Australian Government

Australian Customs and Border Protection Service

CUSTOMS ACT 1901 - PART XVB

TRADE MEASURES BRANCH

STATEMENT OF ESSENTIAL FACTS NUMBER 156

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

21 June 2010

1 CONTENTS

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
Gunnersen	Gunnersen 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

3 SUMMARY AND RECOMMENDATIONS

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 plywood[1] (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 Preliminary findings

Customs and Border Protection has made the following preliminary 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.

Provided that no new information is put to Customs and Border Protection that would establish that dumping has caused, or threatens to cause, material injury to the Australian industry, Customs and Border Protection proposes to terminate the anti-dumping investigation in relation to plywood exported to Australia from Brazil, Chile, China and Malaysia.

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

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.

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.

For this investigation, the Attorney-General granted a 90 day extension to the date by which the statement of essential facts must be placed on the public record. This statement of essential facts is now due on or before 21 June 2010.

3.3 Preliminary findings and conclusions

Customs and Border Protection has made the following preliminary findings and conclusions based on available information at this stage of the investigation:

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.

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)

Exports of plywood from Brazil and China at dumped prices did not cause material injury to the Australian industry.

4 BACKGROUND

4.1 Introduction

On 26 October 2009, Boral Plywood, 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. In this case the relevant Minister is the Attorney-General. On 9, 11, 19 and 20 November 2009, the applicants provided further information in support of their application. As a result, the 20 day period for considering the application restarted.

Following an examination of the application, the delegate decided not to reject the application and an investigation into the alleged dumping of plywood exported to Australia from Brazil, Chile, China and Malaysia 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.

There have been no previous investigations into plywood by Australian anti-dumping authorities.

The investigation period was 1 October 2008 to 30 September 2009. The economic performance of the Australian industry was examined from 2006.

4.2 Responding to this statement of essential facts

This statement of essential facts sets out the essential facts on which Customs and Border Protection proposes to rely. It represents an important stage in the investigation as it informs interested parties of the facts established and allows them to make submissions in response to the statement of essential facts. It is important to note that the statement of essential facts may not represent the final views of Customs and Border Protection.

Interested parties have 20 days to respond to this statement of essential facts. Responses to this statement of essential facts should be received by Customs and Border Protection no later than **12 July 2010**. Customs and Border Protection is not obliged to have regard to any submission made in response to the statement of essential facts received after 12 July 2010.

Submissions should preferably be emailed to tmops1@customs.gov.au. Alternatively they may be sent to fax number +61 2 6275 6990, or posted to:

Director Operations 1
Trade Measures Branch
Australian Customs and Border Protection Service
5 Constitution Avenue
CANBERRA ACT 2601
AUSTRALIA

PUBLIC RECORD

Confidential submissions must be clearly marked accordingly and a non-confidential version of any submission is required for inclusion on the public record. A guide for making submissions is available at the Customs web site (follow the links to: Anti-Dumping > Reference Material > Guidance for Submissions).

The public record contains non-confidential submissions by interested parties, the non-confidential versions of Customs and Border Protection visit reports and other publicly available documents. It is available by request in Canberra (phone 02 6275 6547) or online at http://adpr.customs.gov.au/Customs/. This statement of essential facts should be read in conjunction with documents on the public record.

5 THE GOODS AND LIKE GOODS

5.1 Preliminary finding

Based on the information in the application and obtained from visits to the applicants, importers and exporters, Customs and Border Protection considers that locally produced plywood are like goods to the goods the subject of the application.

5.2 The goods

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 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).

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.

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.

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.

Customs and Border Protection notes that tariff concession orders apply to certain door skins imported under tariff subheadings 4412.31.00 and 4412.39.00.

5.3 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;
- 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.

5.4 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.

5.4.1 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.

5.4.2 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;
- 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.

5.4.3 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.

5.4.4 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.

5.4.5 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 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.

6 AUSTRALIAN INDUSTRY

6.1 Preliminary finding

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.

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 Preliminary finding

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 imports were the nominated counties, 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.

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.

8 DUMPING INVESTIGATION

8.1 Preliminary 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 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

- 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 - Arauco

8.4.1 Export prices

Arauco was the exporter of the goods and exported plywood to a number of Australian customers. These customers are considered to be the importers. Sales between Arauco and the Australian importers were arms lengths transactions. Export prices for Arauco were calculated using the price paid or payable by the importers less ocean freight expenses where applicable.

8.4.2 Normal values

Arauco sold like goods on the domestic market during the investigation period in what were found to be arms length transactions. It categorised the plywood sold domestically and exported to Australia into 14 grades.

In relation to 12 of the grades of plywood exported to Australia, there was a sufficient volume of sales in the domestic market that were arms length and sold at prices that were in the ordinary course of trade. Arauco's domestic sales of these products were used for establishing normal values. Adjustments 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.

In relation to the other two grades of plywood exported to Australia, there was an insufficient volume of sales in the domestic market that were arms length and sold in the ordinary course of trade. Normal values for these grades were established using the cost of manufacture of the exported goods plus amounts for selling, general and administrative (SG&A) expenses associated with domestic sales of like goods and a profit margin. The profit margin was that achieved on all domestic sales of like goods that were in the ordinary course of trade.

The constructed normal values incorporate the following adjustments 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.

8.4.3 Dumping margin

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 Arauco was minus 3.2%.

8.4.4 Submissions in response to the Arauco exporter visit report

The applicants made submissions in response to the Arauco visit report on 11 and 16 June. Customs and Border Protection has had insufficient time to consider and address the matters raised in these submissions in this statement of essential facts. Issues raised in these submissions will be addressed in Customs and Border Protection's final report.

8.5 Chile – Residual exporters

8.5.1 Export prices

Sufficient information is not available to enable export prices of plywood exported to Australia from Chile by the residual exporters to be determined under s. 269TAB(1)(a), (b) or (c).

For these residual exporters, export prices were determined after having regard to all relevant information, being by reference to FOB export prices determined for Arauco.

8.5.2 Normal values

Sufficient information is not available to enable the normal value of plywood exported to Australia from Chile by the residual exporters to be determined under s. 269TAC(1) or (2).

For these residual exporters, normal values were determined 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.

8.5.3 Dumping margin

For the residual exporters, 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%.

8.6 Chile – selected non-cooperating exporters

8.6.1 Export prices

Sufficient information has not been furnished to enable export prices of plywood exported to Australia from Chile by selected non-cooperating exporters to be determined under s. 269TAB(1)(a), (b) or (c).

