



Australian Government
Australian Customs and
Border Protection Service

**INVESTIGATION INTO THE ALLEGED DUMPING OF
CERTAIN STRUCTURAL TIMBER**

EXPORTED FROM

**THE REPUBLIC OF AUSTRIA, CANADA, THE CZECH
REPUBLIC, THE REPUBLIC OF ESTONIA, THE FEDERAL
REPUBLIC OF GERMANY, THE REPUBLIC OF LITHUANIA,
SWEDEN AND THE UNITED STATES OF AMERICA**

IMPORTER VISIT REPORT

AUSTRALIAN TIMBER SUPPLIES PTY LTD

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND
MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION**

October 2011

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2 BACKGROUND AND PURPOSE**2.1 Background to the current investigation**

On 5 August 2011, Building Supplies Group Holdings Pty Ltd, Hyne and Son Pty Ltd and Gunns Limited lodged an application requesting that the relevant Minister publish a dumping duty notice in respect of certain structural timber¹ exported to Australia from Austria, Canada, the Czech Republic, Estonia, Germany, Lithuania, Sweden and the United States of America. In this case the relevant Minister is the Attorney-General.

The investigation was initiated on 9 September 2011. Public notification of initiation of the investigation was made in *The Australian* newspaper on 9 September 2011. Australian Customs Dumping Notice (ACDN) No. 2011/41 provides further details of this investigation and is available at www.customs.gov.au.

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Australian Timber Supplies Pty Ltd (ATS) had imported structural timber from Canada during the investigation period (1 July 2010 to 30 June 2011). Customs and Border Protection wrote to ATS advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the importer questionnaire to complete. ATS was also provided with a list of its imports during the investigation period, extracted from Customs and Border Protection's import database, and identified a number of transactions from the list for verification.

ATS completed the Importer Questionnaire, providing details regarding the company, overseas supplier information, imports and expenses.

2.2 Purpose of meeting

The purpose of this visit was to:

- confirm that ATS was an importer of structural timber and obtain information to assist in establishing the identity of the exporter;
- verify information on imports of structural timber to assist in the determination of export prices from Canada;
- establish whether the purchases were arms length transactions;
- establish post exportation costs incurred in importing;
- identify ATS' sales and customers and determine sales volume, selling prices and selling costs;
- recommend how export price may be determined under s. 269TAB; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

¹ Refer to the full description of the goods in section 3 of this report.

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2.3 Meeting

2.3.1 Introduction

We advised ATS of the investigation process and timeframes.

- The investigation period is 1 July 2010 to 30 June 2011.
- The injury analysis period is from 1 July 2007.
- A preliminary affirmative determination (PAD) may be made no earlier than 8 November 2011. Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.
- A statement of essential facts will be placed on the public record by 28 December 2011 or such later date as the Minister allows. The statement of essential facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The statement of essential facts will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the statement of essential facts will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is due no later than 11 February 2012, unless an extension to the statement of essential facts is approved by the Minister.

We advised ATS that we would prepare a confidential report on the visit. ATS would be given an opportunity to review the visit report for accuracy. A non-confidential version of this visit report would be prepared in consultation with ATS and placed on the public record.

We also briefly explained to ATS the duty assessment process that is part of the Australian anti-dumping system.

2.3.2 Meeting details

Company	Australian Timber Supplies Pty Ltd
Address	22 Bent Street, ST MARYS
Telephone no.	02 9630 5622
Fax no.	02 9630 8565
Date	20 October 2011
Present	
ATS	[REDACTED] [REDACTED]
Customs and Border Protection	John Bracic, Director Operations 1 Chris Vincent, Manager Operations 1

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Prior to the meeting we forwarded an agenda to ATS and advised them that we would require supporting documentation for the selected sales that had been previously identified.

ATS was co-operative and had the required documentation available for our meeting.

3 THE GOODS**3.1 Goods the subject of the application**

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

Structural timber, being coniferous wood that is sawn or chipped lengthwise, capable of being used in structural applications in accordance with the Building Code of Australia and that:

- *Has a thickness exceeding 6mm;*
- *Has a cross-sectional area of less than 120cm²;*
- *Is untreated, or treated to meet the requirements of hazard class H1 or H2 as specified in Australian standard AS1604.1.*

For clarification, the goods DO NOT include weatherboards, laminated veneer lumber, glued laminated timber or timber treated to a level above hazard class H2 but DO INCLUDE end-jointed or finger-jointed structural timber.

Further detailed information on the goods is contained in ACDN 2011/41.

3.2 Tariff classification

Structural timber is classified to tariff subheadings 4407.10.10 (statistical codes 22, 23, 24, 25 and 33) and 4407.10.990 (statistical codes 8, 9, 10, 11, 12 and 13) of Schedule 3 to the *Customs Tariff Act 1995*.

Imports under tariff subheadings 4407.10.10 (statistical code 21) and 4407.10.99 (statistical codes 14, 15, 16 and 20) are not the goods the subject of the application.

The general rate of duty is currently 5%. The general rate applies to all structural timber imported from Canada.

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4 COMPANY BACKGROUND

ATS is a private company with no subsidiaries or parent companies. It advised that it had been operating for about ■ years. ATS is a supplier of building materials, principally timber. It breaks packs and typically sells timber in the same condition as it was imported, but occasionally cuts to length. Structural timber accounts for about ■% of ATS' total business.

