



Australian Government

**Australian Customs and
Border Protection Service**

CUSTOMS ACT 1901 - PART XVB

TRADE MEASURES BRANCH

INVESTIGATION NUMBER 156

TERMINATION OF AN INVESTIGATION

**ALLEGED DUMPING OF CERTAIN PLYWOOD EXPORTED
FROM BRAZIL, CHILE, THE PEOPLE'S REPUBLIC OF
CHINA AND MALAYSIA**

4 August 2010

PUBLIC FILE VERSION

1 CONTENTS

1	CONTENTS	2
2	ABBREVIATIONS AND SHORTENED FORMS.....	4
3	SUMMARY OF FINDINGS.....	5
3.1	Findings.....	5
3.2	Application of law to facts.....	5
3.3	Findings and conclusions.....	6
4	BACKGROUND	8
4.1	Introduction.....	8
5	GOODS UNDER CONSIDERATION AND LIKE GOODS.....	9
5.1	The goods under consideration.....	9
5.2	Like goods	9
5.3	Claims by interested parties	10
6	AUSTRALIAN INDUSTRY.....	13
6.1	Findings.....	13
6.2	Introduction.....	13
6.3	Plywood production process	13
7	AUSTRALIAN MARKET.....	15
7.1	Findings.....	15
7.2	Introduction.....	15
7.3	Market supply	15
7.4	Market size	16
7.5	Distribution arrangements	16
7.6	Market segmentation.....	16
8	DUMPING INVESTIGATION	18
8.1	Findings.....	18
8.2	Introduction.....	18
8.3	Brazil.....	19
8.4	Chile	20
8.5	China	25
8.6	Malaysia	26
9	ECONOMIC CONDITION OF THE INDUSTRY.....	31
9.1	Findings.....	31
9.2	Introduction.....	31
9.3	Revenue effects	31
9.4	Volume effects	32
9.5	Price depression and price suppression	34
9.6	Price undercutting	35
9.7	Profit and profitability effects	37
9.8	Other economic factors	38
9.9	Conclusion – economic condition of the industry	39
10	HAS DUMPING CAUSED MATERIAL INJURY.....	41
10.1	Findings.....	41
10.2	Introduction.....	41
10.3	Volume considerations.....	41

PUBLIC FILE VERSION

10.4	Prices considerations	41
10.5	Profit considerations	42
10.6	Other possible causes of injury	42
10.7	Issues raised in responses to the statement of essential facts	42
10.8	Findings	44
11	<i>TERMINATION</i>	45

PUBLIC FILE VERSION

2 ABBREVIATIONS AND SHORTENED FORMS

Amerind	Amerind Pty Ltd
Austral Plywoods	Austral Plywoods Pty Ltd
Australian Wood Panels	Australian Wood Panels Pty Ltd
Big River	BRG Group Pty Ltd
Brown Wood Panels	Brown Wood Panels Pty Ltd
Carter Holt Harvey	Carter Holt Harvey Woodproducts Australia Pty Ltd
CEO	Chief Executive Officer
CFR	cost and freight
China	the People's Republic of China
Customs and Border Protection	Australian Customs and Border Protection Service
FOB	free on board
Gunnensen	Gunnensen Pty Ltd
ITTO	International Tropical Timber Organisation
investigation period	1 October 2008 to 30 September 2009
non-structural plywood	plywood not claimed to meet Australian plywood standards
plywood	certain plywood as defined in section 5 of this report
Plywood Purchasing	Plywood Purchasing Services Pty Ltd
Samling Baramas	Samling Plywood (Baramas) Sdn Bhd
Samling Bintulu	Samling Plywood (Bintulu) Sdn Bhd
SG&A expenses	selling, general and administrative expenses
structural plywood	plywood manufactured to meet Australian plywood standards

PUBLIC FILE VERSION

3 SUMMARY OF FINDINGS

This investigation is in response to an application by Boral Plywood, Carter Holt Harvey Woodproducts Australia Pty Ltd (Carter Holt Harvey) and BRG Group Pty Ltd (Big River) in relation to the allegation that dumping of certain plywood¹ (plywood) exported to Australia from Brazil, Chile, the People's Republic of China (China) and Malaysia caused material injury to the Australian industry that produces like goods.

This statement of essential facts sets out the facts on which the Chief Executive Officer (CEO) of the Australian Customs and Border Protection Service (Customs and Border Protection) proposes to base his recommendation in relation to the application.

3.1 Findings

Customs and Border Protection has made the following findings:

- there has been dumping by Brazilian exporters, but this dumping has not caused injury to the Australian industry;
- there has been no dumping by Paneles Arauco SA (Arauco) from Chile;
- there has been no dumping by residual Chilean exporters;
- there has been negligible dumping by selected non-cooperating Chilean exporters;
- there has been dumping by Chinese exporters, but this dumping has not caused injury to the Australian industry;
- there has been no dumping by Samling Plywood (Bintulu) Sdn Bhd (Samling Bintulu) and Samling Plywood (Baramas) Sdn Bhd (Samling Baramas) from Malaysia;
- there has been no dumping by residual Malaysian exporters; and
- there has been dumping by Malaysian selected non-cooperating exporters, but the volume of exports by Malaysian selected non-cooperating exporters is negligible.

The terms residual and selected non-cooperating exporters are explained in section 8.2.

3.2 Application of law to facts

3.2.1 Authority to make decision

Division 2 of Part XVB sets out, among other matters, the procedures to be followed and the matters to be considered by the CEO in conducting investigations in relation to the goods covered by an application. The CEO's powers under this Division have been delegated to certain officers of Customs and Border Protection.

¹ Refer to the full description of the goods in section 5 of this report.

PUBLIC FILE VERSION

3.2.2 Application

On 26 October 2009, Boral, Carter Holt Harvey and Big River lodged an application requesting that the relevant Minister publish a dumping duty notice in respect of plywood exported to Australia from Brazil, Chile, China and Malaysia. The CEO was satisfied that the application was made in the prescribed manner by a person entitled to make the application.

3.2.3 Initiation of investigation

After examining the application, the delegate was satisfied that:

- there is, or is likely to be established, an Australian industry in respect of like goods; and
- there appears to be reasonable grounds for the publication of a dumping duty notice in respect of goods the subject of the application.

The delegate decided not to reject the application and notice of the initiation of this investigation was published on 3 December 2009.

3.2.4 Statement of essential facts

The CEO must, within 110 days after the initiation of an investigation, or such longer period as the Minister allows, place on the public record a statement of the facts on which the CEO proposes to base his recommendation in relation to the application.

In formulating the statement of essential facts, the CEO must have regard to the application concerned, any submissions concerning publication of the notice that are received by Customs and Border Protection within 40 days after the date of initiation of the investigation and any other matters considered relevant.

The statement of essential facts was placed on the public record on 21 June 2010.

3.3 Findings and conclusions

Customs and Border Protection has made the following findings and conclusions:

3.3.1 The goods and like goods (chapter 5 of this report)

Locally produced plywood are like goods to the goods the subject of the application.

3.3.2 Australian industry (Chapter 6 of this report)

There is an Australian industry producing like goods, comprising five Australian producers of plywood. The applicants, Boral Plywood, Carter Holt Harvey and Big River, accounted for more than 75% of the Australian production of like goods during the investigation period.

PUBLIC FILE VERSION

3.3.3 Market (Chapter 7 of this report)

The size of Australian market for plywood was approximately 200,000 cubic metres in 2009. Plywood is typically sold into the market by distributors who source plywood from the Australian producers and from exporters.

3.3.4 Dumping (Chapter 8 of this report)

Customs and Border Protection has determined the following dumping margins for plywood exported to Australia.

Brazil	8.8%
Chile – Arauco	-3.2%
Chile – residual exporters	-3.2%
Chile – selected non-cooperating exporters	1.0%
China	19.5%
Malaysia – Samling Bintulu and Samling Baramas	-1.0%
Malaysia – residual exporters	-1.0%
Malaysia – selected non-cooperating exporters	21.3%

3.3.5 Injury (Chapter 9 of this report)

The Australian industry suffered injury in the form of:

- reduced revenue;
- reduced sales volume;
- price undercutting;
- price suppression;
- reduced profits and profitability;
- reduced production volume;
- reduced employment;
- deteriorating returns on investment; and
- reduced attractiveness to reinvest.

3.3.6 Causation (Chapter 10 of this report)

Dumped plywood imported from Brazil and China was found to not have caused material injury to the Australian industry producing like goods. Customs and Border Protection found that injury incurred by the Australian industry was caused mainly by undumped imports of plywood from Chile, Malaysia and New Zealand and the global financial crisis.

PUBLIC FILE VERSION

4 BACKGROUND

4.1 Introduction

On 26 October 2009, Allen Taylor and Company, trading as Boral Plywood, Carter Holt Harvey Woodproducts Australia Pty Ltd and BRG Group Pty Ltd lodged an application requesting that the relevant Minister publish a dumping duty notice in respect of certain plywood² (plywood) exported to Australia from Brazil, Chile, the People's Republic of China (China) and Malaysia. In this case the relevant Minister is the Attorney-General.

The investigation was initiated on 3 December 2009. Public notification of initiation of the investigation was made in *The Australian* newspaper on 3 December 2009. Australian Customs Dumping Notice No. 2009/45 provides further details of this investigation and is available at www.customs.gov.au.

² Refer to the full description of the goods in section 5 of this report.

PUBLIC FILE VERSION

5 GOODS UNDER CONSIDERATION AND LIKE GOODS

5.1 The goods under consideration

The goods the subject of the application are described as follows.

Certain plywood sheeting, of conifer and non-conifer species, in various widths and grades ranging from high quality appearance structurally-certified grades with minimal imperfections, through to non-structural non-appearance grades to which no manufacturing standard applies.

Overlaid plywood with a thickness of less than 7 mm, and plywood with an interior glueline, are specifically excluded from the goods the subject of the application.