For these selected non-cooperating exporters, Customs and Border Protection determined export prices 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

8.6.2 Normal values

Sufficient information is not available to enable the normal value of plywood exported to Australia from Chile by selected non-cooperating exporters to be determined under s. 269TAC(1) or (2).

For these selected non-cooperating exporters, normal values were determined after having regard to all relevant information, the normal values of plywood by reference to normal values determined for Arauco less any favourable adjustments.

8.6.3 Dumping margin

For Chilean selected non-cooperating exporters, 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 selected non-cooperating exporters from Chile to Australia is 1%.

8.7 China

8.7.1 Export prices

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

- Amerind;
- Australian Wood Panels;
- Green Panel Pty Ltd;

- Gunnersen; 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.

8.7.2 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.

8.7.3 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%.

8.8 Malaysia – Samling

8.8.1 Introduction

Samling was selected for detailed verification and was asked to complete an exporter questionnaire. Customs and Border Protection received separate exporter questionnaire responses from Samling Bintulu and Samling Baramas. Samling Bintulu and Samling Baramas are members of Samling Global Ltd group.

Samling Bintulu and Samling Baramas exported plywood from Malaysia during the investigation period. Customs and Border Protection amalgamated the data provided by Samling Bintulu and Samling Baramas to produce a combined normal value, export price and dumping margin. This issue was considered by a World Trade Organisation dispute settlement panel dealing with *Korea – Anti-Dumping Duties on Imports of Certain Paper from Indonesia*. Samling Bintulu and Samling Baramas are collectively referred to as Samling in this report.

8.8.2 Export prices

The producers, Samling Bintulu and Samling Baramas are considered to be the exporters of the goods. A related company, Australian Wood Panels was the importer. Sales between Samling and Australian Wood Panels were arms lengths transactions. Export prices for Samling were calculated using the price paid or payable by the importer less ocean freight expenses where applicable.

8.8.3 Normal values

Samling sold like goods on the domestic market during the investigation period in what were found to be arms length transactions.

In relation to speciality grades of plywood exported to Australia, there was a sufficient volume of sales in the domestic market that were arms length and sold at prices that were in the ordinary course of trade. Samling's domestic sales of these products were used for establishing normal values. Adjustments 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, there was an insufficient volume of sales in the domestic market that were arms length and sold in the ordinary course of trade. Normal values for these grades were established using the cost of manufacture of the exported goods plus amounts for selling, general and administrative (SG&A) expenses associated with domestic sales of like goods.

In the exporter visit report, a margin for profit was not included in establishing these normal values as overall domestic sales of these grades of plywood were not in the ordinary course of trade. On review, a margin for profit has been included because there was an insufficient volume of domestic sales that were in the ordinary course of trade.

Samling submitted that because normal values were constructed because of the operation of s. 269TAAD, there should be no inclusion of a profit component. However, it suggested that if a profit component was included it should be based on the profit achieved on those grades of plywood for which normal values were constructed that were sold in the ordinary course of trade.

The applicants suggested using a rate of profit in the range of 15% to 18%. They estimated this rate using data obtained from a 2007 Samling Global Limited prospectus.

The data obtained from the prospectus is considered to be the most relevant for determining a rate of profit, even though the gross profit figures referenced in the prospectus were based on 95% of export revenue. A profit rate of 16.5% has been used.

The constructed normal values incorporate the following adjustments 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.

8.8.4 Dumping margin

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%.

8.8.5 Submissions in response to the Samling exporter visit report

The applicants made submissions in response to the Samling visit report on 13 and 21 May 2010. Samling responded to these submissions on 25 May 2010. The applicants' made further submission on 10 and 16 June 2010.

8.8.5.1 Approach to calculation of the product dumping margin

Applicants' concern

In view of the significant movements in exchange rates during the investigation period, the applicants claimed that Customs and Border Protection should determine dumping margins quarterly, or more appropriately two monthly.

Customs and Border Protection's view

Customs and Border Protection's policy is to calculate a product dumping margin using the weighted average method over the whole of the investigation period. In this case, for each type of plywood the total normal value was calculated by summing for each export transaction the corresponding monthly normal value multiplied by the export volume for that transaction. The total normal value was compared with the total export value to determine a dumping margin for each type of plywood. The product margin was calculated by aggregating the dumping margins for each type of plywood. In this process the actual prevailing exchange rates applicable to each monthly matching period were taken into account.

8.8.5.2 Like goods

Applicants' concern

The applicants claimed that plywood sold on the domestic market are not like goods to plywood exported to Australia and normal values cannot be determined using domestic selling prices. They stated that plywood exported to Australia is made to the Australian standard and as such requires a different level of quality.

Samling's response

Samling stated that notwithstanding the fact that plywood exported to Australia must meet certain Australian standards, the plywood sold in the Malaysian domestic market by Samling were like goods to the plywood of the same category exported to Australia.

Customs and Border Protection's view

Normal values for certain types of plywood were calculated using domestic sales and were constructed for other types. The following points are considered to be relevant to the calculation of normal values.

- Domestic sales of plywood accounted for only a small proportion of total sales of plywood.
- The majority of domestic sales of plywood were of a grade that was not exported to Australia and these sales were not in the ordinary course of trade.
- During the visit Samling asserted that the same species of logs were used in the production of plywood for both domestic and export sales and claimed that no low cost species, such as logs from rubber trees, were used in the production of plywood. The investigation team found no evidence to contradict this statement.
- The applicants stated in their submission of 18 March 2010 that plywood manufacturers incur a one-off expense associated with setting up a quality process to be able to manufacture plywood to the Australian standards. It stated that this one-off cost is not particularly onerous and producing to the Australian standards is not a financial burden.
- Domestic sales of certain types of plywood were in sufficient volume and in the ordinary course of trade and were used to establish normal values. These were speciality grades of plywood constructed for very specific applications and only represented a relatively small volume of export sales.
- Domestic sales of other types of plywood that were in the ordinary course of trade were not in sufficient volumes to establish normal values. Normal values for these types of plywood were constructed using the cost of production of the exported goods as the basis.

Customs and Border Protection remains satisfied that the methodology used to establish normal values in the visit report is appropriate.

8.8.5.3 Treatment of Samling Bintulu and Samling Baramas as a single exporter

Applicants' concern

The applicants stated that caution is required where two or more entities data for a range of products are averaged across the investigation period.

Samling's response

Samling stated that the approach adopted by Customs and Border Protection was in accordance with World Trade Organisation jurisprudence and has no impact on the dumping status of Samling's exports.

