous "mom and pop" mills in the country. Because exporting requires the processing of documents and much of production goes essentially unreported, more exports than production are usually reported in official Canadian statistics. Therefore, Canadian production figures presented in table 3 were estimated from Canadian export statistics. Exchange rates used to estimate the value of Canadian production are shown in appendix G.

British Columbia accounts for most of Canadian shakes and shingles production. It is estimated that in 1981 British Columbia accounted for 3.2 million squares of the total 3.5 million squares produced.

1/ Statistics Canada, Catalogue 35-204.

Roughly 55 percent of the Canadian production of shakes and shingles is attributable to the production of shakes. Therefore, of the 3.5 million squares produced in 1981, approximately 1.9 million squares of shakes were produced.

Other countries.--The United States and Canada are the only countries in the world which have large commercial resources of old-growth western red cedar, from which most shakes and shingles are produced. Countries other than the United States and Canada may produce shakes and shingles for consumption and exportation, although the quantity of such production is believed to be insignificant.

The Question of a Reasonable Indication of Material Injury

U.S. production

U.S. production of softwood shakes and shingles continued its long-term decline during January 1979-August 1982. Production fell 45 percent from the period high in 1979 of 3.5 million squares to 2.0 million squares in 1981. During January-August 1982, production stood at 0.6 million squares, down 55 percent from that in the corresponding period of 1981 (table 1).

Capacity

Industrywide data on production capacity of softwood shakes and shingles mills are not available. According to responses to questionnaires sent to softwood shakes and shingles manufacturers by the Commission, data in the following tabulation show that U.S. mill capacities have remained nearly constant during 1979-81, dropping from 71,000 squares in 1979 to 70,000 in 1980, then returning to 71,000 in 1981. These figures are believed to be representative only of U.S. mills producing softwood shakes and shingles during each period. 1/

1/ The 10 respondents to the questionnaire account for approximately 10 percent of domestic production. The petitioning firms are believed to account for 50 to 70 percent of U.S. annual production. U.S. production has been estimated by the staff of the U.S. International Trade Commission from data supplied by the Red Cedar Shingle & Handsplit Shake Bureau. Many of the firms that did not respond to the Commission's questionnaire in time for their data to be included in this report have done so since the Commission's vote on the investigation and others have indicated that responses are enroute to the Commission.

	Average production capacity (1,000 squares)
1979	71
1980	70
1981	71
January-August--	
1981	1/ 47
1982	40

1/ Includes a large producer which did not report such data in 1982. Disregarding that producer, the average production capacity was 39,000 squares.

Capacity utilization

Industrywide data on capacity utilization of shakes and shingles mills are not available. According to responses to questionnaires sent to U.S. softwood shake and shingle manufacturers by the Commission, the average capacity utilization of these mills declined from 55 percent in 1979 to 31 percent in 1981, and decreased further from 33 percent during January-August 1981 to 23 percent during January-August 1982. The decline in capacity utilization shown in the following tabulation is attributed to lack of demand. These figures are believed to be representative only for U.S. mills which produced softwood shakes and shingles in each period indicated. 1/

	Capacity utilization (percent)
1979	55
1980	45
1981	31
January-August--	
1981	33
1982	23

Employment

According to responses to questionnaires sent to U.S. softwood shakes and shingles manufacturers by the Commission, the average number of employees employed by each reporting mill declined 35 percent from 1979 to 1981, and decreased 15 percent from the number in January-August 1981 to that in the corresponding period of 1982. The following tabulation is believed to be indicative of the overall employment situation of softwood shake and shingle manufacturers.

1/ Includes data for 1 firm which had near capacity production in 1979 and 1980 but did not report in 1981. Disregarding this firm, capacity utilization was 49 percent in 1979 and 39 percent in 1980.

	Average number of employees (per mill) 1/
1979	31
1980	26
1981	20
January-August--	
1981	13
1982	11

1/ Includes data for 8 firms in 1979-81 and 7 firms in January-August 1981 and January-August 1982.

Hourly wages and average number of hours worked per week for production and related workers producing softwood shakes and shingles, as compiled from data submitted in response to Commission questionnaires, are shown in the following tabulation:

	Average work week (hours)	Wages per hour 1/
1979	27	$10.14
1980	25	10.88
1981	22	11.80
January-August--		
1981	22	11.39
1982	20	11.44

1/ Includes data for 8 firms in 1979-81 and 7 firms in January-August 1981 and January-August 1982.

Only two U.S. mills are known to be unionized; however most Canadian mills are believed to be unionized.

Inventories

According to responses to questionnaires sent to U.S. softwood shakes and shingles manufacturers by the Commission, inventories as a share of average mill production increased from 6 percent in 1979 to 10 percent in 1981, and to 12 percent during January-August 1982. It is believed that the figures in the following tabulation are representative of the U.S. industry as a whole.

	Inventory as a share of average mill production 1/
1979	6.3
1980	10.1
1981	10.4
January-August--	
1981	10.4
1982	12.2

1/ Includes data reported by 8 firms in 1979-81 and 6 firms in January-August 1981 and January-August 1982.

U.S. producers' shipments

Domestic shipments.--It is believed that shipments are equal to annual production. Due to the relatively small size of most mills, U.S. producers keep only moderate inventories in order to better their cash-flow situation.

U.S. exports.--Exports of softwood shakes and shingles are minimal when compared with production or imports. Since 1979, U.S. exports have increased as a share of U.S. production, rising from 1.6 percent in 1979 to 6.5 percent during January-August 1982, as shown in the following tabulation:

Period	Production	Exports	Exports as a share of production
	1,000 squares		Percent
1979	3,547	58	1.6
1980	2,620	46	1.8
1981	1,952	70	3.6
January-August--			
1981	1,301	53	4.1
1982	582	38	6.5

The value of these exports has increased only slightly, rising from $1.8 million in 1979 to $1.9 million in 1981.

