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19 December 2011

Mr Michael Kenna  
Case Manager, Operations 3  
International Trade Remedies Branch  
Australian Customs and Border Protection Service  
Customs House  
5 Constitution Avenue  
CANBERRA ACT 2601

**Public File**

Dear Mr Kenna

**Structural Timber exported from Austria, Canada, Czech Republic, Estonia, Germany, Lithuania, Sweden and the USA – Material Injury to the Australian Industry**1. Executive Summary

By application dated 4 August 2011, the Australian structural timber industry (comprising Building Supplies Group Holding Pty Ltd, Hynes and Son Pty Ltd and Gunns Limited) asserted that it had suffered material injury from dumped exports of structural timber from Austria, Canada, Czech Republic, Estonia, Germany, Lithuania, Sweden and the USA. Material injury suffered included loss of sales volumes and market share, price undercutting contributing to an erosion of the industry's margin that has caused price suppression resulting in lost profits and profitability.

The Applicants assert that the material injury from the dumped exports commenced in 2009/10 and continued in 2010/11.

Following verification of the Applicants' data it is evident that material injury evident in 2009/10 has continued in 2010/11, with profits deteriorating by a further 20 per cent, and sales volumes down by 15 per cent. The exports from the nominated countries increased by 45 per cent since 2007/08 (including by almost 20 per cent during 2010/11) and have continued to undercut the prices of the local industry.

2. Investigation

The Australian Customs and Border Protection Service ("Customs and Border Protection") has completed exporter visits and is assessing normal values and margins of dumping for all exporters across the investigation period.

Customs and Border Protection has also conducted verification visits with the applicant companies, with Visit Reports for two of the three manufacturers finalized.

It is therefore appropriate to examine the impact of the imports on the performance of the Australian industry (as represented by the three applicant producers).

### 3 Economic performance of the structural timber industry

Having modeled for the exchange rates of the day, the impact of dumping on the economic performance of the Applicants in 2010/11 is borne out by the data contained in Table 1:

**Table 1 – Structural Timber Industry Economic Performance**

Indicator	2007/08	2008/09	2009/10	2010/11
<b>Sales Volume</b>	100	89.73	98.44	<b>83.74</b>
<b>Unit CTM&amp;S</b>	100	106.8	110.9	<b>113.6</b>
<b>Revenue</b>	100	95.1	101.7	<b>87.4</b>
<b>Unit revenue</b>	100	106.0	103.3	<b>104.4</b>
<b>Profit</b>	100	87.9	52.7	<b>41.7</b>
<b>Unit profit</b>	100	98.0	53.5	<b>49.8</b>
<b>Unit profitability</b>	100	92.5	51.8	<b>47.7</b>

Source: Applicants' Confidential Appendix A6.1 schedules, aggregated (Refer Confidential Attachment 1).

The impact of dumping on the economic performance of the Applicants in 2010/11 is reflected above. The key observable trends in 2010/11 include:

- a 20 per cent decline in Applicants' sales volumes of structural timber;
- further increases in the Applicants' cost-to-make-and-sell structural timber;
- a 14 per cent decline in structural timber revenues;
- flat selling prices for structural timber since 2008/09, preventing the recovery of cost increases of approximately 6.5 per cent since 2008/09;
- a 20 per cent deterioration in profit on structural timber sales;
- reductions in unit profit and profitability.

In contrast, imports from the nominated countries have grown by 45 per cent since 2007/08, including an almost 20 per cent increase in 2010/11. A contraction in demand has not stalled the growth of imports from the eight countries as dumped import prices undercut the Australian industry's selling prices, material impacting the industry's margin over costs and reducing industry profit by 20 per cent. Each of the applicant companies provided Customs and Border Protection with evidence demonstrating price offers at prices below prevailing Applicant prices in 2010/11.

The opposing trends of growing import volumes and declining local production indicate that it is the competitive position of the dumped imports that are central to the material injury experienced by the Australian industry.

The Applicants also submit that the export prices from each of the eight exporting countries have undercut the Australian industry's non-injurious price.

### 4 Impact of dumping on regional Australia

The Applicants' timber processing facilities are located in key regional town centres and are often the major employer in the area. Reductions in employee numbers often have devastating effects on regional town centres.