Customs and Border Protection's view

Dumping margins calculated for Samling Bintulu and Samling Baramas individually were negative.

8.8.5.4 Verification methodology

Applicants' concern

The applicants do not consider that the verification of a manufacturing statement and summary data is sufficient or acceptable for the purposes of substantiating whether all costs and expenses associated with the production and manufacture of goods exported to Australia have been included in the information provided by Samling.

Samling's response

Samling stated that the investigation team thoroughly checked the veracity of Samling's management accounts against which it verified certain data.

Customs and Border Protection's view

The management accounts provided by Samling Bintulu and Samling Baramas were data dumps into Excel from each company's financial system. These accounts summarised monthly revenue and expenditure. The management accounts for 2008-09 were verified to the audited financial statements. The management accounts for the investigation period included nine months of data verified to the audited financial statements. Data for the remaining three months was extracted from Samling Bintulu's and Samling Baramas' financial system.

The management accounts identify individual expense items such as log usage, glue, film and various factory overhead expense items. Selected expense items were verified to source documents.

The veracity of the verification of Samling's revenues and costs was comparable to the verification of the Applicant data.

8.8.5.5 Samling's financial year

Applicants' concern

The applicants observed that Customs and Border Protection verified cost data for the September quarter 2009, but that the latest audited accounts were for the 12 months ending 30 June 2009. They claimed that Customs and Border Protection should also have verified data for the December quarter 2008 or the March quarter 2009 in view of significant movements in exchange rates.

Samling's response

Samling stated that the investigation team thoroughly checked the veracity of Samling's management accounts against which it verified certain data.

Customs and Border Protection's view

The investigation team verified data in Samling Bintulu's and Samling Baramas' 2008-09 management accounts to their audited financial statements for 2008-09. It was satisfied that the management accounts could be relied upon to verify data in the exporter questionnaire responses.

The September quarter 2009 was selected for detailed verification. During this detailed verification, the investigation team did not identify any discrepancies or anomalies and therefore accepted the data submitted in the exporter questionnaire responses.

Direct material costs were the most significant components of the cost to make and sell. Samling provided log input and log purchases summaries for Samling Bintulu for each month of the investigation period. These costs were verified to the management accounts.

Data provided by Samling in their exporter questionnaire responses was adequately verified.

Movements in exchange rates would not have significantly affected Samling's costs as the majority of purchases are in local currency.

8.8.5.6 Verification of log prices

Applicants' concern

The applicants provided estimates of the prices for timber that were significantly higher than the prices verified during the verification visit to Samling. They claimed that Customs and Border Protection has not sought to challenge Samling on its prices which the applicants claim appear to be at levels substantially below prevailing market prices in Malaysia. The applicants also stated that the visit report provided no evidence that third party purchase prices for logs are representative of prevailing Malaysian market prices for logs.

The applicants also provided information from the 2007 Samling Global Limited prospectus. It is claimed that the weighted average price of US$162.42 per cubic metre for hardwood log sales in the three months to September 2006 supports their estimates of log prices. They claimed that the log prices verified during the exporter visit are unreliable and should not be used in constructing normal values.

The applicants also refer to a graph in an independent technical report attached to the Samling Global Limited prospectus. They claim that this graph was prepared by an independent expert using log prices at market rates to establish the cost competitiveness of Samling's plywood businesses.

The applicants requested that log prices sourced from the International Tropical Timber Organisation (ITTO) be substituted for Samling's log costs when constructing normal values.

Samling's response

Samling stated that the applicants asserted that Samling's log costs were unacceptable on the premise they did not match publicly available information on certain websites. Samling stated that it has serious concerns with the accuracy of ITTO price reports and questions the source of ITTO price information. It pointed out that ITTO price reports consistently reports meranti prices at higher levels than keruing when it is common knowledge that keruing has a premium over meranti.

Samling stated that it appears that the applicants used export prices for logs when constructing Samling's normal values and dumping margin. It stated that Malaysian log export prices do not reflect local market prices of milling grade logs used in Malaysian production of plywood for export or domestic consumption.

Samling stated that there are certain high priced hardwood species produced in Malaysia which are not suitable nor economically feasible for plywood production. It claimed it is possible that prices of these species have been wrongly taken into account by the applicants in their construction of normal values.

Customs and Border Protection's view

Customs and Border Protection has obtained information on prices for logs purchased from related parties, Samling's own concessions and third parties. 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. These were significantly lower than prices estimated by the applicants.

Samling advised that the third parties from which they sourced logs had no common shareholding or management with companies in the Samling group and that Samling had no control over these companies. The annual report for Samling Global Limited was reviewed and no reference was found to any of the third party suppliers used by Samling.

The applicants constructed selling prices using log prices from the Indiaplywood website. They have since provided information from ITTO market reports that support these Malaysian log prices. Samling was asked to explain the difference between the verified prices and those estimated by the applicants. Samling could not explain why the applicants' estimates were so high.

The Samling Global Limited 2009 annual report identified the weighted average price for log sales in the 2008-09 financial year. The price for domestic hardwood log sales was US$78.62 per cubic metre, while the price for export hardwood log sales was US$174.26 per cubic metre.

The log prices quoted by the applicants from the Samling Global Limited prospectus are for export sales of hardwood logs. The prospectus also quotes a weighted average price of US$86.79 per cubic metre for domestic sales of hardwood logs and US$84.45 for internal log sales. The prospectus explains that internal log sales reflects the sales value of logs consumed within the Samling Global group for purposes of manufacturing wood products such as sawn timber, plywood and veneer. Customs and Border Protection considers it relevant that the difference in prices for domestic sales of hardwood logs and for internal log sales were immaterial.

Customs and Border Protection further notes that the prospectus offers some explanation of the difference in export and domestic log prices. The prospectus states that log prices fluctuate according to supply and demand on the open market and that rapid economic growth in China and India has led to a greater demand for raw materials from the construction and building sectors from those countries. It also stated that there has been a decline in log exports from Indonesia. The prospectus states the weighted average price for logs is also affected by the mix of species, sizes, quality and grade; the weighted average price of export sales of hardwood logs was US$104.79 in 2004 compared with US$64.25 for domestic sales of hardwood logs and US$74.07 for internal log sales. It also states that the average costs of harvesting, transport and loading export logs was higher than the overall weighted average, with the bulk of the variance lying in the royalty rates.