Canada is the principal market for domestic softwood shake and shingle exports. However, the Canadian share of the export market decreased significantly, from 70 percent of total exports in 1979 to 30 percent in 1981. The Bahamas has been the only other market receiving more than 10 percent of U.S. softwood shakes and shingles exports, with about 11,000 squares, valued at $0.4 million, being exported to that country in 1981. The major increases in exports have been to countries currently receiving less than 4 percent of U.S. exports. Table 4 shows U.S. exports of softwood shakes and shingles during January 1979-August 1982.

Due to the limited supply of old-growth western red cedar, the Export Administration Act of 1979 (Public Law 96-72, Sept. 29, 1979) placed limitations on red cedar log exports from State and Federal lands. This act gradually phases out red cedar log exports during a 3-year period ending in 1982. After that time, no unprocessed western red cedar logs may be exported from the United States. The short-term effect on the ban is to help to extend the availability of the supply of old-growth red cedar for the shakes and shingles industry at price levels not adversely affected by the export demand for logs.

Financial experience of U.S. producers

Operations on shakes and shingles.--Seven firms provided financial data in response to the Commission's questionnaire. These seven firms' net sales

of shingles and shakes declined steadily during 1979-81, from $14.1 million to $5.9 million. Net sales were $4.3 million for January-August 1981 compared with $3.1 million for the corresponding period of 1982 (table 5) 1/.

In the aggregate, the reporting firms posted an operating income of $238,000, equivalent to 2.3 percent of net sales in 1980, and sustained operating losses in all the other reporting periods. The operating losses ranged from 0.7 percent of net sales in 1979 to 10.3 percent for January-August 1982.

Net income before income taxes followed a somewhat different trend. The firms posted net incomes equal to 1.4 percent and 2.6 percent of net sales, in 1979 and 1980, respectively. In all other reporting periods, they sustained net losses ranging from 6.2 percent of net sales in 1981 to 13.1 percent of net sales during January-August 1982.

Firms that sustained operating losses totaled three in 1979, two in 1980, five in 1981, and six in January-August 1982.

The reporting firms' shakes and shingles operations generated positive cash flows of $582,000 and $661,000 in 1979 and 1980, respectively. Their shakes and shingles operations generated negative cash flows in all other reporting periods--ranging from $36,000 in 1981, to $205,000 million during January-August 1982.

Investment in productive facilities.--Seven firms supplied data relative to their investment in productive facilities during 1979-81, January-August 1981, and January-August 1982 (table 6). The seven firms' investment, valued at cost, in facilities used in the production of shingles and shakes declined by $673,000 during 1979-81 and January-August 1982. The book value of such assets declined $801,000 during this period.

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

U.S. imports

Imports of softwood shakes and shingles decreased steadily from 3.9 million squares, valued at $165 million, in 1979 to 3.4 million squares, valued at $132 million, in 1981, or by 13 percent, by quantity, and 20 percent, by value. Imports for January-August 1982 totaled 2.0 million squares, down 17 percent from the 2.5 million squares imported during the corresponding period of 1981. The value of such imports during the January-August periods declined 30 percent from $96 million in 1981 to $68 million in 1982 (table 2).

Canada supplies virtually all U.S. shakes and shingles imports. Mexico, Jamaica, the Philippines, New Zealand, and Yemen are the only other countries which have exported shakes and shingles to the United States. Combined imports from these countries account for less than 1 percent of U.S. shake and

1/ These firms accounted for approximately 9-percent of U.S. production in 1981 as estimated by the staff of the U.S. International Trade Commission from data submitted by the Red Cedar Shingle & Handsplit Shake Bureau.

shingle imports. Between 85 and 90 percent of all shakes and shingles imports historically have been red cedar (see table 7) with the balance consisting primarily of northern white cedar shingles from Eastern Canada, as shown in the following tabulation (in thousands of squares):

Period	Red cedar	Other	Total
1979	3,498	436	3,934
1980	3,264	556	3,820
1981	2,889	524	3,412
January-August--			
1981	2,090	372	2,462
1982	1,627	413	2,040

Imports of shakes and shingles from Canada in 1981 entered the United States primarily through customs districts in the Northwest. 1/ The North Central 2/ and Northeast 3/ States accounted for most of the remainder, as shown in the following tabulation:

Area	Percentage distribution of shakes and shingles imports			
	1979	1980	1981	Jan.-June 1982
Northwest	56.6	58.1	61.3	56.3
North Central	28.0	23.7	21.2	21.8
Northeast	15.3	18.0	17.2	21.8
All other	.1	.2	.3	.1
Total	100.0	100.0	100.0	100.0

Roughly 70 percent of the red cedar shakes and shingles are imported through the Northwest, and approximately 80 percent of the shakes and shingles of species other than red cedar are imported through the Northeast. These imports are generally of northern white cedar believed to be produced in Eastern Canada.

Imports of softwood shakes and shingles tend to follow the general movements in housing activity in the United States. Because most shakes and shingles are used on new houses, the level of U.S. housing activity influences to some extent the demand for imported shakes and shingles. The following tabulation shows imports of shakes and shingles compared with U.S. housing starts.

1/ California, Montana, Oregon, and Washington.
2/ North Dakota, Minnesota, Wisconsin, and Michigan.
3/ New England and New York.

Period	Imports	Housing starts
	1,000 squares	Millions
1976	2,852	1.55
1977	3,208	1.99
1978	3,719	2.02
1979	3,934	1.75
1980	3,820	1.29
1981	3,412	1.08
January-August 1982	2,040	1/ 0.66

1/ Housing starts estimated by the staff of the U.S. International Trade Commission from U.S. Department of Commerce annualized figures (1.0 million housing starts in 1982).

Market penetration

Some softwood shakes and shingles imported from Canada may constitute a share of U.S. exports. However, the incidence of such shipments is thought to be minimal, inasmuch as most U.S. exports are believed to be produced from species not commonly available to Canadian producers.

The ratio of imports from Canada to U.S. consumption increased steadily from 53 percent in 1979 to 64 percent in 1981, and continued to increase to 79 percent during January-August 1982 (table 8).