Further detailed information on the goods is contained in ACDN 2009/45.

The application states that the goods are classified to the following tariff subheadings and statistical codes of Schedule 3 to the *Customs Tariff Act 1995*:

- 4412.31.00 (statistical codes 16, 50, 51 and 60);
- 4412.32.00 (statistical codes 18, 52, 53 and 61); and
- 4412.39.00 (statistical codes 22, 30, 31 and 40).

Imports under tariff subheadings 4412.31.00 (statistical codes 15 and 20), 4412.32.00 (statistical codes 17 and 21); and 4412.39.00 (statistical code 23) are not the goods the subject of the application.

Based on information provided in the application, Customs and Border Protection's Trade Services Branch confirmed that the goods are correctly classified to these tariff subheadings.

Prior to 1 January 2007 the goods were classified to tariff subheadings 4412.13.00 (statistical codes 30, 32, 36, 38 and 39), 4412.14.00 (statistical codes 40, 42, 46, 48 and 49) and 4412.19.00 (statistical codes 50, 62, 63 and 64).

The general rate of duty is currently 5%. Plywood imported from Chile has been free under the Australia-Chile free trade agreement since 6 March 2009. Prior to this date the general rate of duty applied. The general rate applies to all plywood imported from Brazil, China and Malaysia

Tariff concession orders apply to certain door skins imported under 4412.31.00 and 4412.39.00.

5.2 Like goods

The applicants claimed that the goods produced by the Australian industry possess essential characteristics which are like to the goods the subject of the application. Imported and locally produced plywood are:

- classified to the same tariff sub-headings;

PUBLIC FILE VERSION

- made from similar raw materials;
- manufactured using similar manufacturing processes and techniques;
- sold into and compete in the same market segments and distribution channels; and
- are interchangeable in identified end-use applications.

5.3 Claims by interested parties

During the course of the investigation, interested parties have raised concerns about whether certain types of plywood should be included within the definition of the goods. Customs and Border Protection considers that these types of plywood fall within the definition of the goods and are not specifically excluded. It therefore concludes that they are like goods.

5.3.1 Structural and non-structural plywood

Australian standards apply to plywood used in certain structural applications. Some of the plywood imported from the nominated countries is not claimed to meet these standards (referred to as non-structural plywood). The vast majority of plywood manufactured and sold by Australian manufacturers meets these standards (referred to as structural plywood).

Some parties claimed that structural and non-structural plywood are generally not competing products and that each satisfies a discrete section of the market. They claimed that structural plywood is over engineered for non-structural applications.

The applicants claimed that end uses requiring structural plywood represent approximately 25% of the Australian plywood market and that structural and non-structural plywood compete for the remainder of the market. They claimed that meeting the Australian standards is not particularly onerous, entails a one-off expense to set up the necessary production process and, as the standards only require self-auditing, meeting the standards is not a financial burden.

The applicants also claimed that structural and non-structural plywood are viewed as equivalent in the market and are used interchangeably. They also claimed that a considerable amount of non-structural plywood is being used in building activities in Australia, even when its use is against building code regulations.

However, the use of non-structural plywood in structural applications is not a relevant issue to this investigation.

5.3.2 Marine plywood

The Australian industry stated that the manufacture of marine plywood includes a number of additional value added processes, including:

- specific peeling of thinner veneers (marine plywood is manufactured to a different standard which specifies the use of thinner veneers);
- off-line grading of veneers;
- ensuring there are no gaps in core veneers;
- off-line grading of finished panels;

PUBLIC FILE VERSION

- a post production “touch-up” process; and
- specific packaging and strapping).

Boral Plywood have stated that the cost to make marine plywood is approximately double the cost to make the nominated grades.

An importer, Australian Wood Panels Pty Ltd (Australian Wood Panels) stated that there is also a British standard that applies to marine plywood and claims that it specifies that certain hardwood species must be used in its production.

Of the three Australian manufacturers that submitted the application, only Boral Plywood manufactures marine plywood. A smaller manufacturer that supported the application, Austral Plywoods Pty Ltd (Austral Plywoods), also manufactures marine plywood.

5.3.3 Container flooring plywood

Australian Wood Panels stated that container flooring plywood must meet the International Container Authority regulations. It must be 28 mm thick and have a minimum number of veneers, all of which must be hardwood.

5.3.4 Hardwood 4 mm bracing plywood

The Malaysian Trade Commission stated that the Australian manufacturers do not make an equivalent product.

Australian Wood Panels stated 4 mm hardwood bracing plywood has a higher strength compared to 7 mm softwood bracing plywood and that the 4 mm hardwood bracing plywood is preferred by, and is the traditional bracing plywood used by, builders. It claimed that the hardwood bracing plywood market could be up to ten times larger than the softwood bracing plywood market. Australian Wood Panels also claimed that some builders would have to change their construction methods if they used 7 mm bracing plywood.

The Australian industry claims that 7 mm softwood bracing plywood is a like good to 4 mm hardwood bracing plywood and that the two types of plywood are interchangeable. To support this claim it referred to the successful objection the Australian industry made against the Tariff Concession Order made on 4 mm hardwood bracing plywood on the grounds that the Australian industry made an equivalent product.

Customs and Border Protection is satisfied that 7 mm softwood bracing plywood and 4 mm hardwood bracing plywood are substitutable.

5.3.5 Birch plywood

Laserart stated that it used birch plywood to manufacture dies for the print and packaging industry. It stated that birch plywood had the required critical properties of strength and flatness. Laserart stated that it has unsuccessfully tried to source birch plywood in Australia and that the locally produced softwood plywood is not suitable

PUBLIC FILE VERSION

for its requirements. It stated that in the building trade flatness and strength is not as critical.

The applicants stated that imported birch plywood can be substituted for locally produced plywood.

Customs and Border Protection's research indicates that birch plywood is characterised by excellent strength, stiffness and surface hardness. It recognises that its smooth surface and accurate thickness makes birch plywood a favourable material for many special end uses such as die-cutting boards. However, it notes that birch plywood can be used in many applications where locally produced plywood can also be used.

PUBLIC FILE VERSION

6 AUSTRALIAN INDUSTRY

6.1 Findings

Based on the information available, Customs and Border Protection considers that:

- there is an Australian industry producing like goods; and
- there are five Australian producers of plywood.
- plywood manufactured by the five Australian producers are like goods;
- the like goods were wholly or partly manufactured in Australia;
- a substantial process of manufacture was carried out in Australia by the Australian producers; and
- there is an Australian industry producing like goods.

The applicants, Boral Plywood, Carter Holt Harvey and Big River, accounted for more than 75% of the Australian production of like goods during the investigation period.

6.2 Introduction

Boral Plywood, Carter Holt Harvey and Big River account for the majority of the Australian production of plywood. There are also two smaller manufacturers of plywood in Australia, Austral Plywoods and Brown Wood Panels Pty Ltd (Brown Wood Panels). Customs and Border Protection wrote to Austral Plywood and Brown Wood Panels and requested certain information in respect of their production and sales of plywood. Austral Plywoods responded but no reply was received from Brown Wood Panels. Austral Plywoods mainly manufactures premium grades of plywood. The application stated that Brown Wood Panels manufactures grades of plywood that compete with imports.

Boral Plywood manufactures plywood at its plant located at Ipswich in Queensland. Carter Holt Harvey manufactures plywood at its plant located at Myrtleford in Victoria. it also imports and sells plywood imported from a related company in New Zealand. Carter Holt Harvey also produces and consumes some plywood related products manufactured at its plant located at Nangwarry in South Australia, but these products are primarily veneers used in laminated veneer lumber and I-beams, which are not like goods to the goods the subject of the application. Big River manufactures plywood at its plants located at Grafton and Wagga Wagga in New South Wales. The applicants accounted for over 90% of Australia's plywood production in 2009.

Austral Plywood manufactures plywood at its plant located at Tennyson in Queensland, while Brown Wood Panels manufactures plywood at its plant located at Camden Park in South Australia.

6.3 Plywood production process

Production commences with the veneer manufacturing process. Logs from which the bark has been removed are cut into the required lengths to form a veneer billet. The veneer billet is placed into a lathe and rotary peeled. The resultant ribbon is then cut into selected lengths to form veneers.

PUBLIC FILE VERSION

The green veneer has a high moisture content and must go through a drying process to achieve the required moisture content.

The veneers are sorted by width and grade and spliced if they need repair. Veneers are graded into A, B, C and D grade veneers depending on the imperfections in the veneer. The veneers are then prepared for gluing and pressing into plywood. The gluing of the veneers is undertaken at right angles to each other. As wood is weak in one direction but strong in the other, the resultant sheet is more uniform in strength than the original piece of timber.

The finished plywood is described by the quality of the veneers on the face and back of the plywood. For example, CD structural plywood has a C grade veneer on the face side and a D grade veneer on the back side. As formply is coated, it is not described by the quality of the veneers.

7 AUSTRALIAN MARKET

7.1 Findings

Customs and Border Protection estimates that the size of the Australian market for plywood was approximately 200,000 cubic metres in 2009. Plywood is typically sold into the market by distributors who source plywood from the Australian producers and from exporters.

7.2 Introduction

Plywood is used in many applications, but it can be primarily separated into two key categories:

- plywood used in construction activity; and
- plywood used in a range of other applications.

Construction based applications include:

- formwork for concrete; and
- a range of other applications such as wall bracing, wall cladding, internal feature wall applications, ceiling linings, roof linings, structural flooring, flooring substrate and hoarding.

For plywood used in these applications structural integrity is essential. Australian standards provide minimum performance standards requirements and specifications for the manufacture and application of structural plywood. During the investigation period, only some plywood imported from the nominated countries was certified as meeting the Australian standards. However, since the investigation period a number of exporters have had their products certified as meeting the Australian standards.

