



Australian Government

**Australian Customs and
Border Protection Service**

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FOLIO

No. 87

INVESTIGATION INTO THE ALLEGED DUMPING OF CERTAIN STRUCTURAL TIMBER

**EXPORTED TO AUSTRALIA FROM
AUSTRIA, CANADA, THE CZECH REPUBLIC,
ESTONIA, GERMANY, LITHUANIA, SWEDEN AND
THE USA**

EXPORTER VISIT REPORT

STORA ENSO WOOD PRODUCTS GMBH

AUSTRIA

AND

STORA ENSO TIMBER AB

SWEDEN

November 2011

**THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
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2 ABBREVIATIONS

\$	Australian dollars
ACDN	Australian Customs Dumping Notice
The Act	Customs Act 1901
The applicants	Building Supplies Group Holding Pty Ltd (BSG), Hyne & Sons Pty Ltd (Hyne) and Gunns Limited (Gunns)
BSG	Building Supplies Group Holding Pty Ltd
CIP	Carriage and insurance paid
CLS	Canadian Lumber Standard
CLT	Cross laminated timber
CPT	Carriage Paid To
CTMS	Cost To Make & Sell
Customs and Border Protection	Australian Customs and Border Protection Service
DF	Douglas fir
DDU	Delivered Duty Unpaid
ERP	Enterprise resource planning
EXW	Ex-works
FCA	Free carrier
FOB	Free On Board
GAAP	Generally Accepted Accounting Principles
H2	Hazard level 2 – specification for preservative treatment to protected interior timber applications against the potential for termite attack
HFM	Hyperion Financial Management
IFRS	International Financial Reporting Standards
KD	Kiln dried
LIBOR	London Interbank Offered Rate
m ³	Cubic metres
MENA	Middle East and North Africa
MGP	Machine grade pine
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
PF	Production falling
RW	Redwood or pine
SAP	Accounting software
SD	Special dried
SEK	Swedish Krona
S4S	Surface four sides
S4SEE	Surface four sides rounded corner
SF	Sawfalling
SEF	Statement of Essential Facts
SPF	Spruce-pine-fir
Stora Enso Australia	Stora Enso Timber Australia Pty Ltd

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Stora Enso Austria	Stora Enso Wood Products GmbH
Stora Enso Sweden	Stora Enso Timber AB
structural timber	As defined in section 3.1 of this report
Tariff Act	Customs Tariff Act 1995
the goods	the goods the subject of the application
the Minister	the relevant Minister
USA	United States of America
USP	Unsuppressed Selling Price

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3 BACKGROUND

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3.1 Introduction

On 5 August 2011, Building Supplies Group Holding Pty Ltd (BSG), Hyne & Sons Pty Ltd (Hyne) and Gunns Limited (Gunns) lodged an application requesting that the relevant Minister publish a dumping duty notice in respect of structural timber exported to Australia from Austria, Canada, the Czech Republic, Estonia, Germany, Lithuania, Sweden and the United States of America (USA). On 18 and 24 August 2011, the applicants provided further information in support of their application. As a result, the Australian Customs and Border Protection Service (Customs and Border Protection) restarted the twenty day period for considering the application.

The application alleges that certain structural timber from the above nominated countries has been exported to Australia at prices less than its normal value and that this dumping has caused material injury to the Australian industry.

Following consideration of the application, an investigation was initiated by Customs and Border Protection on 9 September 2011. Public notification of the initiation of the investigation was published in *The Australian* on 9 September 2011. Australian Customs Dumping Notice (ACDN) No. 2011/41 refers to the initiation of this investigation, and is available at www.customs.gov.au

At initiation, Stora Enso Wood Products GmbH (Stora Enso Austria) and Stora Enso Timber AB (Stora Enso Sweden) were identified as exporters of certain structural timber from Austria and Sweden respectively. Customs and Border Protection wrote to both these entities seeking their cooperation with the investigation and forwarded each of these entities an exporter questionnaire.

These entities completed and lodged exporter questionnaire responses for each timber mill that exported to Australia in the investigation period. The mills are as follows:

Austrian mills

Brand;
Sollenau;
Ybbs.

Swedish mills

Gruvön;
Kopparfors.