Prices

Prices of shingles and shakes are determined by negotiations between buyers and sellers based on market perceptions, and often change daily. Prices of domestic shingles and shakes declined by 10.2 percent from January 1979 to September 1982 according to data submitted to the Commission. This decline is greater than the 2.5-percent decline in all wood product prices, but similar to the 11.4-percent decline of prices of softwood lumber products. 1/ The downward trend in prices seems to be the result of the particular demand and supply conditions that characterize this industry.

Demand for shingles and shakes is related largely to new housing starts, and to a lesser degree to replacements of siding and roofs. Figure 2 shows that the decline in prices of shingles and shakes was concurrent with the decline in new housing starts. Also, the demand for shingles and shakes is affected by prices of competing products used for roofing and siding.

Supply conditions cause price uncertainty in the short run. Because the industry is characterized by the relative ease of entry and the large number of entrants, prices tend to be highly competitive and unstable. Also, the high cost of raw materials (logs) forces producers to decrease their production during periods of weak demand, thus further unsettling prices.

1/ Producers Price Indexes of the Bureau of Labor Statistics.

Trends in prices.--Price data were received by the Commission from seven domestic producers and one U.S. importer. Price data submitted by the domestic producers were by grades, as requested by the Commission, but data submitted by the one importer did not separate prices for the various grades. To compare prices, the Commission staff constructed a weighted-average price for all grades of domestic producers shingles and shakes. Also, because only one importer provided price data, the Commission staff used the unit values of U.S. imports as published by the Department of Commerce as a proxy for importers' prices to supplement scanty import price data received by the Commission.

Price data submitted to the Commission by both domestic producers and the importer show a seasonal pattern in the period for which data were available. Generally, prices declined noticeably in January-March of each year from the level of the previous quarter, probably reflecting diminished construction activity during winter months. Prices generally rose during the remaining months of each year. This increase, however, has been small or not present in 1981 and 1982, possibly as a result of the deepening recession in the housing industry in the 2 years.

Price data as described above are shown in table 9. The data reveal that domestic producers' prices declined from $48.20 per square from January-March 1979 to $43.28 in July-September 1982, or by $4.92 per square (10.2 percent). In 1979, prices remained almost stable during January-June at an average of $48 per square, and then increased in July-December to $51.82, or by $3.94 per square (8.2 percent). In 1980, prices declined in January-June to $45.34 before increasing through July-December to $49.29 per square. In 1981, prices remained almost stable, between $48 and $49 per square, except in July-September, when prices reached $52.07, the highest price level since January 1979. Prices declined by $4.70 per square (9.6 percent) to $44 in January-June 1982, and declined again to $43 in July-September 1982.

The importer's prices declined from $50.15 per square in January-March 1979 to $38.50 in July-September 1982, or by $12 per square (23.2 percent). In 1979 the importer's prices increased from $50.15 to $56.60, or by 12.9 percent. Prices then declined in January-March 1980 by $10 (18.6 percent) to $46.10 per square but rose during the remainder of 1980 to $56.60 in October-December. Prices generally declined in 1981 and 1982, from $43.60 in January-March 1981 to $38.50 in July-September 1982, or by 11.7 percent.

Published data on unit values of U.S. imports of shingles and shakes generally followed the same trend of price data reported to the Commission. In only four periods were changes in unit values in the opposite direction of changes in import prices. Unit values of U.S. imports declined by 18.2 percent, from $39.67 to $32.46, during the period of investigation, representing a decline somewhat smaller than that reported to the Commission.

Margins of underselling.--Imports of shingles and shakes undersold the domestic product in 7 of 15 periods. Margins of underselling ranged from 5 to 14 percent in 1981 and 1982. If unit values of imports are used to construct margins of underselling, margins would range from 6 to 27 percent. The depreciation of the Canadian dollar relative to the U.S. dollar might have accounted for part of those margins of underselling. The Canadian dollar

depreciated in value in terms of the U.S. dollar by 4.7 percent from January-March 1979 to July-September 1982, as shown in the following tabulation, which presents an index of exchange rates of the Canadian dollar in terms of the U.S. dollar for January 1979-September 1982, using data from International Financial Statistics, October 1982 (January-March 1979=100):

Period	1979	1980	1981	1982
January-March	100.0	101.9	99.4	97.1
April-June	102.4	101.4	99.0	93.1
July-September	101.7	102.4	97.8	95.3
October-December	101.0	100.2	99.5	1/

1/ Not available.

Lost sales

Six U.S. producers of cedar shakes and shingles provided a list of 30 firms which, because of lower Canadian prices, allegedly had bought shakes and shingles imported from Canada rather than the U.S. product. 1/ Commission staff contacted five of the named purchasers to evaluate the validity of the petitioners' claims. Because information concerning the quantity and value of these alleged lost sales was not included in the petition, specific transactions could not be confirmed. Purchasers, however, were cooperative in providing general information concerning their market perceptions and participation.

Each of the purchasers contacted had bought Canadian shakes and shingles in recent months. Four of the five purchasers stated that their purchases of imports had increased relative to purchases of the domestic product while one reported a decrease. The reasons for this one firm's declining purchases of Canadian shakes and shingles related to the protection of his customer list from direct sales by Canadian producers; the firm reported that both Canadian and U.S. producers are known to bypass wholesalers on occasion.

The purchasers contacted stated that Canadian firms are generally the price leaders in the western marketing region. The firms believe that the market share of the Canadians and their capacity to supply shakes and shingles enable them to set the market price for all suppliers. The prices of the imports from Canada are acknowledged to be generally $1 to $3 per square below those of equivalent U.S. shakes and shingles in recent months.

Purchasers stated that they generally do not bargain with producers for lower prices. They stated that their experience in the market enables them to judge whether or not a particular producer can supply the size and grade of

1/ Provided as a confidential appendix to the petition. Evidence of alleged price suppression was also provided as part of this appendix.

shingles that they wish to buy (meeting their own customer's specifications). If the producer chosen can meet the requirements concerning specifications and delivery, and if the price is competitive according to the buyer's market perceptions, the sale is completed.