ATS advised that it imports Douglas fir from Canada. It only purchases green untreated F7 grade in lengths from 2.4 metres to 7.2 metres. The most common lengths are 2.7 metres and 5.4 metres. ATS stated that F7 grade Douglas fir is equivalent to MGP10 grade radiata pine (MGP grade is machine graded).

ATS stated that it started importing about five years ago. It claimed that it approached the Australian industry, but it would have had to purchase product from their distribution centres rather than the mill and ATS would not be competitive.

ATS stated that Douglas fir does not grow in Australia. It is more expensive than pine, but some customers want this product. ATS stated that it purchases radiata pine from the Australian industry.

ATS sources the majority of its imported structural timber from the Teal-Jones Group and Western Forest Products Inc. During the investigation period it also purchased from Bridgeport Timber Export Inc (an agent) and Howe Sound Forest Products (ATS no longer purchases from this supplier). ATS advised that it has no relationship with these suppliers other than a normal commercial relationship.

ATS advised that it has no relationship with any of its customers other than a normal commercial relationship.

ATS advised that its financial year is from 1 July to 30 June and that it uses timber industry specific software in the preparation of its accounts. Its 2010-11 financial reports are at **confidential attachment GEN 1**.

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5 IMPORTS AND SALES

5.1 Imports

Based on data from Customs and Border Protection's import database, ATS imported [REDACTED] m³ of structural timber during the investigation period.

ATS advised it usually purchases three months in advance. It knows the price and approaches the supplier with its requirements. The supplier advises what products are available and ATS will then raise a purchase order. The invoice currency is Canadian dollars. Delivery terms are [REDACTED] and payment terms are [REDACTED] ([REDACTED]). ATS stated it does not receive any rebates or discounts.

The structural timber is exported in packs (break bulk) or containers. It is delivered to ATS' warehouse and sales to customers are from stock. ATS stated that it cannot link sales to particular shipments and that it kept about three months stock on hand.

ATS has forward orders for about [REDACTED] m³ arriving in October and early November.

ATS completed an import transaction form prior to the visit, detailing the into store costs for four selected shipments during the investigation period. During the visit, ATS provided the following documents for each of the selected shipments:

- supplier invoice;
- bill of lading;
- customs brokers invoices;
- transport company invoices; and
- proof of payment.

These documents are at **confidential attachments IMP 1 to IMP 4.**

Data reported in the importer transaction form was traced to source documents. Some discrepancies were found and the data reported in the importer transaction form was adjusted accordingly. ATS estimated selling, general and administrative (SG&A) expenses were [REDACTED]% of sales revenue. However, this was an estimate used for costing. We found that SG&A expenses from the profit and loss statement were [REDACTED]% of total sales revenue. We substituted the revised figure in the import transaction form. Importation costs are summarised in the following table.

Cost item	Average cost (\$A/m ³)
Ocean freight and insurance	[REDACTED]
Customs duty	[REDACTED]
Importation charges	[REDACTED]
SG&A expenses	[REDACTED]
Profit	[REDACTED]

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We noted that ATS:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading; and
- arranges delivery of the goods to one of its warehouses or direct to its customers.

We consider ATS was the beneficial owner of the goods at the time of importation and is therefore the importer.

In respect of purchases from the Teal-Jones Group and Western Forest Products Inc. we noted that:

- ATS orders directly from the suppliers;
- the commercial invoices identify the suppliers;
- the bills of lading identify the suppliers as the shipper of the goods;
- the suppliers arrange and pay for the goods to be transported to the wharf and loaded onto the ship in the country of export; and
- ATS pays the exporters directly.

We did not find any evidence that:

- there is any consideration payable other than price; or that
- the price is influenced by a commercial or other relationship between ATS and its suppliers.

We consider that sales between the Teal-Jones Group and Western Forest Products Inc. and ATS were arms' length transactions.

We have insufficient information to consider whether Bridgeport Timber Export Inc and Howe Sound Forest Products were the exporter of the goods.

5.2 Sales

ATS advised that it had positioned itself in the market as a wholesaler, providing a range of timber products to end-users. It stated that none of its customers receive rebates or discounts.

ATS provided a sales by product report for all sales of Douglas fir in 2010-11 (confidential attachment IMP 5).

5.3 Profitability of domestic sales

A revised import transaction at confidential attachment IMP 6.

6 RECOMMENDATIONS

Based on the information available, for the goods exported by the Teal-Jones Group and Western Forest Products Inc. to ATS:

- the goods have been exported to Australia otherwise than by the importer;
- it appears that the goods have been purchased by the importer from the exporter;
- the purchases of the goods by the importer were arms length transactions; and
- the goods are subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporters, we are satisfied that the export price can be established under s. 269TAB(1)(a) using the invoice price less any costs in respect of matters arising after exportation.

For goods exported by Bridgeport Timber Export Inc and Howe Sound Forest Products we consider that the export price can be established under s. 269TAB(3), having regard to all relevant information.

Weighted average FOB export prices estimated from Customs and Border Protection import data base are summarised in the following table.

Supplier	Export qty (m ³)	Export price (\$A/m ³)
the Teal-Jones Group	■	■
Western Forest Products Inc. to ATS	■	■
Bridgeport Timber Export Inc	■	■
Howe Sound Forest Products	■	■

7 ATTACHMENTS

Confidential attachment GEN 1	ATS' 2010-11 financial reports
Confidential attachments IMP 1 to IMP 4	Documents supporting selected transactions
Confidential attachment IMP 5	Sales by product report
Confidential attachment IMP 6	Revised import transaction form