The responses to the exporter questionnaires were supported by non-confidential and confidential appendices and attachments. Customs and Border Protection reviewed each mills' completed and returned non-confidential version of the exporter questionnaires and placed these on the public record.

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The mills' responses to the exporter questionnaire were assessed and found to be sufficient to warrant a verification visit. Customs and Border Protection undertook a verification visit at the Brand mill in Austria. Brand is the headquarters for Stora Enso's Austrian mills. The Stora Enso group advised that the verification for the Swedish mills could also be undertaken from Brand. An employee from Sweden attended the verification visit to assist with the Swedish elements of the verification. The visit incorporated teleconferences with key Swedish personnel.

This report details the discussion and verification undertaken during these meetings in Brand and makes recommendations for relevant determinations regarding Stora Enso Austria and Stora Enso Sweden.

3.2 Purpose of visit

The purpose of the visit was to verify information contained in the responses to the exporter questionnaires submitted by Stora Enso Austria and Stora Enso Sweden.

Information verified during the visit has been used to make preliminary assessments of:

- who is the exporter and who is the importer;
- export prices and normal values for products manufactured and exported by Stora Enso Austria and Stora Enso Sweden; and
- dumping margins.

At the commencement of the meeting we provided a brief explanation of the background to the investigation, the Australian anti-dumping process and the following key dates for the investigation:

- 8 November 2011, the earliest date when Customs and Border Protection could make a preliminary affirmative determination (PAD) and impose provisional anti-dumping measures;
- 28 December 2011, when (at the time of the verification visit) the statement of essential facts (SEF) for this case is due to be placed on the Public Record, setting out the facts on which Customs and Border Protection proposes to base the recommendations to the Minister; and
- 13 February 2011, when Customs and Border Protection's report and recommendations are due to the Minister.

We informed Stora Enso Austria and Stora Enso Sweden that interested parties are invited to make submissions to Customs and Border Protection in response to the SEF within 20 days of that statement being placed on the public record. Timely submissions received in response to the SEF will be considered when compiling the report and when making recommendations to the Minister.

We explained our responsibilities in relation to confidentiality. We stated that we would:

- prepare a report of the visit (this report);

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- provide Stora Enso Austria and Stora Enso Sweden with the draft report to review its completeness and accuracy of facts and calculations; and
- following consultation about confidentiality and accuracy, prepare a copy of the report of the visit for the public record.

We advised that any information provided by Stora Enso Austria and Stora Enso Sweden during the verification meetings would be treated as confidential unless we were advised otherwise.

3.3 Meeting – dates and attendees

The verification meeting took place at:

Stora Enso Wood Products GmbH (Brand Mill).

Address: 3531 Brand 44

Austria

Phone number: +43 2826 7001 0

The following were present at various stages of the interview:

Dates	22,23,24 and 25 November 2011
Stora Enso Wood Products	Stora Enso Wood Products GmbH Kurt Schrammel – Vice President, Marketing & Sales Overseas, Austria Christian Winlof – Sales Support Manager Overseas - Sweden Central European Unit Albert Sickl – Business Controller Rainer Schrenk – Sales Planning & Coordination Manager Jurgen Groib - Logistics Brand Sawmill Norbert Huttler – Mill Manager, Brand Sawmill Gerald Kaufmann - Sales
Customs and Border Protection	International Trade Remedies Branch Patrick Wheelahan – Manager, Operations Support Mick Kenna – Manager, Operations 3

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3.4 Cooperation and preliminary issues

Stora Enso Austria and Stora Enso Sweden cooperated with the verification of details contained in the exporter questionnaire responses and provided further information when requested.

We advised Stora Enso Austria and Stora Enso Sweden that:

- our findings and recommendations would be subject to internal review;
- if the delegate of the Chief Executive Officer of Customs and Border Protection (the delegate) is satisfied that there appears to be sufficient grounds for publication of a dumping duty notice, Customs and Border Protection may make a Preliminary Affirmative Determination (PAD) and collect securities on future imports of product from Stora Enso Austria and Stora Enso Sweden;
- if the delegate is satisfied that either or both Stora Enso Austria and Stora Enso Sweden had not exported the products to Australia in the investigation period at dumped prices, Customs and Border Protection would be required to terminate the investigation so far as it relates to Stora Enso Austria and/or Stora Enso Sweden; and
- if the delegate is satisfied that there has been dumping from one or more of the countries the subject of the investigation but the injury, if any, to the Australian industry that has been caused by that dumping is negligible, then Customs and Border Protection would be required to terminate the investigation.