One firm observed that U.S. producers are frequently unable to supply certain higher quality, larger shakes and shingles at a competitive price owing to the limitations of their raw material. These specifications require a larger portion of the cedar log to be without imperfections than is required for smaller or lower quality shakes and shingles. According to the purchaser, much of the cedar available in the United States either is lower quality or is second growth timber. This cedar can be used only at the expense of greater waste and higher production costs. Therefore, many U.S. producers cannot produce these specifications economically at current price levels. The availability in Canada of cedar logs suitable for the larger shakes and shingles, however, permits less costly production and establishes the market price in the United States.

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 softwood shakes and shingles from Canada decreased irregularly from January 1979 through June 1982:

	Imports from Canada (1,000 squares)	Percentage change from preceding year
1979	3,931	5.8
1980	3,820	-2.8
1981	3,412	-10.7
January-June--		
1981	2,461	0.2
1982	2,040	-17.1

Imports from Canada decreased 13 percent from 1979 to 1981, and 17 percent from January-August 1981 to January-August 1982.

Changes in import levels have occurred in relation to domestic production of softwood shakes and shingles, as shown in the following tabulation:

	Imports of softwood shakes and shingles from Canada		U.S. production of softwood shakes and shingles 1/	
	1,000 squares	Index 2/	1,000 squares	Index 2/
1979	3,931	100	3,547	100
1980	3,820	97	2,620	74
1981	3,412	87	1,952	55
1982 3/	2,828	72	873	25

1/ Estimated by the staff of the U.S. International Trade Commission.
2/ 1979=100.
3/ Annualized; data available only for January-August 1982.

As shown, by August 1982, imports had decreased to an annual level estimated to be 72 percent of the 1979 import level. During the same period, U.S. production fell dramatically to an annual level estimated to be at 25 percent of the 1979 production level.

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

Although the availability of old-growth western red cedar in Canada is expected to become a limiting factor to production in the future, such Canadian supply is expected to last well beyond that of the United States. According to information filed with the Commission by the Canadian Softwood Lumber Committee, as of 1976, the Canadian supply of live cedar in British Columbia was almost four times that of the United States. Coastal British Columbia accounts for approximately 65 percent of the North American supply of live cedar; Oregon and Washington combined account for about 12 percent, as indicated in the following tabulation:

Region	Inventory: Living Cedar 1/ (million board feet)	Percent of North American total
Alaska	6,324	4.1
Idaho	7,852	5.1
Oregon	5,028	3.4
Washington	13,048	8.5
Other-United States	1,494	1.0
Total United States	33,746	22.1
Coastal British Columbia	100,770	65.8
Interior British Columbia	18,513	12.1
Total British Columbia	119,283	77.9
Total, North America	153,029	100

1/ U.S. Forest Service and Statistics Canada data.

Because very little lead time is necessary to step up production levels, it is expected that the Canadian producers would most likely keep pace with increases in world demand for softwood shakes and shingles.

The United States is by far Canada's principal export market for shakes and shingles. Small quantities are shipped to the European Community, mainly to West Germany.

From 1979 to June 1982, Canada consumed approximately 6 percent of its annual production of softwood shakes and shingles. Over the same time span, Canadian producers exported an average of 93 percent of their production to the United States.

The strength of the U.S. and Canadian housing markets will have a large influence on future Canadian production of softwood shakes and shingles. The United States accounts for about 98 percent, by quantity, of all Canadian exports of softwood shakes and shingles (table 10).

APPENDIX A

FEDERAL REGISTER NOTICES OF INVESTIGATION

Investigation No. 701-TA-198 Preliminary)]

Softwood Shakes and Shingles 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 shakes and singles, provided for in item 200.85 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 assocations 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 within 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 § 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 rules (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 5, 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 202-724-0068, 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. 82-28863 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

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 skakes 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 *TUSUA* item 200.75.

[FR Doc. 82-30208 Filed 11-2-82; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX B

WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-198 (Preliminary)

SOFTWOOD SHAKES AND SHINGLES 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 5, 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

Clyde V. Knight, Executive Vice President, U.S. Shake & Shingle Manufacturers Association; and President, Western Red Cedar Shake Manufacturers Association
Dean Hurn, President, Hoh River Cedar; and President, U.S. Shake & Shingle Manufacturers Association
Bruce Miller, President, Miller Shingle Co.; and Vice President, U.S. Shake & Shingle Manufacturers Association
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

RED CEDAR SHAKES AND SHINGLES GRADES

GRADES OF RED CEDAR SHINGLES AND SHAKES

CERTIGRADE RED CEDAR SHINGLES

GRADE	Length	Thickness (at Butt)	No. of Courses Per Bundle	Bdls/Cartons Per Square	Description
No. 1 BLUE LABEL	16" (Fivex) 18" (Perfections) 24" (Royals)	.40" .45" .50"	20/20 18/18 13/14	4 bdls. 4 bdls. 4 bdls.	The prémium grade of shingles for roofs and sidewalls. These top-grade shingles are 100% heartwood. 100% clear and 100% edge-grain.
No. 2 RED LABEL	16" (Fivex) 18" (Perfections) 24" (Royals)	.40" .45" .50"	20/20 18/18 13/14	4 bdls. 4 bdls. 4 bdls.	A good grade for many applications. Not less than 10" clear on 16" shingles, 11" clear on 18" shingles and 16" clear on 24" shingles. Flat grain and limited sapwood are permitted in this grade.
No. 3 BLACK LABEL	16" (Fivex) 18" (Perfections) 24" (Royals)	.40" .45" .50"	20/20 18/18 13/14	4 bdls. 4 bdls. 4 bdls.	A utility grade for economy applications and secondary buildings. Not less than 6" clear on 16" and 18" shingles, 10" clear on 24" shingles.
No. 4 UNDER-COURSING	16" (Fivex) 18" (Perfections)	.40" .45"	14/14 or 20/20 14/14 or 18/18	2 bdls. 2 bdls. 2 bdls. 2 bdls.	A utility grade for undercoursing on double-coursed sidewall applications or for interior accent walls.
No. 1 or No. 2 REBUTTED-REJOINTED	16" (Fivex) 18" (Perfections) 24" (Royals)	.40" .45" .50"	33/33 28/28 13/14	1 carton 1 carton 4 bdls.	Same specifications as above for No. 1 and No. 2 grades but machine trimmed for exactly parallel edges with butts sawn at precise right angles. For sidewall application where tightly fitting joints are desired. Also available with smooth sanded face.