Other applications, which may or may not require structural integrity, include:

- cabinet and joinery applications such as cupboards, tables, furniture and boxes;
- industrial uses such as floors in truck bodies, buses and horse floats;
- staging, hire and temporary applications such as walkways, marquee flooring and temporary grandstands;
- lower grade uses such as boxing, crate manufacture, packaging for bulky goods and transport; and
- home handyman applications.

Imported plywood and locally produced plywood are used interchangeably in these applications.

7.3 Market supply

The Australian market is supplied by six Australian plants and imports. Based on data from Customs and Border Protection's import database, the main source of

PUBLIC FILE VERSION

imports were the nominated countries, New Zealand and Indonesia. Other sources included Italy, Papua New Guinea and Fiji.

Carter Holt Harvey accounted for the majority of imports from New Zealand. The applicants claimed that imports from Indonesia were not a major issue for the Australian industry as the Indonesian government has clamped down on illegal logging and there had been a reduction in the number of producers. They also claimed that the majority of imports from Indonesia were overlaid plywood with a thickness of less than 7 mm, which have been excluded from the goods the subject of the application.

7.4 Market size

Customs and Border Protection estimated of the size of the Australian market, expressed in cubic metres, using data verified during visits to the applicants and importers, data provided by interested parties and data from Customs and Border Protection's import database. The Australian industry's figure include Carter Holt Harvey's imports from New Zealand.

Source	2006	2007	2008	2009
Australian industry	138,000	140,000	140,000	113,000
Imports	124,000	118,000	108,000	85,000
Total	261,000	259,000	248,000	198,000

7.5 Distribution arrangements

The majority of the Australian industry's sales are made through distributors, but sales are also made to specialist distributors and end users. The distributors are also the largest importers of plywood.

7.6 Market segmentation

The applicants claimed there is no market segmentation by geography. They claimed that the only segmentation is by product applications (structural versus non-structural).

A brief description of examples of plywood were provided in the application. These cover most types of plywood sold on the Australian market.

- Bracing ply – used in house construction to brace the timber frame (required to be structurally certified).
- Flooring ply – suitable for most flooring applications (required to be structurally certified).
- Formply – applications include formwork for construction in buildings (required to be structurally certified).
- Structural – the most common form of plywood (required to be structurally certified used in load-bearing applications). Locally produced plywood typically comes with a CD or DD finish.

PUBLIC FILE VERSION

Other types are typically low grade plywood such as for use in one off applications such as packaging machinery.

When the applicants prices are charted, plywood falls into two price categories, referred to as formply or structural plywood. Formply is the higher priced while structural plywood covers all other types of plywood. Bracing plywood is a subcategory within structural plywood because locally produced 7 mm softwood bracing plywood competes with imported 4 mm hardwood bracing plywood.

These categories of plywood are separately examined when considering the economic condition of the Australian industry.

PUBLIC FILE VERSION

8 DUMPING INVESTIGATION

8.1 Findings

Dumping margins for the investigation period were calculated by comparing weighted average export prices with the corresponding weighted average normal values. Dumping margins are summarised in the following table.

Brazil	8.8%
Chile – Arauco	-3.2%
Chile – residual exporters	-3.2%
Chile – selected non-cooperating exporters	1.0%
China	19.5%
Malaysia – Samling Bintulu and Samling Baramas	-1.0%
Malaysia – residual exporters	-1.0%
Malaysia – selected non-cooperating exporters	21.3%

8.2 Introduction

At the commencement of the investigation, Customs and Border Protection identified a large number of potential exporters of plywood from the nominated countries.

Preliminary information was sought from identified suppliers of plywood to determine the likely number of exporters and whether particular exporters should be selected for further investigation. An assessment of responses to the request for information revealed that the number of exporters across the four nominated countries was so large that it was not practicable to work out individual exporter dumping margins.

On the basis of the preliminary information gathered, individual exporters were selected and were requested to provide information for further investigation (referred to in this report as selected exporters). These selected exporters were responsible for the largest volume of exportations from their respective countries of the goods to Australia during the investigation period that could reasonably be investigated. The table below identifies these selected exporters.

Nominated country	Selected exporter
Brazil	Industria de Compensados Sudati Ltda (Sudati)
Chile	Arauco Eagon Lautaro SA
China	Dangahan County Huijin Wood Industry Co., Ltd Linyi Longma Wood Co Ltd
Malaysia	Samling Bintulu

The remaining exporters from each of the countries that complied with the request for information but were not selected for further investigation are considered residual

PUBLIC FILE VERSION

exporters. Information obtained from the selected exporters was used to decide whether dumping exists for those residual exporters.

In addition, there were a large number of exporters that provided incomplete or no response to the request for information. These exporters (referred to in this report as selected non-cooperating exporters) are considered to have not cooperated with the investigation.

In the case of Brazil and China, none of the selected exporters provided completed exporter questionnaire responses. They are also considered to be selected non-cooperating exporters. Given these circumstances, country wide dumping margins have been determined for exports of plywood From Brazil and China to Australia during the investigation period.

8.3 Brazil

8.3.1 Export prices

Export prices were determined using selected export transactions by Sudati which were verified during visits to the following importers:

- Amerind Pty Ltd (Amerind);
- Plywood Purchasing Services Pty Ltd (Plywood Purchasing).

The types of plywood imported by these companies was identified. Where an importer sourced more than one type of plywood from Brazil, those different types were identified in the import database. Selected shipments were verified to Customs and Border Protection's import data base and it was found that in most cases the declared Customs value was the free-on-board (FOB) price. However, some imports from Amerind were declared to be on FOB terms, but actually were cost and freight (CFR) terms. The declared Customs values for these shipments were the invoiced CFR prices. The declared Customs values for shipments with declared FOB terms were revised by deducting the weighted average freight cost for imports from Brazil verified during the importer visit.

Export prices were established having regard to all relevant information. Exports of plywood by Sudati accounted for about 55% of plywood exported from Brazil during the investigation period. Prices for five shipments representing about 5% of Sudati's exports were verified during importer visits.

8.3.2 Normal values

Customs and Border Protection has no information on normal values in Brazil. Normal values for each type of plywood have been based on those estimated by the applicants. Where costs were expressed in foreign currency, the applicants converted those costs to Australian dollars using an average exchange rate for the year. Quarterly normal values were calculated using the following average exchange rate for each quarter:

- September quarter 2008 0.6730
- March Quarter 2009 0.6646

PUBLIC FILE VERSION

- June quarter 2009 0.7597
- September quarter 2009 0.8324

The formply normal values are the average of the applicants' estimates for six and eight foot formply. Normal values were established having regard to all relevant information.

8.3.3 Dumping margin

Export prices were compared with the normal values for the corresponding type of plywood. The weighted average dumping margin for plywood exported from Brazil was 8.8%.

8.4 Chile

8.4.1 Issues raised in responses to the statement of essential facts

Transactions between related parties

Claim

Most normal values for Arauco were determined using sales between Arauco and its related distributor, Arauco Distribution SA (Arauco Distribution). The Australian industry claimed that transactions between Arauco and Arauco Distribution are not sales but transfers of plywood manufactured by Arauco to its related distributor.

Consideration

Arauco and Arauco Distribution are separate legal entities and transactions between the two companies are sales.

Arms length transactions

Claim

The Australian industry submitted that an examination of whether sales were made at arms length was not limited to the three factors outlined in s. 269TAA(1) of the Customs Act 1901. The applicants claimed that Customs and Border Protection erred in finding that sales between Arauco and its related distributor were arms length transactions by restricting its assessment to only these three factors. The Australian industry contends that had Customs and Border Protection more exhaustively investigated the relationship between Arauco and Arauco Distribution, it would have found that the domestic sales by Arauco were at prices that were influenced by their relationship.

³ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

PUBLIC FILE VERSION

Consideration

Customs and Border Protection agrees that the legislation does not provide an exhaustive list of factors to be examined in assessing the arms length nature of sales. The issue of arms length and the relationship and arrangements between Arauco and Arauco Distribution have been examined and addressed in considerable detail in the Arauco normal value visit report. Customs and Border Protection found no evidence that indicates that the domestic sales of plywood made by Arauco should not be treated as arms length transactions. The Australian industry did not provide any evidence to show that the prices were influenced by the relationship.

Appropriate sales for determining normal values

Claim

The Australian industry claimed that sales, marketing and administration expenses associated with the distribution function are not reflected in the price between Arauco and Arauco Distribution and therefore these prices do not permit a 'fair comparison' with export prices to Australia. It claimed that normal values should have been determined using sales by Arauco Distribution.

The Australian industry claimed that similar circumstances arose in the recent toilet paper investigation where the Indonesian manufacturer's domestic sales were made through a related distributor. In that case the related distributor's sales were used to determine normal values.

Arauco response

Arauco claimed that the relationship between the manufacturer and the distributor in the toilet paper case differed from the relationship between Arauco and Arauco Distribution. Unlike the present case, sales between the manufacturer and the distributor in the toilet paper case were not found to be arms length transactions.

Consideration

To ensure fair comparison, normal values are adjusted to reflect the different terms and circumstances that exist between the relevant domestic and export sales. In this case, there were no specific selling, marketing or administration expenses (such as warranty, technical assistance, warehousing, advertising, etc) incurred by Arauco and reflected in their export price that warranted adjustment to domestic selling prices. In terms of more general selling and administration expenses, adjustment is not typically made as such expenses relate more to the general cost of doing business and affect all sales equally.

The toilet paper example referred to by the applicants is not considered relevant in this instance given that the domestic sales by the manufacturer to the related distributor were found to not be arms length transactions, and the adjustments made to normal values reflected differing levels of trade between export and domestic sales.

PUBLIC FILE VERSION

Reasonable profit for the manufacturer

Claim

The applicants also submitted evidence in the form of recent disclosures to the US Securities and Exchange Commission (SEC) by Arauco's parent company. It is claimed that the documents demonstrate that the Arauco group of companies has achieved consistent earnings before interest and tax (EBIT) of approximately 27% between 2005 and 2007.