4 COMPANY INFORMATION**4.1 General**

The Stora Enso Group is a global paper, packaging and wood products company headquartered in Finland, producing XXXXXXXXXX cubic metres of sawn and processed wood products annually. The other products produced by the company are newsprint and book paper, magazine paper, fine paper, consumer board and industrial packaging products such as pallets. Timber currently represents approximately XXXXX of the Groups' sales revenue.

Wood product sales in 2010 for the group were around XXXXXXXX XXXXX [currency] XXXXX [currency] with the XX production units having an overall sawn timber capacity of approximately XXXXXXXX cubic metres. Group sales were export focussed and in 2010 the markets were central Europe (XXX), Asia/Oceania (XXX), Northern Europe (XXX), Middle East and North Africa (MENA) around XXX. General information on Stora Enso Wood Products is provided in **confidential attachment GEN1**. The company made and provided separate presentations on mill operations in Austria and Sweden and on the Austrian and Swedish domestic markets. These presentations comprise **confidential attachment GEN2**.

Austria

In the wood products business division, Stora Enso Austria comprises three sawmills; at Brand, Ybbs and Sollenau. These mills are wholly-owned by Stora Enso Wood Products GmbH in Austria. In turn, Stora Enso Wood Products GmbH is a wholly-owned subsidiary of Stora Enso Wood Products Oy Ltd in Finland. Stora Enso Wood Products Oy Ltd is a wholly-owned subsidiary of the larger Stora Enso Oyj in Finland. The organisational structure of each mill was provided in the respective exporter questionnaires. The organisational structures of Stora Enso Wood Products, the parent companies of these mills were provided as non-confidential attachments to Stora Enso Austria's returned exporter questionnaires.

All the Austrian mills are primarily focussed on manufacturing glue laminated beams and posts for the XXXXXXXX market. Products such as the stress graded structural timber exported to Australia are generally referred to as Canadian Lumber Standard (CLS) timber. Stora Enso Austria explained that the CLS timber is produced to complement the production of the primary timber products for XXXX.

Brand mill

Brand is the parent mill and the central administration unit for all mills within the Central European Unit of Stora Enso Austria. Brand mill reported a log consumption in 2010 of around XXXXXXXX cubic metres (m³) with a turnover of XXXXXXXX XXXXX [currency]. The focus is on export sales. XXXXX was the major market with XXX, taking mainly XXXXXXXXXXXXXXXX [product information]. Other markets included MENA (XXX), Italy (XXX) and Australia (XX). Local sales represented around XXX. Mill log purchases are sourced primarily from the XXXXXXXX (XXX) and XXXXX (XXX). Logs are a mix of spruce (whitewood) and pine (redwood) in three to four

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operations occurred in XXXX and the mill is currently XXXXXXXXXXXXXXXXXXXX
XX [comment on mill
capacity utilisation]. Mill production includes structural grade timber, sideboards and
specific further worked laminated products (two or three pieces of timber glued
together). The mill received significant investment in XXXXX.

Ybbs-mill

Ybbs is the largest mill in Austria with log consumption in 2010 of XXXXXXXX m³.
Focus is again on export and XXXXX is the leading market with XXX (further worked
XXXXXXXXXXXX), MENA XXX, Italy XXX and Austrian sales of XXX. Structural grade
timber and laminated product are the main mill products. Exported Australian
product is A grade XXXX.

Sollenau-mill

In 2010, the Sollenau mill reported a log consumption of around XXXXXXX m³ which
was split between XXX pine and XXX spruce. This mill is also export focussed with
XXXXXX again the primary destination (XXX) for XXXXXXXXXXX and XXXXXXX [product
types]. Sollenau mill also produces structural grade timber.

Sweden

In the wood products business division, Stora Enso Sweden comprises sawmills at
Gruvon and Kopparfors. These mills are wholly-owned by Stora Enso Sweden.
Stora Enso Timber AB Sweden is in turn owned by Stora Enso AB Sweden. Stora
Enso AB Sweden is wholly owned by the parent company Stora Enso Oyj in Finland.
The organisational structure of each mill was provided in the exporter questionnaire
responses.