CERTIGROOVE GROOVED RED CEDAR SIDEWALL SHAKES

GRADE	Length	Thickness (at Butt)	No. Courses Per Carton	Cartons Per Square*	Description
No. 1 BLUE LABEL	16" 18" 24"	.40" .45" .50"	16/17 14/14 12/12	2 ctns. 2 ctns. 2 ctns.	Machine-grooved shakes are manufactured from shingles and have striated faces and parallel edges. Used exclusively double-coursed on sidewalls.

NOTE: *Also marketed in one-carton squares.

CERTI-SPLIT RED CEDAR HANDSPLIT SHAKES

GRADE	Length and Thickness	18" Pack**		Description
		# Courses Per Bdl.	# Bdls. Per Sq.	
No. 1 HANDSPLIT & RESAWN	15" Starter-Finish 18" x ½" Mediums 18" x ¾" Heavies 24" x ⅜" 24" x ½" Mediums 24" x ¾" Heavies	9/9 9/9 9/9 9/9 9/9 9/9	5 5 5 5 5 5	These shakes have split faces and sawn backs. Cedar logs are first cut into desired lengths. Blanks or boards of proper thickness are split and then run diagonally through a bandsaw to produce two tapered shakes from each blank.
No. 1 TAPERSPLIT	24" x ½"	9/9	5	Produced largely by hand, using a sharp-bladed steel froe and a wooden mallet. The natural shingle-like taper is achieved by reversing the block, end-for-end, with each split.
		20" Pack		
No. 1 STRAIGHT-SPLIT	18" x ⅜" True-Edge* 18" x ½" 24" x ⅜"	14 Straight 19 Straight 16 Straight	4 5 5	Produced in the same manner as tapersplit shakes except that by splitting from the same end of the block, the shakes acquire the same thickness throughout.

NOTE: * Exclusively sidewall product, with parallel edges. ** Pack used for majority of shakes.

Source: Red Cedar Shingle and Handsplit Shake Bureau.

APPENDIX D

TARIFF SCHEDULES OF THE UNITED STATES
ITEM 200.85 AND HEADNOTES

Subpart A. - Rough and Primary Wood Products; Wood Waste

Subpart A headnotes:

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.

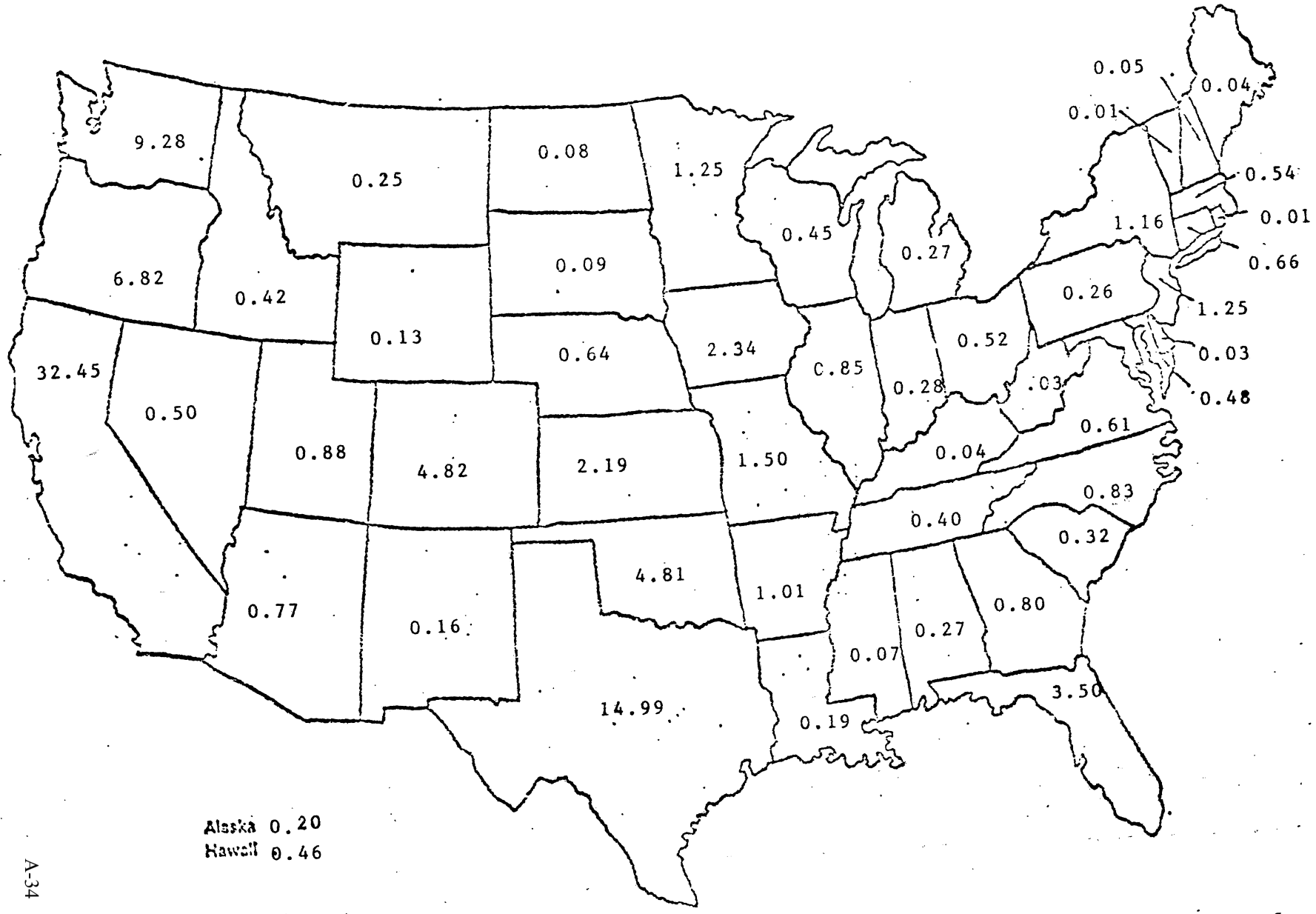
			Firewood, hogged-wood fuel and wood waste made into fuel by compression, whether or not containing an added binder:					
	200.03	00	Firewood, and fuel not containing an added binder	X	Free			Free
A	200.06	00	Fuel containing an added binder	X	4.5% ad val.	3.7% ad val.		20% ad val.
	200.10	00	Wood waste	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.
	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:					
A*	200.91	00	Softwood	Lin.ft.	2.5% ad val.			5% ad val.
	200.93	00	Hardwood	Lin.ft.	Free			5% ad val.
	200.95		Advanced in condition		13.3% ad val.	7.6% ad val.		33-1/3% ad val.
		20	Softwood	Lin.ft.				
		40	Hardwood	Lin.ft.				