The Australian industry considers that the relationship between Arauco and Arauco Distribution provides for the possibility to shift profits down from the manufacturing business to the distribution business, thereby reducing the normal value and minimising the overall product dumping margin. Therefore, the applicants submit that the domestic sales used to establish normal values by Arauco should include a level of profit consistent with the returns across the Arauco Group. In the absence of such profit levels, the domestic prices from Arauco to Arauco Distribution should be considered non-arms length transactions.

Consideration

Customs and Border Protection would be concerned if profits were shifted from the manufacturer to the distributor.

In examining the SEC documents submitted by the applicants, it is worth noting that the applicants chose the period 2005 to 2007 as the basis for a reasonable level of profit. The documents also show that the EBIT in 2008 for the Arauco Group was 18%, the lower levels possibly reflecting the impact of the global financial crisis in that year. Given that the nominated investigation period is from October 2008 to September 2009, Customs and Border Protection does not accept the applicant's argument that the level of profit achieved by Arauco on domestic sales made during the investigation period should be consistent with the Arauco Group's overall profit levels achieved between 2005 and 2007. It is largely based on results achieved before the global financial crisis.

In any case the profit achieved by Arauco on domestic sales of plywood made in the ordinary course of trade during the investigation period (and used to determine normal values) was between 15% and 25%. The overall margin achieved by Arauco Distribution was less than 10 and the margin in respect of plywood sourced from Arauco was similar.

Given the level of competition on the Chilean domestic market and the potential impact of the global financial crisis on demand in the first half of the investigation period, Customs and Border Protection finds that the profits achieved by Arauco were reasonable for a manufacturing plywood operation and provide no reason to indicate that shifting of profits between the related parties occurred.

PUBLIC FILE VERSION

Grades for fair comparison

Claim

Arauco stated that the B face product it produces would only be considered a C face product in Australia. The Australian industry claimed that this is a serious misrepresentation of the facts. It stated that the Chilean code for BC grade may be similar to the Australian code for CD grade in respect of the number of patches or defects, but claimed that the Arauco product exceeds the Chilean standard.

Consideration

When calculating dumping margins, models exported to Australia were compared with like models sold domestically.

8.4.2 Findings

No evidence has been presented to warrant changing the preliminary dumping findings in SEF 156.

Dumping margins for Chile are summarised in the following table.

Chile – Paneles Arauco SA (Arauco)	-3.2%
Chile – residual exporters	-3.2%
Chile – selected non-cooperating exporters	1.0%

Arauco

Export prices for Arauco were determined using the price paid or payable by the importers less ocean freight expenses where applicable⁴.

In relation to twelve grades of plywood exported to Australia, normal values were determined⁵ using Arauco sales in the domestic market that were arms length and sold at prices that were in the ordinary course of trade. The following adjustments⁶ were made to ensure they were fairly comparable to export prices:

- downward adjustment for domestic credit terms;
- downward adjustment for domestic inland freight;
- downward adjustment for domestic other costs;
- upward adjustment for export inland freight;
- upward adjustment for export handling and other FOB charges;
- upward adjustment for export other costs;
- upward adjustment for export commissions; and
- upward adjustment for export credit terms.

⁴ s.269TAB(1)(a)

⁵ s.269TAC(1)

⁶ s.269TAC(8)

PUBLIC FILE VERSION

In relation to other grades of plywood exported to Australia, normal values were determined⁷ using the cost of manufacture of the exported goods plus amounts for the selling, general and administrative costs associated with domestic sales of like goods and a margin for profit. The following adjustments⁸ were made to ensure they were fairly comparable to export prices:

- downward adjustment for domestic credit terms;
- downward adjustment for domestic inland freight;
- downward adjustment for domestic other costs;
- upward adjustment for export inland freight;
- upward adjustment for export handling and other FOB charges;
- upward adjustment for export other costs;
- upward adjustment for export commissions; and
- upward adjustment for export credit terms.

A dumping margin for the investigation period was calculated by comparing the weighted average of export prices with the corresponding weighted average normal values. The dumping margin for plywood exported by Arauco from Chile to Australia is minus 3.2%.

Residual exporters

Export prices were determined⁹ after having regard to all relevant information, being export prices of plywood by reference to the weighted average export price determined for Arauco over the investigation period.

Normal values were determined¹⁰ after having regard to all relevant information, being the normal values of plywood by reference to the weighted average of normal values determined for Arauco over the investigation period.

A dumping margin for the investigation period was calculated by comparing the weighted average of export prices with the corresponding weighted average normal values. The dumping margin for plywood exported by the residual exporters from Chile to Australia is minus 3.2%.

Selected non-cooperating exporters

Export prices were determined in accordance with s. 269TAB(3), after having regard to all relevant information, being export prices of plywood by reference to the weighted average ex-mill price determined for Arauco over the investigation period.

Normal values were determined in accordance with s. 269TAC(6), after having regard to all relevant information, being the normal values of plywood by reference to normal values determined for Arauco less any favourable adjustments.

⁷ s. 269TAC(2)(c)

⁸ s. 269TAC(9)

⁹ s. 269TAB(3)

¹⁰ s. 269TAC(6)

PUBLIC FILE VERSION

A dumping margin for the investigation period was calculated by comparing the weighted average of export prices with the corresponding weighted average normal values. The dumping margin for Chilean selected non-cooperating exporters was 1.0%.

8.5 China

8.5.1 Export prices

Export prices were calculated using information collected during visits to the following importers:

- Amerind;
- Australian Wood Panels;
- Green Panel Pty Ltd;
- Gunnensen; and
- Lancut Pty Ltd.

The types of plywood imported by these companies was identified. Where an importer sourced more than one type of plywood from China, those different types were identified in the import database. Selected shipments were verified to Customs and Border Protection's import data base and it was found that the declared Customs value was the FOB price.

Export prices for the various types of plywood were calculated using data from its import database. Export prices were established having regard to all relevant information. Customs and Border Protection notes that these importers accounted for about 59% of plywood exported from China during the investigation period.

8.5.2 Normal values

Customs and Border Protection has no information on normal values in China. Normal values for each type of plywood have been based on those estimated by the applicants. Where costs were expressed in foreign currency, the applicants converted those costs to Australian dollars using an average exchange rate for the year. Quarterly normal values were calculated using the quarterly exchange rates identified in section 8.3.2. The formply normal values are the average of the applicants' estimates for six and eight foot formply. Normal values were established having regard to all relevant information.

8.5.3 Dumping margin

Export prices were compared with the normal values for the corresponding type of plywood. The weighted average dumping margin for plywood exported from China and imported by the above importers is 19.5%.

PUBLIC FILE VERSION

8.6 Malaysia

8.6.1 Issues raised in responses to the statement of essential facts

Log costs

Australian industry

The Australian industry provided an International Tropical Timber Organisation (ITTO) publication dated August 2009 indicating that domestic log prices in Malaysia for Meranti, Balau, Merbau and Keruing were in excess of US\$200 per cubic metre and similar to export prices. The table below summarises the information contained in the ITTO report:

SPECIES	US\$ PER CUBIC METRE
SARAWAK LOG PRICES - FOB	
Meranti SQ ¹¹ up	227 - 251
Meranti Small	211 – 242
Meranti Super small	200 – 224
Keruing SQ up	216 – 228
Keruing Small	188 – 219
Keruing Super small	164 – 195
Kapur SQ up	206 – 231
Selangang Batu SQ up	178 - 215
PENINSULA MALAYSIA LOG – DOMESTIC (SQ)	
Meranti	231 – 250
Balau	297 – 326
Merbau	319 – 352
Keruing	214 – 230
Rubberwood ¹²	42 - 79

Source: ITTO Report 1-15 August 2009

The applicants claim that Samling's verified prices for logs (which they consider to be approximately US\$80 per cubic metre) used to produce plywood are unreliable, are not representative of Malaysian domestic prices and should not be used to construct normal values.

Other interested parties

Information was provided to Customs and Border Protection by an interested party not directly involved in the sale of plywood in the Australian market. This party claimed to have many years of experience purchasing logs in Malaysia and possessed a detailed understanding of the various species being harvested in Malaysia, the different grades within each species and the suitable applications of each species.

¹¹ SQ stands for saw quality and is considered the best grade.

¹² Rubberwood is not used in the production of plywood.

PUBLIC FILE VERSION

This party submitted pricing information for round logs prepared and published by the Yayasan Sabah Group (Forestry Division) covering the three months up to April 2010.

Consideration

During the visit to Samling, log prices for purchases from unrelated suppliers were verified to Samling's audited accounts and source documents. The volume of logs sourced from third parties during the investigation period was significant. As the prices from third parties were lower than prices from related parties, the log prices provided by Samling were accepted as reflecting market prices. Further, as noted in the statement of essential facts, the Australian industry's estimates of domestic log prices are not supported by the 2007 Samling Global Limited prospectus.

It is noted that the pricing information submitted by the independent party is consistent with log prices presented in the ITTO report in relation to Sarawak FOB export prices and domestic Peninsula Malaysia prices for sawn quality SQ grade timber. The independent party advised that prices for SQ grade logs are generally higher than other grades as they are typically used for sawn boards.

Of greater interest are the Malaysia (Sabah) log prices for mill quality (MQ) grade timber. The table below outlines the domestic and export prices for some of the various species used in the production of plywood.

SPECIES	DOMESTIC - US\$ PER CUBIC METRE	EXPORT FOB - US\$ PER CUBIC METRE
Red/white seraya	94 – 196	90 – 234
Yellow Seraya/Melapi/Nyatoh	88 – 162	90 – 196
Kapur / Keruing	91 – 191	90 – 250
Selangan Batu	97 - 214	150 - 300

Source: Yayasan Sabah Group – Price Tracking Round Logs (April 2010)

Customs and Border Protection understands that MQ grade timber is 60cm and up in size and is typically considered plywood grade high quality face logs. Prices for smaller sized logs in each of the species listed above are approximately 10% lower than MQ grades. Export prices for the various species are approximately 20% higher than domestic species at the upper end of the price range.