Gruvon-mill

In 2010, the Gruvon mill had a reported log capacity of XXXXXXX cubic metres. Logs
are 100% whitewood (spruce). All logs are sourced from XXXXX with timber
products exported to the XXXXXXXXXXX (XXX), XXXXXXX (XXX), XXXXXXX (XXX)
and XXXXXXX (XXX). Gruvon has recently upgraded its planing capacity to XXXXX
cubic metres per annum.

Kopparfors-mill

Stora Enso Sweden advised the Kopparfors mill had ceased production in October
2011 following the increased operating expenses of this plant. Prior to closure
Kopparfors mill had an annual production capacity of XXXXX cubic metres.

Accounting process

Stora Enso Austria and Stora Enso Sweden noted that their financial reports are in
accordance with Generally Accepted Accounting Principles (GAAP) in both
countries, and that its quarterly results are reported in Hyperion Financial

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Management (HFM). Stora Enso Austria and Stora Enso Sweden advised that all Stora Enso units report their quarterly financial results in HFM.

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Stora Enso Austria and Sweden both use SAP enterprise resource planning (ERP) as their accounting information system.

Accounting structure

Stora Enso Austria and Stora Enso Sweden provided diagrams of their accounting structure. Each sawmill is a separate cost/profit centre in Stora Enso accounts, with cost centre groups including administration, sales, marketing, log handling, sawing, sorting, planing, kiln-drying and finger-jointing. The Stora Enso Austria and Stora Enso Sweden chart of accounts (for all mills) were attached to the exporter questionnaire responses.

The Stora Enso Austria and Stora Enso Sweden financial reports are audited by the accounting firm Deloitte. The companies provided their annual reports for 2010 which included an unqualified statement from the auditor that the accounts of each company had been prepared in accordance with the GAAP of the relevant country and provided a true and fair view of the financial position of the companies.

4.2 Related parties

Stora Enso Timber Australia Pty Ltd

All of Stora Enso Austria and Sweden export sales to Australia were to a related company, Stora Enso Timber Australia Pty Ltd (Stora Enso Australia). Both entities submitted in their responses to the exporter questionnaires that the prices of these sales were determined on an arms-length basis. Further details of the arms length nature of these transactions are discussed in the Section 6.13 of this report.

Both Stora Enso Austria and Sweden submitted that, during the investigation period, they had no legal or other relationship with any domestic or Australian customer except Stora Enso Australia, a wholly owned subsidiary of Stora Enso Wood Products GmbH and through it, Stora Enso Wood Products Oy Ltd in Finland.

Log supply

Within its responses to the exporter questionnaires, Stora Enso Austria and Sweden submitted that none of their log suppliers during the investigation period were related companies. At verification we found no evidence to suggest this was incorrect.

Stora Enso Sweden advised that they held a XXX share in the log supply company XXXXXXXX. Despite this ownership Stora Enso Sweden stated that all log purchases were at market based prices regardless of whether from government or privately owned forest plantations and that no long term log purchase contracts existed.

5 GOODS UNDER CONSIDERATION AND LIKE GOODS**5.1 The goods under consideration**

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; and*
- *has a cross-sectional area of less than 120cm²; and*
- *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.

5.2 Production process

A general outline of the timber production process (as a diagram) was provided in the exporter questionnaire responses. The general timber production process at all mills is described below:

1. Log sorting – XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX [sorting process];
2. Debarking – XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX [debarking process];
3. Sawing – XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX [sawing process];
4. Green sorting – XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX [green sorting process];
5. Drying – XXXXXXXXXXXXXXXXXXXXXXX [drying process];
6. Planing – XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX [planing process];
7. Processing of ends – XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX;
8. Grading – XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX;
9. Further processing – XXXXXXXXXXXXXXX eg XXXXXXXXXX for XXXXXXX
market.

5.3 Exports to Australia

Austria

The vast majority of structural timber exported to Australia by Stora Enso Austria in the investigation period was stress graded XXXX timber in various lengths. Also exported were small quantities of XXXX and the visually graded XX. All timber exported was XXXXXXXXXXXXXXX [specifications].

The majority of exports from Austria are described as XXX, a mixture of XXXXXX, XXXX and XXX. Small quantities are described as XX (XXXXXXX) or XX (XXXXXXX).