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

APPENDIX E

FIGURES

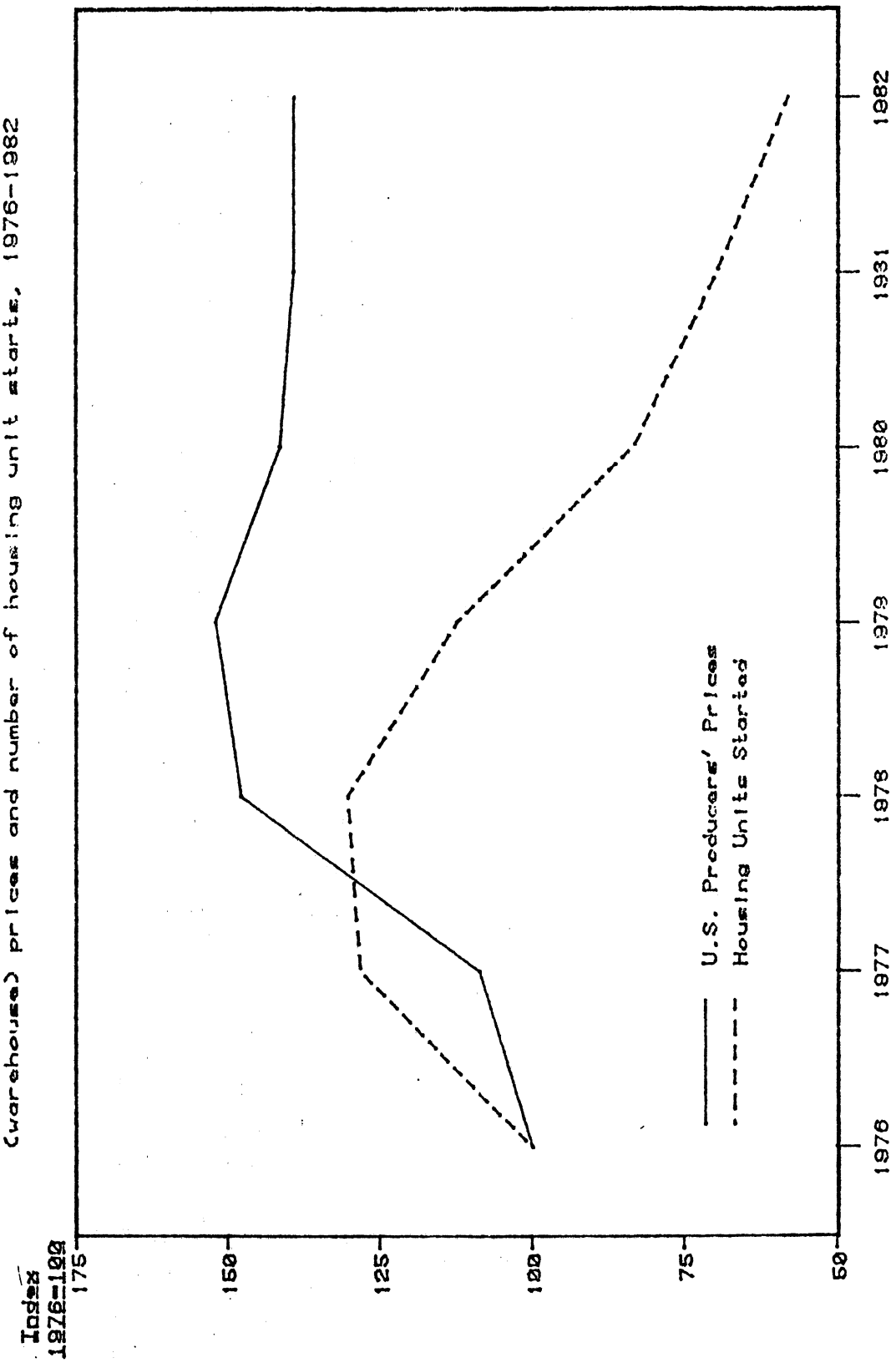
Figure 1.--Percentage distribution of total shipments of U.S.-produced red cedar shakes and shingles within the United States, by states, 1981



Source: Based on information published by the Red Cedar Shingle and Handsplit Shake Bureau on distribution of

A-34

Figure 2.--Shingles and shakes: Indexes of domestic wholesale (warehouse) prices and number of housing unit starts, 1976-1982



Source: Based on official statistics of the U.S. Department of Commerce and the U.S. International Trade Commission.