The log prices verified with Samling fall within the price ranges outlined in the Yayasan Sabah Group price list. The prices submitted by the applicants are not considered to be a reliable indicator of Samling's log purchase prices given that they relate to sawn quality timber.

On the basis of the information provided the costs associated with Samling's raw material log purchases are reasonable.

PUBLIC FILE VERSION

Profit used to construct normal values

Claim

Samling objected to a profit based on a 2007 prospectus being used to construct normal values. It claimed that the profitability of Samling Global Limited in the September quarter of 2006 has no relevance to profitability in the investigation period and that if a profit is included it should be that achieved by Samling Global Limited's plywood operations in 2008-09 as reported in its annual report (minus 8%). Samling maintained that no profit should be included in determining normal values because they were constructed because of the operation of s. 269TAAD.

Consideration

In determining the level of profit to be used in constructing normal values, the following relevant information was considered:

- the profit achieved by Samling on ordinary course of trade domestic sales of like goods during the investigation period;
- the profitability achieved by Samling's plywood operations in 2008-09 as reflected in the Samling Global Limited's annual report;
- the profit level reflected in the Samling Group 2007 prospectus; and
- the level of profit achieved by Arauco on ordinary course of trade domestic sales of like goods during the investigation period.

Customs and Border Protection rejects Samling's claim that a zero rate of profit be added in constructing normal values for certain grades. The amount of profit used is consistent with profits expected to be achieved by a plywood manufacturing operation and provides a reasonable estimate of a fair market price for plywood sold on the domestic market in Malaysia.

8.6.2 Findings

Dumping margins for Malaysia are summarised in the following table.

Samling Bintulu and Samling Baramas	-1.0%
Residual exporters	-1.0%
Selected non-cooperative exporters	21.3%

Samling

Export prices for Samling were determined¹³ using the price paid or payable by the importer less ocean freight expenses where applicable.

In relation to certain speciality grades of plywood exported to Australia, normal values were determined¹⁴ using sales in the domestic market that were arms length

¹³ s.269TAB(1)(a)

¹⁴ s. 269TAC(1)

PUBLIC FILE VERSION

and sold at prices that were in the ordinary course of trade. The following adjustments¹⁵ were made to ensure they were fairly comparable to export prices:

- downward adjustment for domestic credit terms;
- downward adjustment for domestic inland freight;
- upward adjustment for export inland freight;
- upward adjustment for export handling and other FOB charges;
- upward adjustment for fumigation charges; and
- upward adjustment for export credit terms.

In relation to other grades of plywood exported to Australia, normal values were determined¹⁶ using the cost of manufacture of the exported goods plus amounts for the selling, general and administrative costs associated with domestic sales of like goods and a margin for profit. The following adjustments¹⁷ were made under to ensure they were fairly comparable to export prices:

- upward adjustment for export inland freight;
- upward adjustment for export handling and other FOB charges;
- upward adjustment for fumigation charges; and
- upward adjustment for export credit terms.

A dumping margin for the investigation period was calculated by comparing the sum of the export price multiplied by the export quantity for each export transaction with the sum of the corresponding monthly normal value multiplied by the export quantity for each export transaction. The product dumping margin for exports by Samling was minus 1.0%.

Residual exporters

Export prices were determined¹⁸ after having regard to all relevant information, being export prices of plywood by reference to the weighted average export price determined for Samling over the investigation period.

Normal values were determined¹⁹ after having regard to all relevant information, being the normal values of plywood by reference to the weighted average of normal values determined for Samling over the investigation period.

A dumping margin for the investigation period was calculated by comparing the weighted average of export prices with the corresponding weighted average normal values. The dumping margin for plywood exported by the residual exporters from Malaysia to Australia is minus 1.0%.

¹⁵ s. 269TAC(8)

¹⁶ s. 269TAC(2)(c)

¹⁷ s. 269TAC(9)

¹⁸ s. 269TAB(3)

¹⁹ s. 269TAC(6)

PUBLIC FILE VERSION

Selected non-cooperating exporters

Export prices were determined¹⁷ after having regard to all relevant information, being an export price of plywood by reference to one export transaction by a Malaysian selected non-cooperating exporter verified during an importer visit.

Normal values were determined¹⁸ after having regard to all relevant information, being the normal values of plywood by reference to normal values determined for Samling less any favourable adjustments.

A dumping margin for the investigation period was calculated by comparing the weighted average of export prices with the corresponding weighted average normal values. The dumping margin for Malaysian selected non-cooperating exporters was 21.3%

The volume of exported plywood by Malaysian selected non-cooperating exporters is less than 1% of the total Australian import volume.

9 ECONOMIC CONDITION OF THE INDUSTRY

9.1 Findings

The economic performance of the Australian industry was examined from 2006. The Australian industry suffered injury in the form of:

- reduced revenue;
- reduced sales volume;
- price undercutting;
- price suppression;
- reduced profits and profitability;
- reduced production volume;
- reduced employment;
- deteriorating returns on investment; and
- reduced attractiveness to reinvest.

9.2 Introduction

The applicants claimed that the allegedly dumped exports of plywood from Brazil, Chile, China and Malaysia have caused injury in the form of:

- reduced revenue;
- reduced sales volume;
- reduced market share;
- price undercutting;
- price suppression;
- reduced profits and profitability;
- reduced production volume;
- reduced employment;
- deteriorating returns on investment; and
- reduced attractiveness to reinvest.

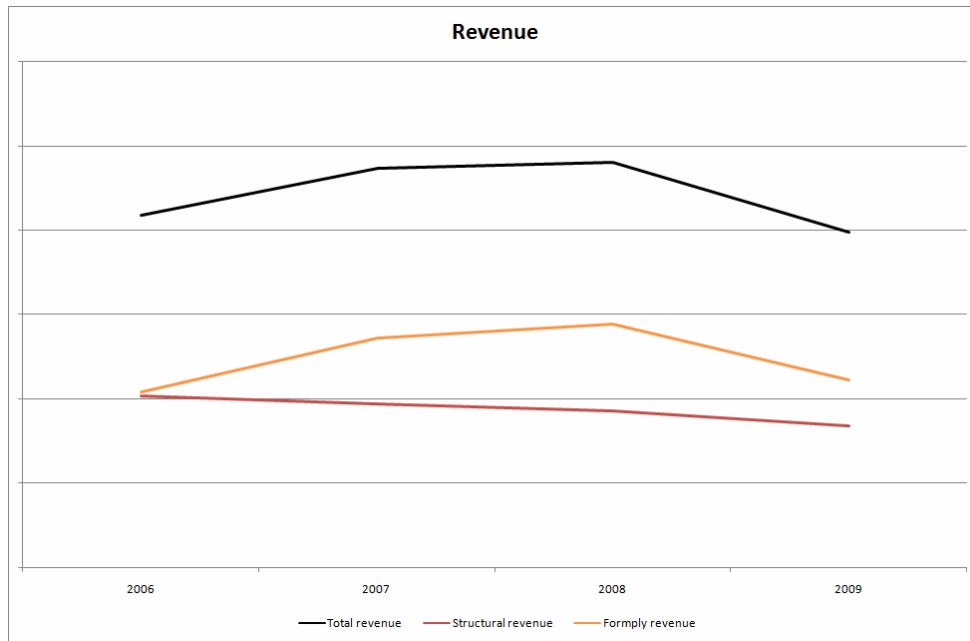
Customs and Border Protection has examined the performance of structural ply and formply as well as the applicants' overall performance.

Much of the analysis in this chapter is based on information provided by the applicants. However, Boral Plywood, Carter Holt Harvey and Big River accounted for more than 90% of the Australian industry's sales in each year over the period examined.

9.3 Revenue effects

Movements in revenue are illustrated in the following chart.

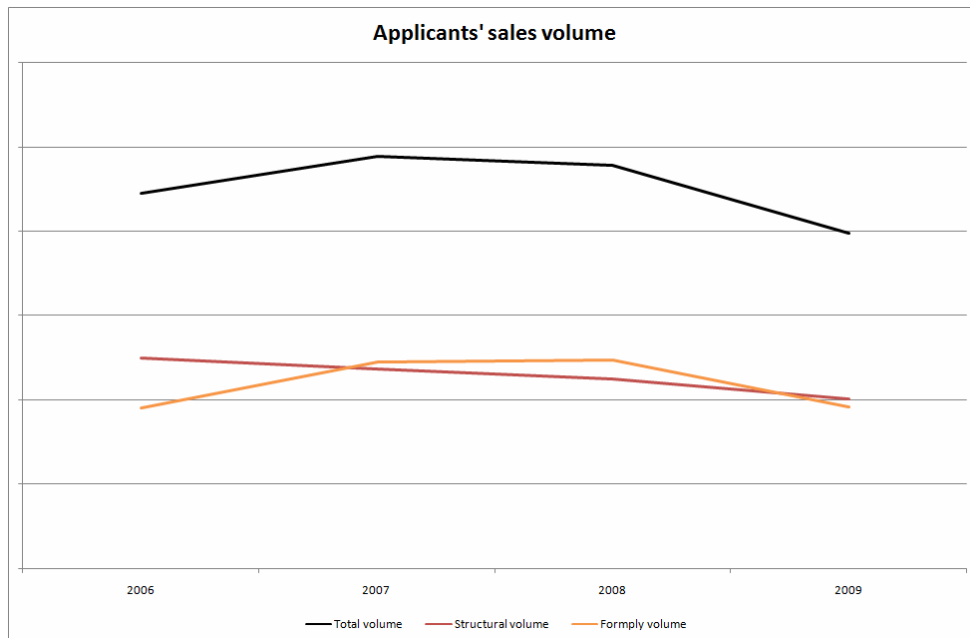
PUBLIC FILE VERSION



Total revenue rose in 2007 and 2008, but fell in 2009; total revenue in 2009 was lower than in 2006. Formply revenue followed a similar trend, although formply revenue in 2009 was higher than in 2006. Revenue from structural plywood fell each year.