#### *4.1 Employment*

Hyne and Son Pty Ltd ("Hyne") operate two structural timber processing mills at Tuan (near Maryborough in Queensland), and Tumberumba in NSW. Since April 2011, Hyne has reduced its workforce by approximately 20 per cent as it seeks to reduce costs to compete with declining import prices. However, during the investigation period, Hyne has had a combined reduction at both mills of approximately xx persons (see Hyne Confidential Attachment 1).

In June 2011, Hyne announced a further reduction of xx employees, with effect from July/August 2011.

Building Supplies Group through its subsidiary CHH Woodproducts Australia Pty Ltd ("CHHWPA") has reduced its Full-Time Equivalent ("FTE") and contractor workforce at its sawmills by xxx employees and xx contractors (decline of 13 per cent)(See CHHWPA Confidential Attachment 1).

Gunns Limited ("Gunns") commenced operating the Bell Bay facility at the beginning of 2011, hence no reduction in employment has occurred. However, at Gunns' Tarpeena facility, employee reductions have been made, representing 5 per cent of the FTE workforce. A further xx employees were lost at Gunns' Ling Siding facility (decline of 28%) (See Gunns Confidential Attachment 1).

#### 4.2 Capital Expenditure

CHHWPA and Hyne have implemented substantial reductions in capital expenditure on structural timber producing assets. Please refer to data included in CHHWPA Confidential Attachment 1 and Hyne Confidential Attachment 1.

The quantum of the reductions varies across each producer

#### 4.3 Multiplier Effect

The impact of dumped imports, however, is felt beyond the timber processing companies. Timber suppliers (i.e. Forestry SA, Forests NSW and Forestry Plantations Queensland) are impacted by the uncertainty of customers purchasing log requirements. The established services industries located in the regional towns that support the timber processors are also reliant on ongoing contractual work. In an effort to reduce costs and control capital expenditure, the timber processors will often postpone capital outlays impacting local service providers.

The employment reductions identified in the regional areas above have a flow-on effect to the regional community. A direct multiplier impact of 1.9<sup>1</sup> (forest industry estimate) on lost salaries due to redundancies (approximately 250 FTE in 2010/11) removes approximately \$30 M per annum from the local communities where the structural timber facilities are located.

The multiplier effect of the indirect impact of lost employment on the broader community is likely to be far more significant with a likely 6-7 multiplier impact (i.e. \$180-210 M).

#### 5. Material Injury Conclusions

The Applicants have demonstrated that the industry has suffered injury in 2010/11 in each of the following forms:

- loss of sales volumes and market share;
- price undercutting;
- price suppression;
- reduced profits and profitability;
- reduced revenues;
- reduced return on investment;
- reductions in employee numbers;
- reductions in capacity utilization;
- declines in capital investment; and
- an inability to attract capital for reinvestment purposes.

<sup>1</sup> Employment effect into the community is reported as part of indicator 6.5a in the State of the Forests Report 2008 at [www.adf.brs.gov.au/forestsaustralia/\\_pubs/sofr2008reduced.pdf](http://www.adf.brs.gov.au/forestsaustralia/_pubs/sofr2008reduced.pdf)

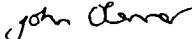
It is submitted that the injury experience is material. The 20 per cent reduction in sales volumes, the 14 per cent reduction in revenues, and a 20 per cent reduction in profit (between 2009/10 and 2010/11) are alarming economic indicators that demonstrate the injury experienced is material.

The approximate 20 per cent growth in import volumes in 2010/11 from the eight exporting countries has occurred at the detriment of the Australian industry's performance. There can be no doubt as to causation in the current circumstances as the success of increasing imports has been at the direct expense of Australian industry volumes.

The trend of increasing imports from the nominated countries (45 per cent growth since 2007/08) indicates that the Australian structural timber industry will experience further material injury from dumping. The Applicant companies request Customs and Border Protection to urgently publish a Preliminary Affirmative Determination ("PAD") and impose provisional measures to remove the threat further material injury to the Australian industry.

If you have any questions concerning this submission, please do not hesitate to contact me on (07) 3342 1921.

Yours sincerely



John O'Connor  
Director

Cc Mr Tim Sherry, CHH Woodproducts Australia  
Ms Christine Briggs, Gunns Timber Products  
Mr Chris Robertson, Hyne and Sons