APPENDIX F

TABLES

Table 1.--Softwood shakes and shingles: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81 January-August 1981, and January-August 1982

(Quantity in thousands of squares; value in thousands of dollars; unit value per square)

Period	Production 1/	Exports 2/	Imports 2/	Apparent consumption 1/	Ratio (percent) of imports to consumption 1/
			Quantity		
1979	3,547	58	3,934	7,423	53
1980	2,620	46	3,820	6,394	60
1981	1,952	70	3,412	5,294	64
Jan.-Aug.--					
1981	1,301	53	2,462	3,710	66
1982	582	38	2,040	2,584	79
			Value		
1979	3/	1,756	164,549	3/	3/
1980	3/	1,702	149,702	3/	3/
1981	3/	1,869	132,274	3/	3/
Jan.-Aug.--					
1981	3/	1,128	95,820	3/	3/
1982	3/	1,533	67,549	3/	3/
			Unit value		
1979	-	$30.34	$41.83	-	-
1980	-	36.84	39.19	-	-
1981	-	26.58	38.77	-	-
Jan.-Aug.--					
1981	-	21.18	38.92	-	-
1982	-	40.52	33.11	-	-

1/ Estimated by the staff of the U.S. International Trade Commission from data published by the Northwest Independent Forest Manufacturers.

2/ Includes hardwood shakes and shingles, which are believed to account for less than 1 percent of all shakes and shingles.

3/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 2.--Softwood shakes and shingles: U.S. imports for consumption, by principal sources, 1979-81, January-August 1981, and January-August 1982 1/

Source	1979	1980	1981	January-August-- 1981	1982
	Quantity (squares)				
Canada	3,930,932	3,819,538	3,411,801	2,461,315	2,039,87
Mexico	0	310	344	344	23
Yemen (Sana)	0	210	0	0	
Philippine Republic	2,418	0	0	0	
Yemen (Aden)	443	0	0	0	
All other	0	0	0	0	
Total	3,933,793	3,820,058	3,412,145	2,461,659	2,040,11
	Value (1,000 dollars)				
Canada	164,452	149,681	132,254	95,800	67,53
Mexico	-	15	20	20	1
Yemen (Sana)	-	5	-	-	
Philippine Republic	71	-	-	-	
Yemen (Aden)	25	-	-	-	
All other	-	-	-	-	
Total	164,549	149,702	132,274	95,820	67,54
	Unit value (per square)				
Canada	$41.84	$39.19	$38.76	$38.92	$33.1
Mexico	-	49.86	59.01	59.01	46.5
Yemen (Sana)	-	24.00	-	-	
Philippine Republic	29.52	-	-	-	
Yemen (Aden)	56.33	-	-	-	
All other	-	-	-	-	637.5
Average	41.83	39.19	38.77	38.93	33.1

1/ Includes hardwood shakes and shingles which are believed to account for less than 1 percent of all shakes and shingles.

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.--Softwood shakes and shingles: Canadian production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81, January-June 1981, and January-June 1982

(Quantity in thousands of squares, value in thousands of U.S. dollars; unit value per square)

Year	Production 1/	Exports	Exports to U.S.	Imports 2/	Apparent consumption 1/	Ratio (percent) of imports to consumption 1/
	Quantity					
1979	3,772	3,584	3,520	41	229	17.9
1980	3,698	3,513	3,457	27	212	12.7
1981	3,490	3,316	3,239	21	195	10.8
Jan.-June--						
1981	1,745	1/ 1,658	1/ 1,619	14	101	13.9
1982	1,518	1,442	1,409	15	91	16.5
	Value					
1979	3/	163,576	160,274	1,021	3/	3/
1980	3/	152,934	149,843	857	3/	3/
1981	3/	141,610	137,604	824	3/	3/
Jan.-June--						
1981	3/	1/ 70,805	1/ 68,802	537	3/	3/
1982	3/	53,247	51,613	600	3/	3/
	Unit value					
1979	-	$45.64	$45.53	$25.03	-	-
1980	-	43.53	43.34	31.60	-	-
1981	-	42.70	42.48	38.85	-	-
Jan.-June--						
1981	-	42.70	42.48	37.83	-	-
1982	-	36.93	36.63	41.04	-	-

1/ Estimated by the staff of the U.S. International Trade Commission based on Statistics Canada figures.

2/ Estimated from U.S. export statistics.

3/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 4.--Softwood shakes and shingles: U.S. exports of domestic merchandise, by principal markets, 1979-81, January-August 1981, and January-August 1982 1/

Source	1979	1980	1981	January-August--	
				1981	1982
	Quantity (squares)				
Canada	40,779	27,126	21,207	14,182	14,622
Bahamas	9,337	9,562	10,812	7,742	8,135
Jamaica	52	457	2,625	1,078	2,693
Barbados	278	96	1,860	437	278
French Pacific Islands	785	1,338	1,847	1,501	2,212
All other	6,630	7,634	31,970	28,317	9,891
Total	57,861	46,213	70,321	53,257	37,831
	Value (1,000 dollars)				
Canada	1,021	857	824	537	600
Bahamas	359	419	422	287	292
Jamaica	2	26	138	76	97
Barbados	5	4	107	20	16
French Pacific Islands	43	81	99	78	116
All other	326	316	279	130	412
Total	1,756	1,702	1,869	1,128	1,533
	Unit value (per square)				
Canada	$25.03	$31.60	$38.85	$37.83	$41.04
Bahamas	38.42	43.82	39.02	37.10	35.86
Jamaica	39.77	55.86	52.52	70.53	35.92
Barbados	17.27	40.08	57.70	46.44	58.77
French Pacific Islands	54.69	60.67	53.78	51.67	52.39
All other	49.24	41.35	8.72	4.60	41.66
Average	30.34	36.84	26.58	21.18	40.52

1/ Includes hardwood shakes and shingles which are believed to account for less than 1 percent of all shakes and shingles.