9.4 Volume effects

Movements in the applicants' domestic sales volumes are illustrated in the following chart.

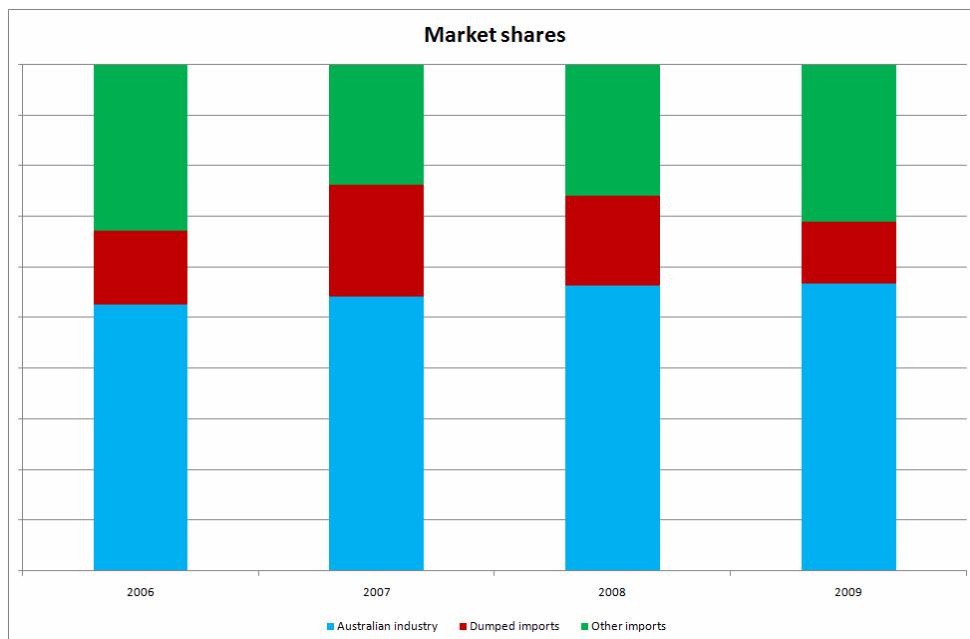
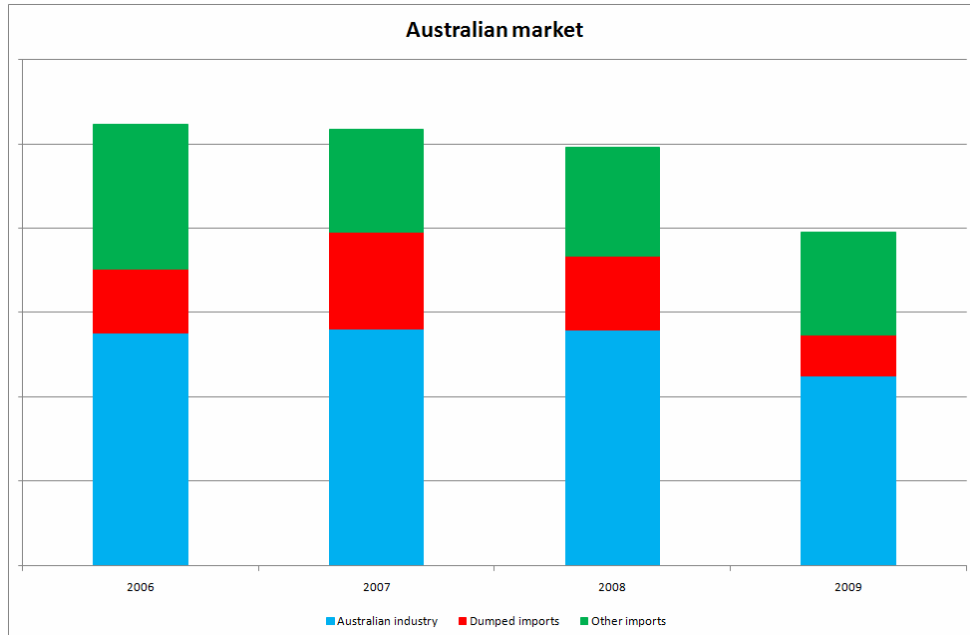


Total sales volume rose in 2007, fell slightly in 2008 and fell again in 2009; total sales volume in 2009 was lower than in 2006. Structural plywood sales volume fell each year. Formply sales volume rose in 2007, rose slightly in 2008, but fell in 2009;

PUBLIC FILE VERSION

formply sales volume in 2009 was higher than in 2006. The Australian industry's sales volume fell over the period examined.

Movements in the Australian market and market shares are illustrated in the following charts. In this analysis, imports from Chile and Malaysia are not considered to be dumped.



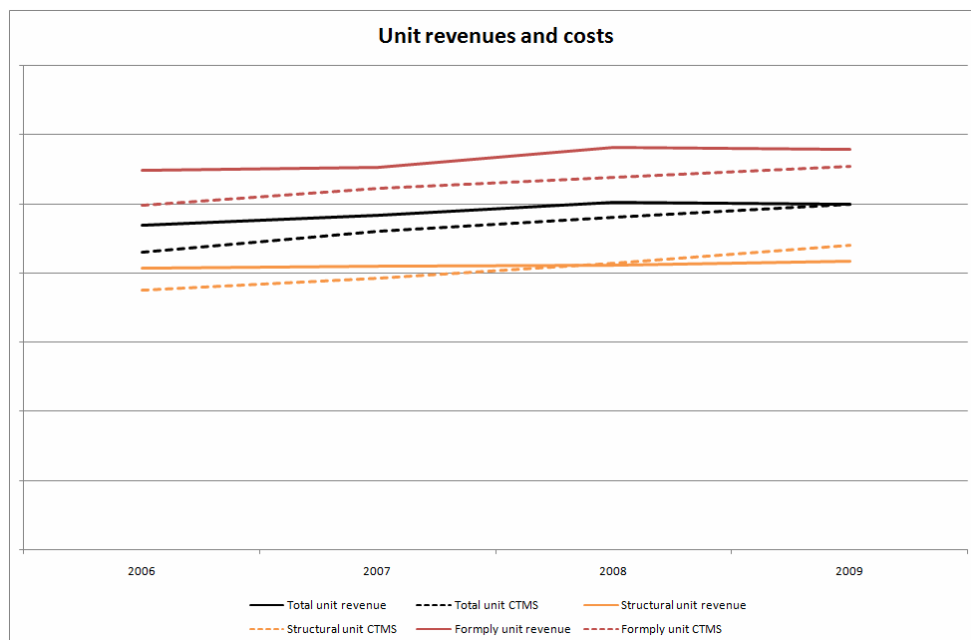
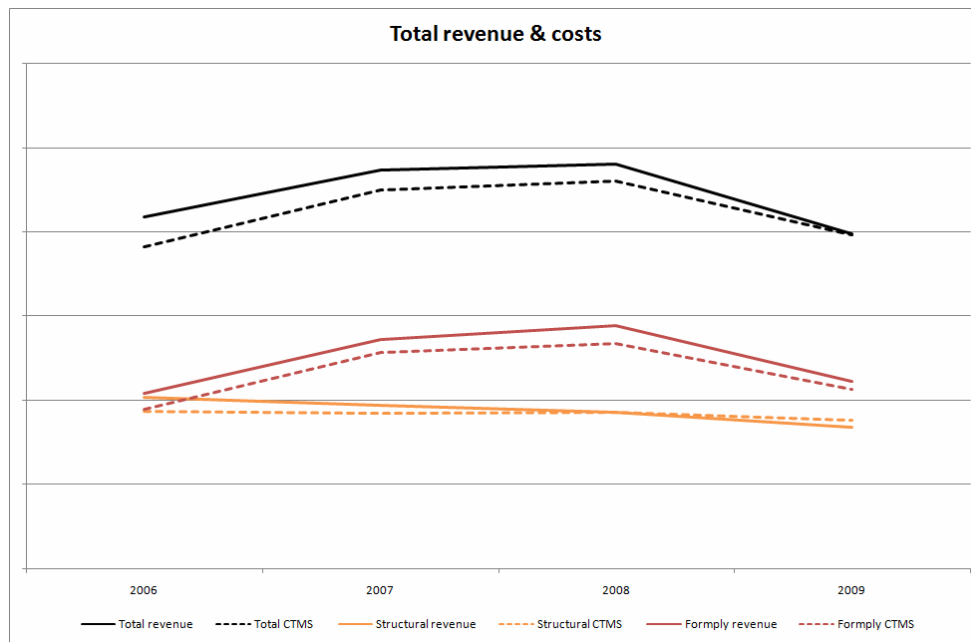
The size of the Australian market fell each year over the period examined. The Australian industry and undumped imports increased their market share, but the market share of dumped imports fell.

PUBLIC FILE VERSION

9.5 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases for the applicants' product, which otherwise would have occurred, have been prevented; an indicator of price suppression may be if the margin between revenues and costs falls.

Movements in total and unit revenues and costs are illustrated in the following charts.



Total revenue fell in 2009 to a level below that achieved in 2006.

Unit revenues rose in 2007 and 2008, but were stable in 2009. The applicants did not suffer price depression.

PUBLIC FILE VERSION

The margin between unit revenues and unit costs fell. The margin between total revenue and total cost also fell. The applicants suffered price suppression.

9.6 Price undercutting

9.6.1 Price undercutting methodology

As noted in section 7.5, the majority of both locally produced and imported plywood is sold to distributors. The price undercutting analysis compares the Australian industry's and exporters' prices to those distributors.