The graph in the independent technical report referred to by the applicants depicts the cost of wood in finished plywood rather than the cost of logs put into production. Customs and Border Protection notes that this report states that:

- Samling has adequate wood supply at low cost;
- Samling's operations compare favourably with the competitive position of other hardwood tropical plywood producers; and
- logs for Samling Bintulu come from third party sources as well as from internal sources.

Customs and Border Protection will only consider disregarding and/or substituting an exporter's costs where the costs are deemed unreliable or Customs and Border Protection is satisfied that the costs do not reasonably reflect competitive market costs. Given that third party log prices paid by Samling are representative of market prices for logs in the Malaysian domestic market, Customs and Border Protection sees no justification for substituting ITTO hardwood log prices for Samling's log costs when constructing normal values.

8.8.5.7 Prices for logs sourced internally or from related parties

Applicants' concern

The applicants stated that Customs and Border Protection has not established that logs acquired from Samling's own concessions or purchased from related parties represent the fully absorbed cost of production.

Customs and Border Protection's view

Purchases of logs from related parties have been verified to supplier invoices. The cost of logs from Samling's own concessions included all relevant cost components, including royalties, premiums, harvesting fees, transport charges and administration fees.

A comparison of prices for logs from the various sources showed that prices from related parties were always higher than prices from third parties and prices from third parties were comparable with the price of logs from Samling's own concessions. Therefore prices paid by Samling for logs from all sources are representative of market prices.

The Trade Measures Brach Dumping and Subsidy Manual notes that, in respect of purchases from related parties, in order to ensure that the cost of an input from an associate is reasonable, the normal market cost of such an input is taken into account, rather than seeking costing information.

The approach adopted is both reasonable and in accordance with Customs and Border Protection's usual practice.

8.8.5.8 Prices for different species

Applicants' concern

The applicants claimed that Customs and Border Protection does not appear to have made a correlation between the log species purchased and the allocation of the grossed up veneer value to the plywood.

Customs and Border Protection's view

Prior to the visit, Samling was advised that the cost of plywood by type would be needed. Although the original exporter questionnaire responses included a single cost for all plywood, Samling stated that that they collected costs for the various species of timber they purchased.

In respect of Samling's log usage, it was possible to identify the quantity and value of each species purchased through the log usage summary and inventory accounts. Samling calculated log pricing factors for each species and used this to estimate the wood cost in the different types of plywood. The calculations were reviewed and adjusted where necessary. It was concluded that the costs for each type of plywood were reasonable.

8.8.5.9 Use of low value logs

Applicants' concern

Prior to the visit, the applicants requested that Customs and Border Protection identify any rubber wood used in the manufacture of plywood. Since the verification visit they have provided a list prepared by the Malaysian timber industry on over 30 species of timber suitable for plywood manufacture. The applicants stated that there is no indication that Customs and Border Protection investigated the strength, grade and durability of logs and ensured that the cost of the strong, durable and expensive species are properly allocated to the product destined for the Australian market.

Customs and Border Protection's view

The majority of plywood produced by Samling is exported. Samling identified the species used in the manufacture of plywood. Log prices are determined for each species and size and that for purchases from related parties the logs are further categorised by grade. Samling calculated log pricing factors for each species and used this to estimate the wood cost in the different types of plywood.

During the visit Samling asserted that the same species of logs were used in the production of plywood for both domestic and export sale and claimed no low cost species, such as logs from rubber trees, were used in the production of plywood. No evidence was found to contradict this statement.

8.8.5.10 SG&A expenses

Applicants' concern

The applicants claimed that Customs and Border Protection's acceptance of costs associated with SG&A expenses was inadequate.

Samling's response

Samling stated that SG&A expenses against were verified against its audited financial and management accounts.

Customs and Border Protection's view

The investigation team used SG&A expenses from the management accounts, which had been verified to the audited financial statements. It examined each expense category to determine if it should be included. For example, it was noted that the majority of purchases were in local currency and that the foreign exchange gains and losses related to export sales. It did not include foreign exchange gains and losses in calculating the cost to make and sell plywood on the domestic market.

8.8.5.11 Foreign exchange gains and losses

Samling's concern

Samling claimed that foreign exchange gains and losses are a financial cost of doing business and should be equally allocated to domestic and export sales in cost to make and sell calculations.

Customs and Border Protection's response

Foreign exchange gains and losses were not included in calculating the cost to make and sell plywood for the purpose of conducting the ordinary course of trade test and for constructing normal values.

Following is an extract from Customs and Border Protection's Dumping and Subsidy Manual.

Treatment of non-operational income and expenses

Customs will examine the extent to which each non–operating income/expense item is associated with the production, or manufacture, and sale of the goods, for the investigation period. Having established those income/expense items considered reasonably associated with the production, or manufacture, and sale of the goods, Customs will allocate an amount for such items when determining costs for the purpose of constructed normal values and ordinary course of trade tests.

Where applicable, Customs will:

- *allocate the net transaction foreign exchange gains/losses to the goods on a reasonable basis;*
- *generally allocate the net translation foreign exchange gains/losses to the goods on a reasonable basis;*
- *generally not allocate any amount in respect of realised or unrealised foreign exchange income/expense items specific to accounts receivable, as these will often relate only to exports.*

The majority of materials used in the manufacture of plywood were sourced locally and it was considered that foreign exchange gains and losses related to export sales. This is not considered a dangerous precedent as it clearly relates to this particular case and the manual indicates that in other circumstances these expenses would be included in the cost to make and sell.

The inclusion or exclusion of foreign exchange losses has not material bearing on the findings in respect of Samling.

8.8.5.12 Public file version of the exporter visit report

Applicants' concern

The applicants claim that there are a number of deletions from the public file version of the Samling visit report that prevent the reader from understanding whether Customs and Border Protection has been provided with the relevant information. They claim certain deletions are not confidential to Samling and other deletions are not justified.

The applicants request that Customs and Border Protection require Samling to provide further information in respect of the following:

- the categories and grades of plywood exported to Australia;
- the categories and grades of plywood sold on the domestic market;
- the hardwood log type used in the production of the various categories of plywood;
- the log species used by Samling in plywood production;
- the categories of SG&A expenses; and
- a non-confidential description of Samling's pricing arrangements.

Samling's response

Samling stated that the information sought by the applicants is confidential and cannot be included in the public version of the report. It stated that the nature of the information requested is such that a non-confidential summary to allow a reasonable understanding of it cannot be made.

Customs and Border Protection's view

The Samling visit report contains sufficient detail to allow a reasonable understanding of the substance of the information.