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

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

Table 5.--Income-and-loss experience of 7 U.S. producers on their shakes and shingles operations, 1979-81, January-August 1981, and January-August 1982

Item	1979	1980	1981	January-August--1/	
				1981	1982
Net sales----------1,000 dollars--	14,118	10,167	5,881	4,299	3,086
Cost of goods sold----------do----	13,401	9,139	5,704	4,221	3,199
Gross income (or loss)-------do----	717	1,028	177	78	(113)
General, selling, and administrative expenses 1,000 dollars--	823	790	517	357	205
Operating income (or loss)---do----	(106)	238	(340)	(279)	(318)
Other income or (expense) 1,000 dollars--	300	24	(23)	(20)	(86)
Net income or (loss) before income taxes----------1,000 dollars--	194	262	(363)	(299)	(404)
Depreciation and amortization expense----------1,000 dollars--	388	399	327	228	199
Cash flow from operations 1,000 dollars--	582	661	(36)	(71)	(205)
Ratio to net sales of--					
Gross income----------percent--	5.1	10.1	3.0	1.8	(3.7)
Operating income (or loss) percent--	(0.7)	2.3	(5.8)	(6.5)	(10.3)
Net income (or loss) before income taxes----------percent--	1.4	2.6	(6.2)	(7.0)	(13.1)
Cost of goods sold---------do----	94.9	89.9	97.0	98.2	103.7
General, selling, and administrative expenses percent--	5.8	7.8	8.8	8.3	6.6
Number of firms reporting operating losses----------	3	2	5	4	6
Number of firms reporting net losses----------	1	3	6	4	6

1/ Data are for 6 producers.

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

Table 6.--Investment in productive facilities by 7 U.S. producers of softwood shakes and shingles, as of the end of accounting years 1979-81, January-August 1981, and January-August 1982

Item	1979	1980	1981	January-August-- 1/	
				1981	1982
Original cost					
1,000 dollars--	3,044	3,343	3,341	2,679	2,371
Book value----------do----	1,670	1,802	1,668	1,015	869
Ratio to operating profit or (loss) of:					
Net sales---------percent--	(0.7)	2.3	(5.8)	(6.5)	(10.3)
Original cost--------do----	(3.5)	7.1	(10.2)	(10.4)	(13.4)
Book value----------do----	(6.3)	13.2	(20.4)	(27.5)	(36.6)

1/ Data are for 6 firms.

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

Table 7.--Red cedar shakes and shingles: U.S. imports for consumption, by principal sources, 1979-81, January-August 1981, and January-August 1982

Source	1979	1980	1981	January-August--	
				1981	1982
	Quantity (squares)				
Canada	3,497,215	3,263,266	2,888,292	2,089,619	1,626,427
Mexico	0	310	344	344	236
Yemen (Aden)	443	0	0	0	0
Total	3,497,658	3,263,576	2,888,636	2,089,963	1,626,663
	Value (1,000 dollars)				
Canada	154,558	139,661	122,178	88,965	61,105
Mexico	-	15	20	20	11
Yemen (Aden)	25	-	-	-	-
Total	154,583	139,676	122,198	88,985	61,116
	Unit value (per square)				
Canada	$44.19	$42.80	$42.30	$42.57	$37.57
Mexico	-	49.86	59.01	59.01	46.55
Yemen (Aden)	56.33	-	-	-	-
Average	44.20	42.80	42.30	42.58	37.57

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

Table 8.--Softwood shakes and shingles: U.S. imports from Canada and U.S. consumption, 1979-81, January-August 1981, and January-August 1982

Period	Imports from Canada	U.S. consumption of softwood shakes and shingles 1/	Ratio of imports to U.S. consumption of softwood shakes and shingles 1/
	1,000 squares		Percent
1979	3,931	7,423	53
1980	3,820	6,394	60
1981	3,412	5,294	64
January-August--			
1981	2,461	3,710	66
1982	2,040	2,584	79

1/ Estimated by the staff of the U.S. International Trade Commission.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 9.--Shakes and shingles: Domestic producers' weighted-average prices, U.S. importers' prices, unit values of U.S. imports, and margins of underselling, by quarters, January 1979-September 1982

Period	Domestic producers 1/	U.S. importers 2/	Unit values of U.S. imports	Margins of underselling
	Per square			Percent
1979:				
January-March	$48.20	$50.15	$39.67	(4.0)
April-June	47.88	52.20	41.45	(9.0)
July-September	50.28	53.00	42.63	(5.4)
October-December	51.82	56.60	43.33	(9.2)
1980:				
January-March	46.11	46.10	39.43	-
April-June	45.34	51.90	35.61	(14.5)
July-September	48.67	50.55	39.38	(3.9)
October-December	49.29	56.60	41.87	(14.8)
1981:				
January-March	48.11	43.60	39.48	9.4
April-June	48.89	46.40	37.82	5.1
July-September	52.07	44.70	39.83	14.2
October-December	48.97	44.10	38.31	9.9
1982:				
January-March	44.28	39.45	32.55	10.9
April-June	44.37	39.30	32.42	11.4
July-September	43.28	38.50	32.46	11.0

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

2/ Price data submitted by 1 importer for all grades of shakes and shingles.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 10.--Softwood shakes and shingles: Canadian exports, by selected markets, 1979-81 and January-June 1982

(In thousands of squares)

Market	1979	1980	1981	January-June 1982
United States	3,513	3,457	3,239	1,409
Federal Republic of Germany	33	26	35	16
Austria	8	7	12	4
United Kingdom	7	7	11	5
France	4	7	6	2
Other	11	9	12	7
Total	3,576	3,513	3,316	1,442

Source: Statistics Canada.

APPENDIX G

EXCHANGE RATES OF THE U.S. DOLLAR TO THE CANADIAN DOLLAR

EXCHANGE RATES

Year	U.S. (dollars	Canadian
1979----------	$1.1715	$1.00
1980----------	1.1690	1.00
1981----------	1.1990	1.00
Jan.-Aug. 1982-------	1.3020	1.00