The applicants provided their sales data on a transaction by transaction basis. For each transaction this data identified, amongst other things, the customer, date of sale, type of plywood, quantity and value. For each applicant, the weighted average monthly into store prices were calculated for each type of plywood. Using the weighted average prices for each applicant, simple average monthly prices were calculated for the Australian industry.

Arauco and Samling provided transaction by transaction details of all exports to Australia during the investigation period. This data identified, amongst other things, the customer, date of invoice, type of plywood, quantity and value. Amounts were added for ocean freight, where applicable, and all into store costs using data verified during visits to importers. Weighted average monthly into store prices were calculated for each type of plywood by customer. Customs and Border Protection's import data base indicated that the date of arrival was approximately one month after the invoice date. Import prices invoiced in a particular month were compared with the Australian industry's prices in the following month.

Following visits to importers, the type of plywood exported by some Brazilian and Chilean exporters was identified. In some cases the type of plywood was not comparable with plywood sold by the Australian industry, such as packing grade plywood, and these prices were not used in the price undercutting analysis. Weighted average monthly into store prices were calculated using the declared Customs values and amounts for ocean freight, where applicable, and all into store costs were added using data verified during visits to importers. Prices invoiced in a particular month were compared with the Australian industry's prices in the following month.

In respect of a Chinese exporter of formply, the Australian importer's selling prices were used less an estimated margin for the importer.

For other exporters, into store prices for individual transactions verified during importer visits were used where the type of plywood was comparable with plywood sold by the Australian industry.

Prices for three types of plywood have been compared:

- flooring, CD and DD plywood;
- bracing plywood; and
- formply.

PUBLIC FILE VERSION

9.6.2 Flooring, CD and DD plywood prices

In respect of flooring, CD and DD plywood, in most months prices for plywood from Malaysia were above the applicants prices. In three months the price of Malaysian plywood was marginally below the applicants' prices and one shipment was identified where the into store price was about 25% below the applicants prices.

The price of plywood from Arauco was well below the applicants' prices throughout the period examined. Prices for plywood exported during the first half of the investigation period were about 20% below the applicants' prices, while prices for plywood exported in the second half of the investigation period were about 35% lower.

Price undercutting by Brazilian and Chinese plywood was of a similar magnitude to price undercutting by Arauco plywood.

Prices for New Zealand plywood were marginally below the Australian industry's prices throughout the period examined.

9.6.3 Bracing plywood prices

The main source of 4 mm hardwood bracing plywood was Malaysia. Most prices, when expressed in price per cubic metre, were above the Australian industry's prices. One shipment was identified where the into store price was below the applicants prices. However when expressed in price per square metre, prices for imported 4 mm hardwood bracing plywood were well below the Australian industry's prices for the 7 mm softwood bracing plywood.

Bracing plywood was also imported from New Zealand. Prices for New Zealand bracing plywood were comparable with the applicants' average prices.

9.6.4 Formply prices

The main source of formply was also Malaysia. Prices for Malaysian formply exported in the first half of the investigation period were 10% to 15% below the applicants' prices, but this margin was reduced over the next few months and in the last two months Malaysian prices were higher than the applicants' prices.

The next largest source of formply was China. Most estimated prices for Chinese formply were of the order of 20% below the applicants' prices. However, prices for a number of individual transactions were up to 60% below the applicants' prices.

Only a small quantity of formply was sourced from Brazil and Chile. Prices for Brazilian formply were about 20% below the applicants' prices, by prices for Chilean formply were up to 40% lower.

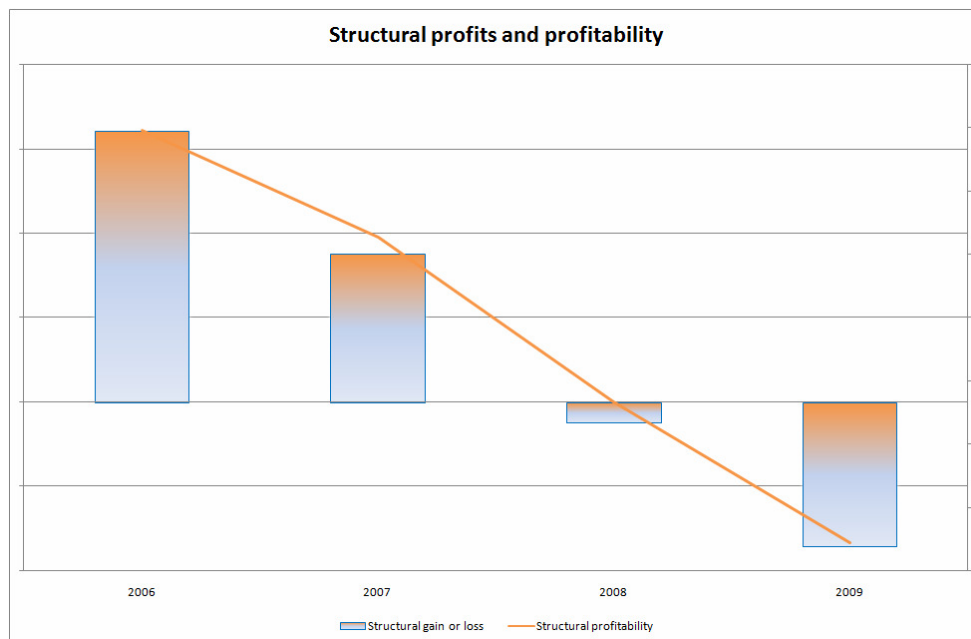
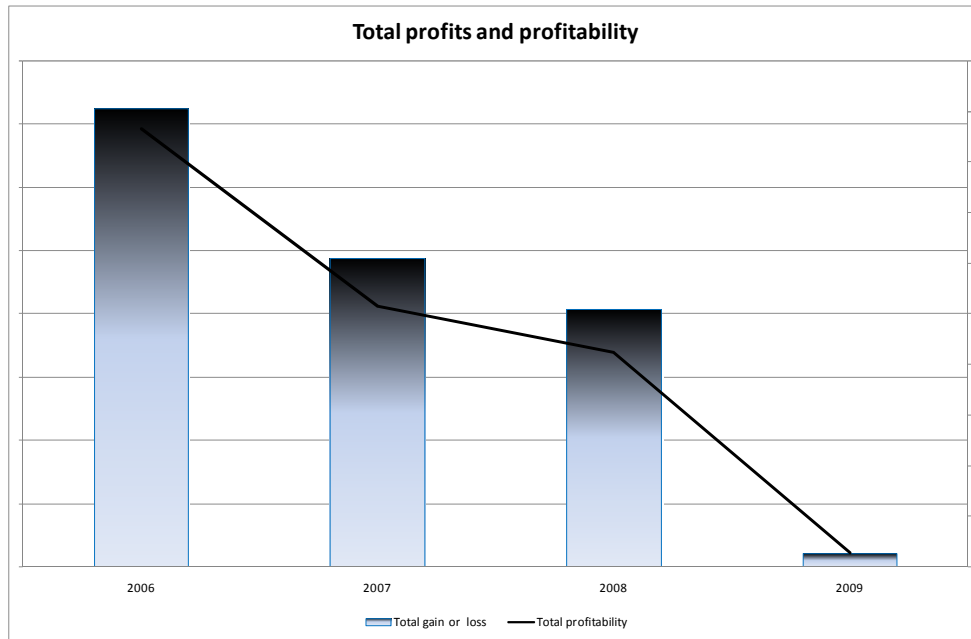
9.6.5 Conclusion

The price of plywood imported from the nominated countries undercut the applicants' prices.

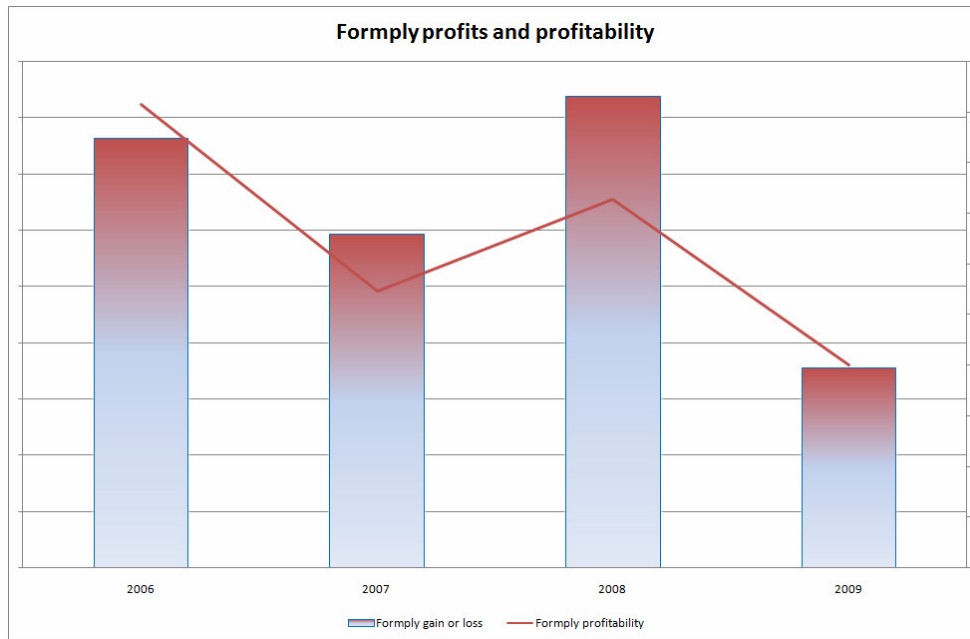
PUBLIC FILE VERSION

9.7 Profit and profitability effects

Movements in profits and profitability are illustrated in the following charts.



PUBLIC FILE VERSION



Total profits and profitability fell each year over the period examined. Structural plywood profits and profitability also followed this trend. Formply profits and profitability fell in 2007, rose in 2008, but fell in 2009 to levels below those achieved in 2007.