8.8.5.13 Benchmarking Samling's costs

Applicants' concern

The applicants' claim that ratios in the Samling Global Limited prospectus can be used to benchmark the costs submitted by Samling. Particularly labour represents about 10% of the cost of sales, depreciation 13.9%, repairs and maintenance 12%, fuel 15.4% and royalties 8.2%.

Customs and Border Protection's view

The ratios referred to in the prospectus have been reviewed.

- Labour costs for Samling's upstream operations (including harvesting) were about 10%, but for downstream operations (including plywood manufacture) were about 5%. These are similar to the rates found for Samling.
- The depreciation rates quoted were for both upstream and downstream operations. There are substantial capital investments in upstream operations such as logging equipment and building roads, bridges and other infrastructure at logging sites. Samling's depreciation rates were lower than the quoted rates, but were verified to the audited accounts for 2008-09.
- Similarly, repairs and maintenance rates quoted were for both upstream and downstream operations. The quoted rates are higher than those in Samling's accounts.
- Fuel costs were not separately identified in Samling's accounts. However, the prospectus states that fuel costs are a major component of log extraction expenses. These costs would therefore be incorporated in Samling's log costs.
- Royalty costs are also incorporated in Samling's log costs.

No evidence has been presented to suggest that Samling's verified costs are unreliable.

8.9 Malaysia – Residual exporters

Samling claimed that its data would be suitable to determine normal values in Malaysia but its export prices were not representative of other Malaysia suppliers. It stated that its Australian distributor, Australian Wood Panels, faced strong competition and undercutting from other Malaysian producers suggesting that they exported goods to Australia at a lower price. To assess Samling's claim, Customs and Border Protection compared Samling's normal values with export prices for five shipments from non-selected exporters verified during importer visits. In each case the dumping margin was negative or de minimus.

However, when Customs and Border Protection initiated the investigation, it advised exporters who agreed to cooperate with the investigation that if they were not selected for further and more detailed investigation, they would have a dumping margin based on the information supplied by the selected exporter.

8.9.1 Export prices

Sufficient information is not available to enable export prices of plywood exported to Australia from Malaysia by the residual exporters to be determined under s. 269TAB(1)(a), (b) or (c).

For these residual exporters, export prices were determined 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.

8.9.2 Normal values

Sufficient information is not available to enable the normal value of plywood exported to Australia from Malaysia by the residual exporters to be determined under s. 269TAC(1) or (2).

For these residual exporters, normal values were determined 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.

8.9.3 Dumping margin

For the residual exporters, the 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%.

8.10 Malaysia – selected non-cooperating exporters

8.10.1 Export prices

Sufficient information has not been furnished to enable export prices of plywood exported to Australia from Malaysia by selected non-cooperating exporters to be determined under s. 269TAB(1)(a), (b) or (c).

For selected non-cooperating exporters, export prices were determined after having regard to all relevant information, being an export price of plywood by reference to a single export transaction by a Malaysian selected non-cooperating exporter verified during importer visits.

8.10.2 Normal values

Sufficient information is not available to enable the normal value of plywood exported to Australia from Malaysia by selected non-cooperating exporters to be determined under s. 269TAC(1) or (2).

For selected non-cooperating exporters, normal values were determined after having regard to all relevant information, being by reference to normal values determined for Samling less any favourable adjustments.

8.10.3 Dumping margin

For Malaysian selected non-cooperating exporters, a dumping margin was calculated for the investigation period 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 Preliminary finding

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:

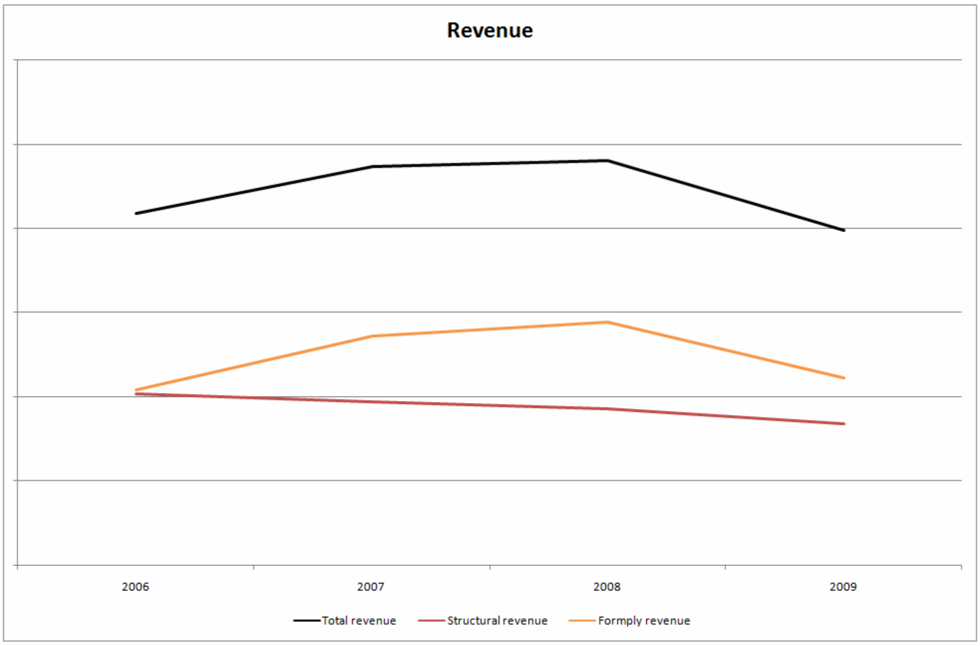
- reduced revenue;
- reduced sales volume;
- reduced market share;
- price undercutting;
- price suppression;
- reduced profits and profitability;
- reduced production volume;
- reduced employment;
- deteriorating returns on investment; and
- reduced attractiveness to reinvest.

