



Preliminary submission

Dumping enquiry on imported structural timber exported from Austria, Canada, Czech Republic, Estonia, Germany, Lithuania Sweden and the USA

18 October 2011

1.0 Purpose

The purpose of this submission is to provide an initial response to allegations of dumping, as set out in the Public File Copy of: *Application for anti-dumping duties on imports of structural timber exported from Austria, Canada, Czech Republic, Estonia, Germany, Lithuania, Sweden and the USA*, dated August 2011, and submitted collaboratively by Carter Holt Harvey, Hyne & Sons and Gunns Limited.

This submission endeavours to point out some of the generic marketing, public policy and business performance issues that relate to the basis of the dumping allegations. No attempt is made in this submission to provide commercial information in relation to cost of production, sales prices or other matters. The Australian Timber Importers Federation Inc (ATIF) is aware that individual timber importing companies (and other parties) will be responding to the enquiry as they consider appropriate and in doing so are likely to address issues of production costs, sale prices and related commercial issues.

2.0 Australian Timber Importers Federation

The ATIF is the peak national body representing the business interests of timber and wood-based product importing companies¹. Membership of ATIF is available to companies where timber and wood-based product importing is a significant component of their business. A listing of current ATIF members is contained in Appendix 1.

3.0 Summary of position

ATIF supports rebuttal arguments and related commercial information supplied by ATIF member companies in responding to dumping allegations. In doing so it is noted that the companies making allegations of dumping are also substantial

¹ See <http://www.atif.asn.au/>

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importers of a range of timber products (LVL, other panel products, structural softwood products, hardwood board products and engineered wood products).

ATIF believes that the allegations of dumping of structural softwood timber products are in part designed to impede the timber product importing sector that is becoming increasingly important in the Australian economy.

ATIF believes that it stands as testament to structural softwood timber importers that they are able to place a comparable product to that produced domestically on the Australia market, including freight the high bulk product from Europe and North America, pay import duties, other Government charges and levies, and sell the product competitively against similar domestically produced products.

4.0 Market context

In April 2011 the Institute of Foresters of Australia (IFA) made a submission to the current Federal Parliament House of Representatives inquiry into the Australian forest industry. The IFA indicated that: "Australia is heading for a timber supply crisis"² based on the static availability of sawn softwood resources and an almost 50 per cent increase in population over the next 20 years. The IFA concluded that population increase will put an undeniable strain on the softwood timber industry, that cannot increase supply due to a lack of resource.

This conclusion is supported by Claire Howell, Manager Australia's National Forest Inventory, Climate Change, Land and Forests Branch of the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) in her paper to the Australian Government *Outlook 2011* conference on 2 March 2011³

In the IFA submission it is argued that the impending timber supply crisis can only be overcome in the long term by an increase in softwood plantation establishment that will however not have a positive impact for at least 25 years. IFA concludes the timber imports are the only immediate solution.

ATIF submits that timber importers accused of dumping ATIF assist in meeting the supply crisis identified by IFA and ABARES, and at the same time provide timber that is compliant with requisite Australian building standards and codes and readily

² See paragraph 5 page 2 of the submission:

<http://www.aph.gov.au/house/committee/aff/forestry/subs/sub84.pdf>

³ <http://www.abares.gov.au/outlook/program>

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acceptable to the demands of architects, designers, builders, consumers and governments.

ATIF also submits the timber products nominated in the dumping enquiry are produced from countries where timber is sourced from sustainably managed forests carrying Programme for the Endorsement of Forest Certification (PEFC)⁴ forestry accreditation or other third party certification.

Further, in their report on timber production and consumption trends for timber and wood-based products for 2009-10 ABARES⁵ point out that the value of timber imports increased by six percent to almost \$430 million and the volume increased by 19 per cent to 748,000 cubic metres in 2009-10 indicating an increase in domestic demand for timber production.

It is held that the allegations by the consortium of domestic wood processors⁶ of a "dramatic increase in the volume of imports from the nominated countries... .. an increase of approximately 20 per cent." is simply explained by the overall increase identified by ABARES and is in part a function of demand and reduced domestic production in some timber product categories.

5.0 Timber importers' position

Timber product importers acknowledge that they have recently been the beneficiaries of a favourable exchange rate resulting from a strong Australian dollar. In making this point it is noted that importers of structural softwood timber products from most European countries pay an import duty (tariff) of 5 per cent. Timber importers also pay levies on imported timber volume to the Federal Government to assist in funding the research and development activities of Forest and Wood Products Australia.

