

**Comparison of Constructed normal values for structural timber exported from Austria, Canada, the Czech Republic, Estonia, Germany, Lithuania, Sweden and the USA**

Introduction

In the application for dumping measures, the Applicants' constructed normal values prepared on a worked-up cost methodology. This included:

- a cover sheet setting out the principles and assumptions upon which the cost estimates are based;
- a 'sawmill reference model' with columns showing the detailed cost construction for the calendar year 2009, each quarter of 2010, the calendar year 2010, and the March quarter of 2011;
- a series of worksheets that feed into 'saw mill reference model' relating to components such as log costs and labour rates that vary according to the country.

Global Timber Benchmarking Report

Following the release of the Global Timber/Sawmilling/Lumber Cost Benchmarking Report -2010 Annual Basis & Q1/2011, the applicants have compared the constructed cost models for each country included in the Application, with data obtained from the Benchmark Report. Data referenced is drawn from the cost summary of European "Top-quartile Mills" in Calendar Year 2010. All amounts have been converted to SA by the year average exchange of SA:USD 0.91.

The published benchmark cost summaries are based on total mill production eg; total green and dried finished goods output. This generic approach to the costing of dry and planed finished goods understates the cost of producing the goods under consideration (GUC). The GUC are subject to additional manufacturing and verification steps to comply with grade requirements beyond what is captured in the Global Timber/Sawmilling/Lumber Cost Benchmarking Report.

The Model Overview:

Summarised aggregate totals covering whole of site costs as detailed in the Global Timber/Sawmilling/Lumber Cost Benchmarking Report -2010 Annual Basis & Q1/2011 for 2010 can be found at (line references apply to those included in the Confidential Cost Model Worksheet provided by the Applicants):

Net Wood costs – Line 298

Cost of Logs transferred to Mill – Line 8

Lumber Recovery – Finished sizes – Line 322

Total By-product Revenue – Line 297

Total mill Costs + OH – Sum of lines 289:292

Capital (Deprec/Amort) – Line 288

Kiln Dried Lumber - % of Production – Sum of Lines 14:19

Planned Lumber - % of Production - Sum of Lines 14:16

In order to align with the costs outlined in Global Timber/Sawmilling/Lumber Cost Benchmarking Report, the original Australian Industry Application costs were appropriately scaled to ensure alignment with the published figures.

Other costs ex Mill and workings of the model remain as per the Application of the Australian industry.