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

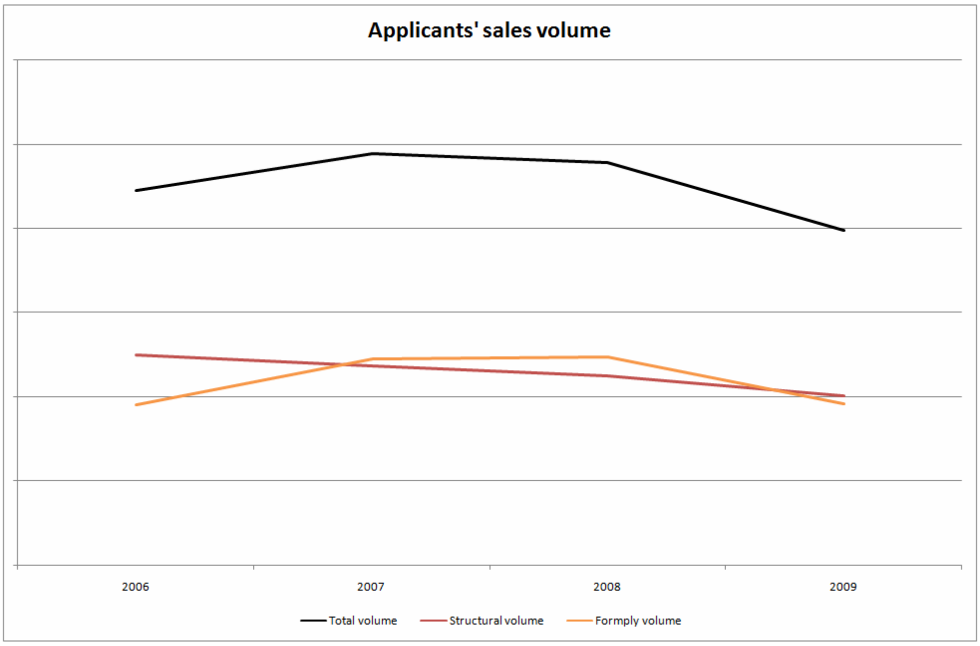
Movements in revenue are illustrated in the following chart.



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

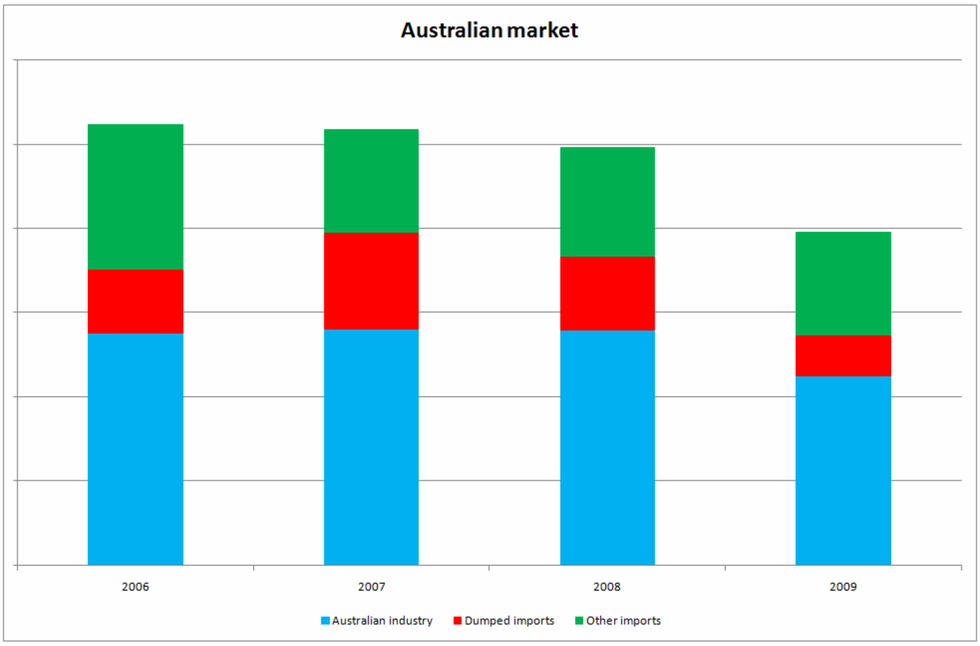
Movements in the applicants' domestic sales volumes are illustrated in the following chart.

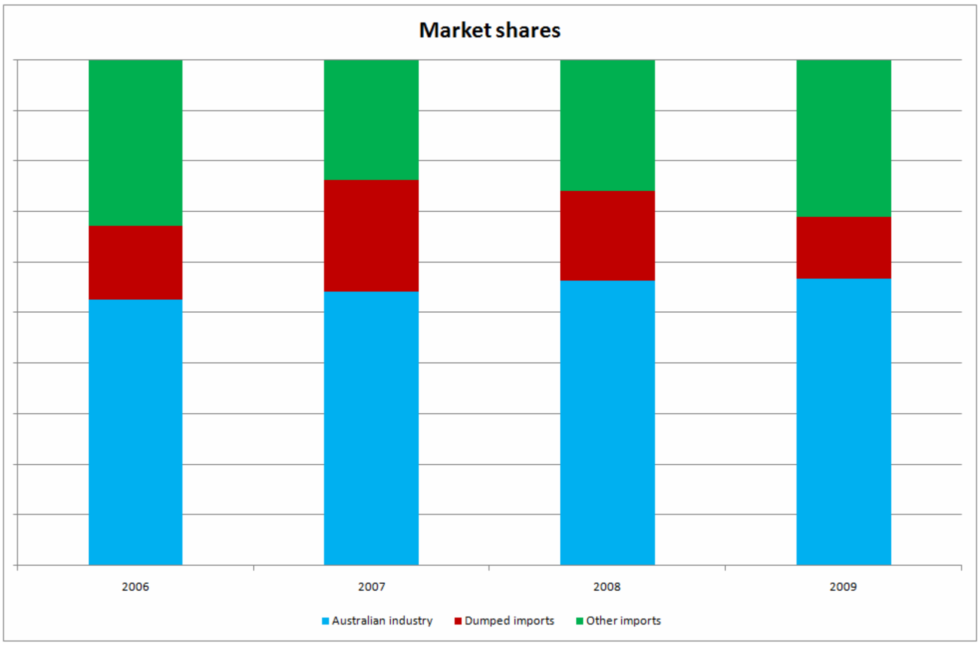


Total sales volume rose in 2007, fell slightly in 2008 and fell again in 2009; total sales volume in 2009 was lower than in 2006. Structural plywood sales volume fell each year. Formply sales volume rose in 2007, rose slightly in 2008, but fell in 2009;

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.