Timber product importers from Europe and North America have enjoyed the favourable impact of reduced processing costs resulting from lower unit costs of production because of processing efficiencies and economies-of-scale not seen in comparable Australian wood processing facilities. Also recent cost improvements in

⁴ <http://www.pefc.org/>

⁵ http://www.abares.gov.au/publications_remote_content/publication_topics/forests

⁶ Page 40, Application for anti-dumping duties on imports of structural timber exported from Austria, Canada, Czech Republic, Estonia, Germany, Lithuania, Sweden and the USA

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logistics and shipping freight rates have worked to benefit timber importers and assist in moderating wholesale prices.

5.1 Australian processing of imported structural timber

It should be understood that there is some domestic processing (and cost) component associated with structural softwood timber products imported from Europe. Such imported timber products are sometimes treated in timber preservation facilities around Australia. Importers may also machine stress (or other) grade, undertake product packaging, warehousing, technical support, marketing and distribution. Facilities to undertake these activities have been established and operate at various locations across Australia.

A well established distribution and reseller network, together with the reality that imported product is of similar quality to comparable Australian produced product, has assisted imported structural timber products to improve their market share.

In relation to some categories of imported timber product, including those subject to this dumping enquiry, timber product importers are challenged in supplying to timber manufacturers as such manufacturers need to be able to compete against the cost of imported, already manufactured wooded products, such as windows and doors, blinds and shutters, furniture, cabinetry and joinery components.

6.0 Domestic wood processing issues

It is held that the commercial performance of wood processors in the Australian market has been adversely affected by a number of issues that have nothing whatsoever to do with the market success of imported timber products. These issues include:

1. The current hostile public policy environment (especially at a Federal Government level) that has resulted in a lack of business confidence, investment and market performance.
2. The adverse treatment of plantation sequestered carbon and forest and processing waste biomass to energy opportunities in the Federal Government carbon tax legislation.

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3. Public policy setbacks that include the collapse of agro forestry Managed Investment Schemes that has had a negative impact on prospective investment in the domestic forest products industry.
4. The detrimental impact on industry confidence and future wood processing arising from the so called Tasmanian forest 'peace deal'.
5. The absence of investment in new land softwood plantation establishment and prospective deforestation in the softwood plantation forestry.
6. A lack of necessary investment in the Australian wood processing has meant that the domestic wood processing industry fails to be internationally competitive. It continues to lack sufficient economies-of-scale, and as a result to get input costs to a level comparable with similar imported products.

Recently the domestic wood processing industry has also been impacted by confusion caused by company restructurings, mergers and takeovers that have affected industry confidence, cost of production, performance and marketing capacity.

6.1 Domestic wood processing observations

ATIF urges domestic structural timber product processors to do what has long been acknowledged as necessary to rectify their continuing poor international competitive position. Improving economies-of-scale; utilising available wood processing technology; reducing unit costs of production; strengthening marketing and timber supply chain technical support, and improving interaction with building specifiers and architects would assist the market position of domestic timber producers.

The ATIF understands that timber exporting and importing interests that are the subject of this enquiry will be providing detailed data and supporting information in relation to cost of production issues in their submissions to this enquiry.

It is submitted that addressing the issues identified would be a more productive course of action that alleging dumping against timber importers.

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7.0 Follow-up advice

In making this initial submission ATIF reaffirms its support for member companies in rebutting allegations of dumping made by a consortium of domestic structural timber producers.

ATIF would appreciate being kept briefed on progress with the enquiry and advises that further input may be provided at the appropriate stage of the enquiry.

Further enquiries should be directed to:

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Appendix 1: Current members of ATIF

- Asian Pacific Timber Marketing
- ATS Wholesale
- Australian Timbers
- Australian Wood Panels
- Baker Moon Timber & Panel Products
- Bayswood Timber Wholesalers
- Briggs Veneer
- Gunnersens
- Le Messurier Timber Co
- Meyer Timber
- Moyle Bendale Timber
- Moxom Timber
- Ridgewood Timber
- Simmonds Lumber
- Stora Enso
- Swan Le Messurier
- Tasman KB
- Tilling Timber
- Timbeck Cedar Products
- TLB Timbers
- Wright Forest Products
- Woodhouse Timber Company