The Australian industry's profits and profitability fell.

9.8 Other economic factors

9.8.1 Assets

Movements in the value of assets relevant to the production of plywood varied between the applicants. Movements in the value of assets neither supports nor negates its view of the volume, price and profit injury experienced by the Australian industry.

9.8.2 Capital investment

Movements in capital investment relevant to the production of plywood varied between the applicants. Capital investment by the Australian industry increased over the period examined. This is attributed to an upgrade undertaken by one of the applicants.

9.8.3 Research and development

Research and development expenditure was not separately identified by two of the applicants, while the other did not incur any research and development expenditure. The applicants claimed that there is less commitment to research and development expenditure when confidence is low.

PUBLIC FILE VERSION

9.8.4 Return on investment

Return on investment by the applicants relevant to the production of plywood decreased during the period examined.

9.8.5 Capacity and capacity utilisation

Capacity remained relatively stable during the period examined. Capacity utilisation fell in 2009 as a result of falling sales volumes.

9.8.6 Employment

Employment fell in 2009 as a result of reduced production volumes.

9.8.7 Productivity

Data provided by the applicants indicates productivity levels have not changed significantly during most of the period examined, although productivity fell in 2009.

9.8.8 Stocks

Data provided by the applicants indicates that stock levels varied over the period examined.

9.8.9 Cash flow measures

The applicants provided limited information in respect of movements in cash flow measures.

9.8.10 Wages

Movements in wages reflected movements in employment.

9.8.11 Conclusion

Other economic factors support the applicants' claims of reduced attractiveness to reinvest, deteriorating returns on investment, reduced employment and reduced productivity.

9.9 Conclusion – economic condition of the industry

Based on an analysis of the information contained in the application and verified during visit to the applicants, the Australian industry suffered injury in the form of:

- reduced sales revenue;
- reduced sales volume;
- price suppression;
- reduced profits and profitability;
- reduced attractiveness to reinvest;
- deteriorating returns on investment;
- reduced employment; and
- reduced productivity.

PUBLIC FILE VERSION

The Australian industry did not suffer injury in the form of reduced market share or price depression.

PUBLIC FILE VERSION

10 HAS DUMPING CAUSED MATERIAL INJURY

10.1 Findings

Dumping did not cause material injury to the Australian industry. The main cause of injury to the Australian industry is considered to be as a result of the global financial crisis and imports of undumped plywood exported from Chile New Zealand and Malaysia.

10.2 Introduction

Customs and Border Protection has established that the majority of plywood exported from Chile and Malaysia to Australia was not dumped, or if it was the volumes were negligible. It found that plywood exported from Brazil and China was dumped. Therefore, any injury attributable to dumping could only be caused by plywood from Brazil and China.

10.3 Volume considerations

The market share held by imports from China rose in 2007, was almost halved in 2008 and fell a further two percentage points in 2009 to a little over 5%. The market share held by imports from Brazil increased from 2006 to 2008, but fell in 2009, accounting for about 5% of the market.

The market share held by imports from Chile increased each year and in 2009 accounted for over 10% of the market. The market share held by imports from Malaysia also increased each year and in 2009 also accounted for over 10% of the market. The market share held by imports from other countries fell each year and in 2009 accounted for less than 10% of the market (not including Carter Holt Harvey's imports from New Zealand).

The major import competition for softwood structural plywood (including non-certified structural plywood) came from Chile and New Zealand. The majority of imports from these countries were structural plywood, although imports during the investigation period from Chile were not certified to the Australian standards.

The major import competition for formply comes from Malaysia and to a lesser extent China. Chinese exporters were generally of a smaller scale in comparison to exporters from Malaysia.

A wide variety of other types of plywood were imported from China, ranging from high grade marine grade Okoume plywood to low grade plywood used for packaging.

Injury suffered by the Australian industry is attributed to the large volume of undumped plywood from Chile, New Zealand and Malaysia.

10.4 Prices considerations

The large volumes of structural plywood exported from Chile were exported at prices which significantly undercut the applicants' prices. Structural plywood from New

PUBLIC FILE VERSION

Zealand was also sold at prices below the applicants' prices. Some shipments of structural plywood from Brazil and China were at comparable prices to plywood from Chile. However, injury suffered by the Australian industry is attributable to the large volume of undumped plywood from Chile and New Zealand rather than the small volume of dumped plywood from Brazil and China.

Formply exported from Malaysia in the first ten months of the investigation period undercut the applicants prices. One importer sourced structurally certified formply from China at prices which undercut the applicants prices. However, data collected during importer visits suggests some film faced plywood imported from China had a lower quality finish and was not certified to Australian standards. It was claimed that this plywood was typically used in decorative applications and was not intended for use in structural applications. Only small volumes of formply were imported from Brazil and Chile. Injury suffered by the Australian industry is attributable to undumped formply from Malaysia rather than the relatively small volume of dumped formply from China, particularly considering the performance of the Australian industry in respect of formply profits and profitability discussed in section 10.5.

10.5 Profit considerations

Trends in the applicants profits and profitability in respect of formply differed from the trends in respect of structural plywood. Formply profits and profitability rose in 2008, with profits being higher than profits recorded in 2006. Customs and Border Protection notes that profits and profitability fell in 2009, but considers this could be largely attributable to the global financial crisis.

10.6 Other possible causes of injury

The global financial crisis has also affected the Australian plywood market. The market fell slightly in 2008, but fell more significantly in 2009. The Australian industry's sales fell and that there was also a fall in import volumes. However, the Australian industry marginally increased its market share in 2009 and imports from Chile and Malaysia increased their market shares at the expense of imports from other sources.

The main cause of injury to the Australian industry is considered to be as a result of the global financial crisis and imports of undumped plywood exported from Chile New Zealand and Malaysia.

10.7 Issues raised in responses to the statement of essential facts

10.7.1 Chile

Arauco raised the following issues:

- the Australian industry did not suffer material injury during the investigation period; and
- any injury suffered by the Australian industry cannot be attributed to plywood exported to Australia by Arauco.

PUBLIC FILE VERSION

Material injury

Claim

Arauco claimed that the Australian industry did not suffer material injury.

Consideration

Section 9 of the statement of essential facts addressed the economic condition of the industry and concluded that the Australian industry suffered injury in various forms. This section did not address the degree of this injury or factors that may have caused the injury. Section 10 of the statement of essential facts addressed whether dumping caused material injury to the Australian industry in terms of s. 269TG.

Causation

Claim

Arauco claimed that undumped imports from Chile did not cause injury to the Australian industry. It claimed that if prices for Chilean plywood undercut the Australian industry's prices, Customs and Border Protection would have found that the Australian industry lost market share and suffered price depression. Arauco further claimed that cost increases resulted in the fall in the Australian industry's profits and profitability.

Consideration

Large volumes of low priced plywood from Chile contributed to the injury suffered by the Australian industry. However, as these imports were not dumped they could not have caused material injury to the Australian industry in terms of s. 269TG.

10.7.2 Brazil and China

Causation

Claim

The Australian industry claimed that dumping margins determined for Brazil and China were significant, that the market share held by imports from these sources was 10% and that prices for Brazilian and Chinese plywood undercut the Australian industry's prices.

Consideration

The investigation found that:

- the market share held by imports from Brazil and China fell in 2009;
- the market share held by imports from Chile and Malaysia increased each year;
- there has been a surge in imports in the first six months of 2010, but these have predominately been from Chile, Indonesia, Malaysia and New Zealand;

PUBLIC FILE VERSION

- the proportion of imports from Brazil has fallen and the proportion from China has remained stable;
- the major import competition for softwood structural plywood (including non-certified structural plywood) came from Chile and New Zealand;
- the major import competition for formply comes from Malaysia and to a lesser extent China;
- the large volumes of structural plywood exported from Chile were exported at prices which significantly undercut the Australian industry's prices;
- structural plywood from New Zealand was also sold at prices below the applicants' prices;
- formply exported from Malaysia in the first ten months of the investigation period undercut the applicants prices;
- one importer sourced structurally certified formply from China at prices which undercut the applicants prices;

Dumped imports of plywood from Brazil and China did not cause material injury to the Australian industry producing like goods. The main cause of injury to the Australian industry is considered to be the imports of undumped plywood exported from Chile, New Zealand and Malaysia and the global financial crisis.

10.8 Findings

A preliminary finding was made that dumping did not cause material injury to the Australian industry. No evidence has been presented to warrant changing this preliminary finding.

PUBLIC FILE VERSION

11 TERMINATION

The delegate is satisfied that exports of plywood from Brazil to Australia have not caused material injury to the Australian industry. In accordance with s. 269TDA(13) the investigation is terminated so far as it relates to Brazil.

The delegate is satisfied that there has been no dumping by Arauco. In accordance with s.269TDA(1) the investigation is terminated so far as it relates to Arauco.

The delegate is satisfied that there has been no dumping by residual Chilean exporters. In accordance with s.269TDA(1) the investigation is terminated so far as it relates to residual Chilean exporters.

The delegate is satisfied that there has been negligible dumping by Chilean selected non-cooperative exporters. In accordance with s.269TDA(1) the investigation is terminated so far as it relates to Chilean selected non-cooperative exporters.

The delegate is satisfied that exports of plywood from Brazil and China to Australia have not caused material injury to the Australian industry. In accordance with s. 269TDA(13) the investigation is terminated so far as it relates to China and Brazil.

The delegate is satisfied that there has been no dumping by Samling. In accordance with s.269TDA(1) the investigation is terminated so far as it relates to Samling.

The delegate is satisfied that there has been no dumping by residual Malaysian exporters. In accordance with s.269TDA(1) the investigation is terminated so far as it relates to residual Malaysian exporters.

The delegate is satisfied that the volume of exports by Malaysian selected non-cooperative exporters is negligible. In accordance with s.269TDA(3) the investigation is terminated so far as it relates to Malaysian selected non-cooperative exporters.