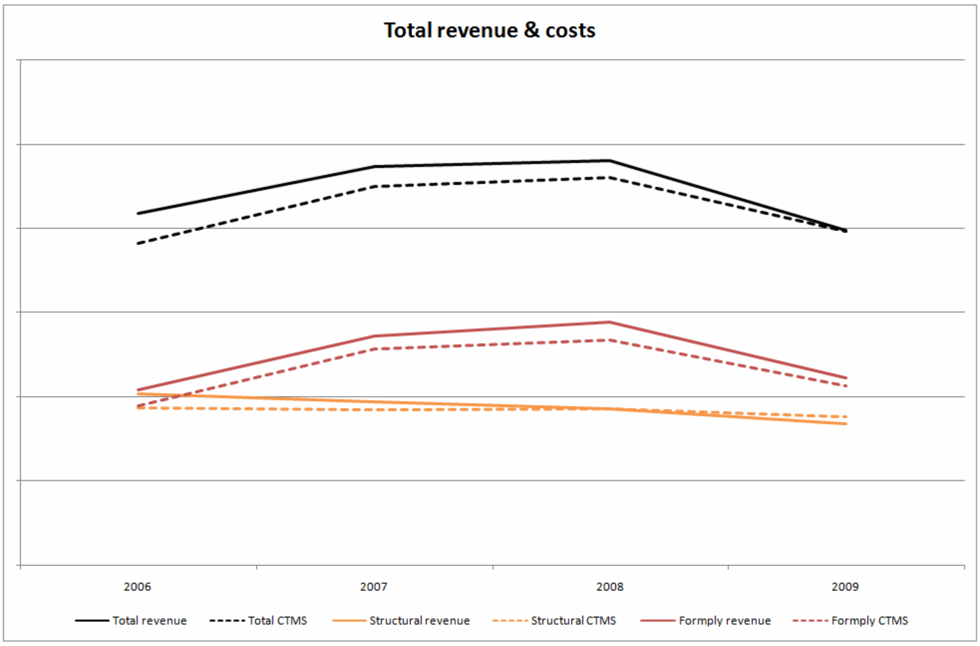


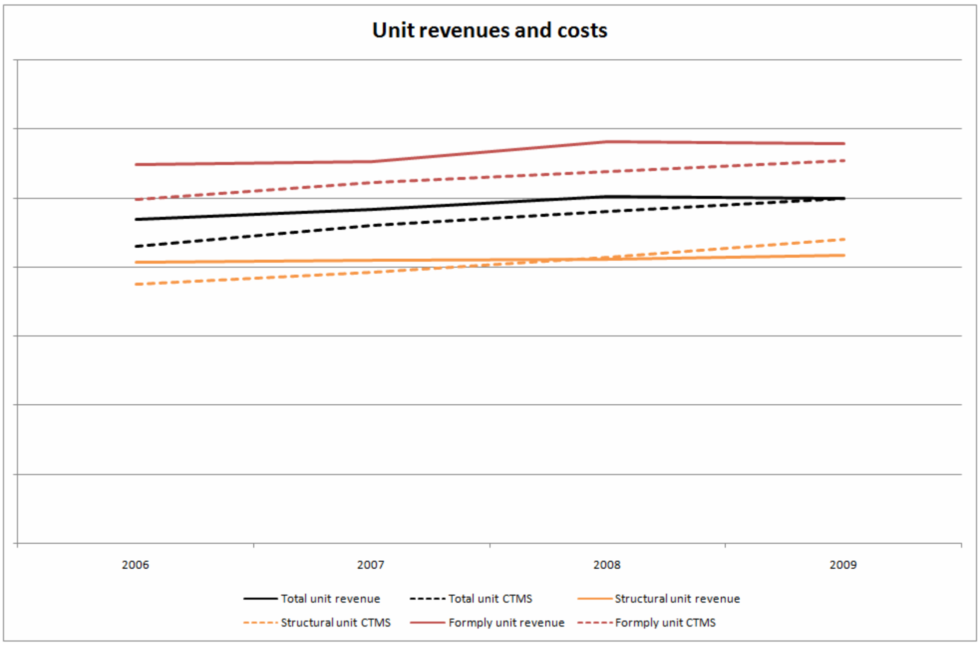
The size of the Australian market fell each year over the period examined. The Australian industry and undumped imports increased their market share, but the market share of dumped imports fell.

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.

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.

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.

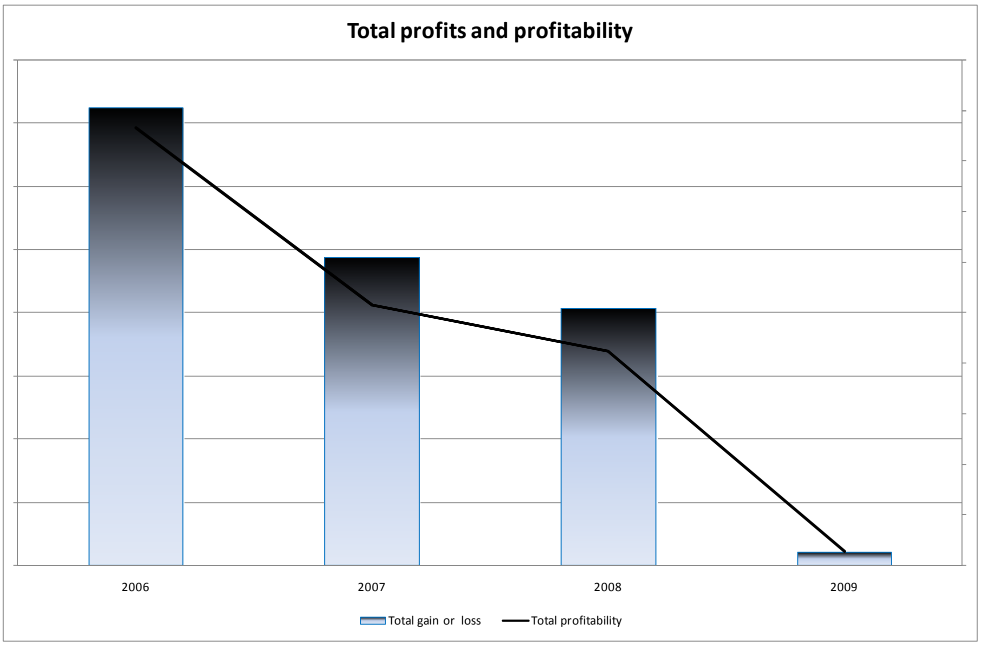
Only a small quantity of formply was sourced from Brazil and Chile. Prices for Brazilian formply were about 20% below the applicants' prices, by prices for Chilean formply were up to 40% lower.

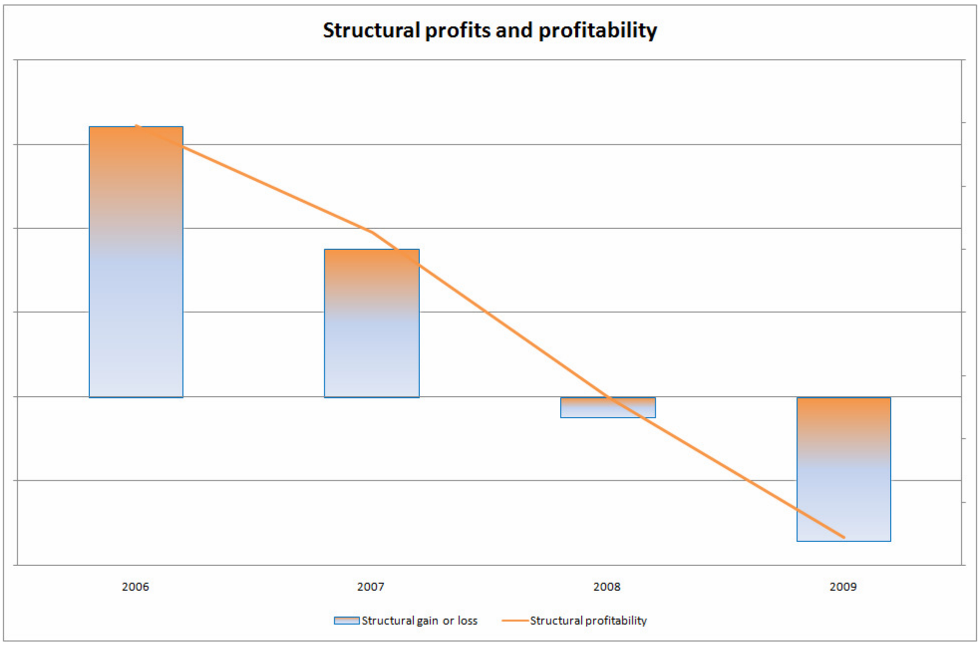
9.6.5 Conclusion

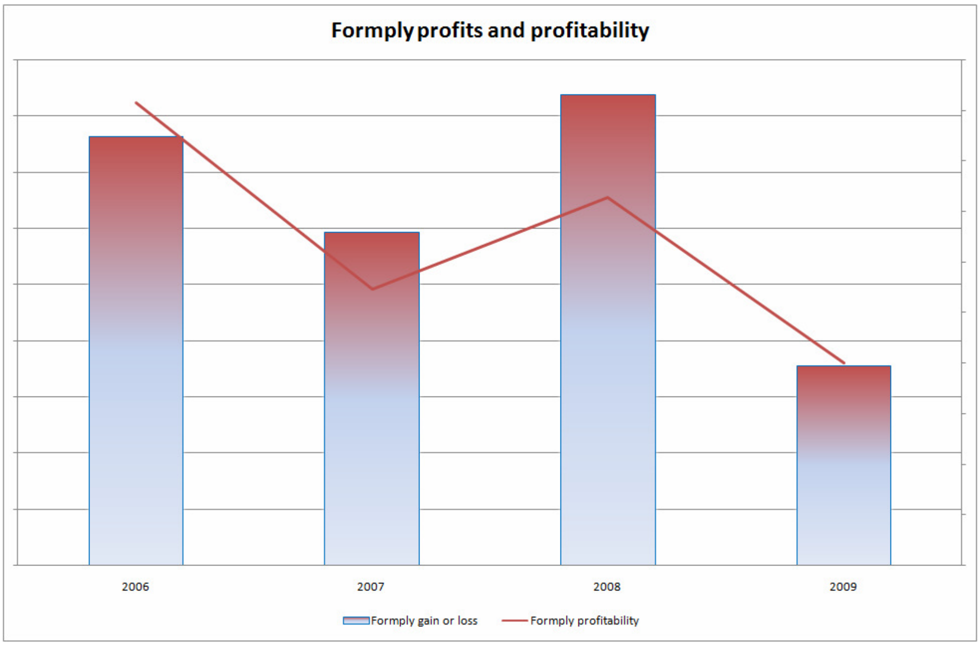
The price of plywood imported from the nominated countries undercut the applicants' prices.

9.7 Profit and profitability effects

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







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.

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.

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

10 HAS DUMPING CAUSED MATERIAL INJURY

10.1 Preliminary finding

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

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.

11 NON INJURIOUS PRICE

11.1 Preliminary finding

Non-injurious prices have not been calculated because on the basis of information currently before it, the delegate is likely to terminate the investigation. If required, unsuppressed selling prices would be constructed using the applicants' cost to make and sell each type of plywood in 2009, plus a margin reflecting the profit achieved in 2006.

11.2 Introduction

Duties may be applied where it is established that dumped or subsidised imports have caused or threatened to cause injury to the Australian industry producing like goods. The level of dumping duty imposed cannot exceed the margin of dumping, but a lesser duty must be applied if it is determined that it is sufficient to remove the injury.

The non-injurious price provides the mechanism whereby this lesser duty provision is given effect. It is the price that would be sufficient to remove the injury caused to the Australian industry by the dumping. Anti-dumping duties are based on FOB prices in the country of export. Therefore a non-injurious price is calculated in FOB terms for the country of export.

11.3 Unsuppressed selling price

The non-injurious price is generally derived by first establishing a price at which the Australian industry might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price. Customs and Border Protection's preferred approach to establishing an unsuppressed selling price observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry selling prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price, Customs and Border Protection then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into store costs and amounts for importer expenses and profit.

11.4 The Australian industry's claims

The Australian industry stated that selling prices prior to the impact of dumping would normally represent a reasonable basis to determine an unsuppressed selling price. It claimed that 2006 was a year relatively unaffected by dumping. However, the Australian industry considered that unless prices from 2006 were adjusted for inflation, 2006 prices could not be considered non-injurious. The Australian industry therefore considers that the unsuppressed selling prices be based on the cost to make and sell in 2009 plus an appropriate profit. It considers that the profit achieved in 2006 is representative of a period unaffected by dumping.

11.5 Customs and Border Protection's assessment

No other submissions were received in respect of the non-injurious price.

Dumped imports from Brazil and China have not caused material injury to the Australian industry and non-injurious prices have not been calculated. However, Customs and Border Protection has considered what might be appropriate prices for the different types of plywood that the Australian industry could be expected to achieve in a market unaffected by exports at dumped prices.

It is difficult to identify what factors affect plywood prices. Unsuppressed selling prices would not be calculated using 2006 prices adjusted for price movements between 2006 and 2009.

It is considered more appropriate to construct unsuppressed selling prices using the applicants' cost to make and sell each type of plywood in 2009. The profit achieved in 2006 is representative of a period unaffected by dumping.