Sweden

XXXXX also dominated exports from Sweden but with a higher proportion of XXXX and small quantities of XXX and XXX (XXXX) material. Stora Enso Sweden also exported one trial shipment of what was described as XXXX grade timber. Stora Enso Sweden explained that this was an old United Kingdom structural timber standard similar to XXX under the European structural timber standards.

All exports from Sweden are XXXXXXXX.

5.4 Like goods sold domestically

Austria

Stora Enso Austria explained that construction methods in Austria are very different to the stick building and pre-fabrication methods employed in Australia. As a result it does not sell products in Austria that are similar to the small section, mechanically stress graded timber it sells to Australia. Some of the products it sells in Austria such as KVH and Woodpax products are not produced in Austria but in other Stora Enso mills in Europe.

Of Stora Enso Austria's external domestic sales volumes in the investigation period (excluding transfers to the post mills), approximately XXX was planed and dried and XXX roughsawn. The planed and dried timber is classified as either A or B quality (with a small quantity described as CLTNVI). The A grade timber is predominantly sold to XXX customers, XXXXXXXXXXXXXXXXXXXXXXXXXXXX which produces XXXXXXXXXXXX for the XXXXXXXX market. A grade planed and dried timber of a lower visual quality is also sold to XXXXXXXXXXXXXXXXXXXXXXXX, which uses the timber to produce cross laminated timber (CLT) elements. Both customers use the product as 'lamellas' (or outer layers) of the laminated products.

Stora Enso Austria explained that because they are exposed, the lamellas need to be of a high visual appearance, with no wane, shakes or discoloration and with a small tight knot structure. It said to produce these products required A class logs with a diameter of XXXXXXXXXX so that the lamellas can be cut from the central part of the log. It contrasted this with the structural timber exported to Australia

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which allows some wane, blue stain and bigger knot structures. Top log diameters of XXXXXXXXXXXX are used to produce the Australian product.

Stora Enso Austria explained that in Central Europe, timber is sold according to a quality system based on visual grading. The system is as follows:

- 0-3 This is the top grade. The timber supplied is knot free and has no wane or discoloration.
- 0-4 Some of the timber has wane or discoloration.
- 0-5 Lower quality including wane and significant discoloration
- 3-4 Poor quality
- 4-5 Very poor quality

The range applying to the grade recognises that the timber supplied will vary in quality. If the timber is graded as 0-4 for example, the timber will include approximately 60% high quality timber, 30-35% of a lower quality and 5-10% of reject grade.

Planed and dried timber is more normally classed as either A or B grade as it is usually ultimately destined for exports or, in the case of B grade, is reject material from export production.

SD (special dried) timber has a moisture content of under 16% while KD (kiln dried) product has a moisture content of over 16%.

Stora Enso Austria explained that, although not planed, timber with a quality of 0-3 would be the closest comparison with structurally graded timber. It stated that timber with the 0-3 visual grading would be the most likely to pass a mechanical grading due to its absence of knots and other defects.

Sweden

Stora Enso Sweden explained that building systems in Sweden are also quite different to Australian construction methods. The company said that there are five large Swedish producers of pre-fabricated houses but that these were located in the south of Sweden, some 300 kilometres from the Gruvon mill. There are many other timber mills closer to the fabricators, which means Stora Enso Sweden sells very little stress graded timber on the domestic market of Sweden.

Stora Enso Sweden made XXXXX sale (XXm³) of mechanically stress graded timber in the investigation period. It was graded to XXX under the European standards. The company also sold a quantity of timber with a grade described as XXXXXXXX, which it described as a visual grading similar to the XXX mechanical grade. Documents relating to the XXXXX domestic sale of XXX product are at **confidential attachment LG1**.

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Stora Enso Sweden explained that the grading of timber for the domestic market was quite different to the Central European system. The system is as follows:

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- US - unsorted or A grade product
- V - B grade product
- VI - C grade product
- VII - poor standard product

US and V standard product when sold together are referred to as SF (sawfalling).
US, V and VI product when sold together are referred to as PF (production falling).

5.5 Like goods analysis

Austria

In terms of physical and production likeness, the goods sold domestically by Stora Enso Austria have some physical characteristics that closely resemble the exported goods. They are sawn timber products of coniferous wood with similar appearance. However, in many cases the products sold domestically are not planed and/or not kiln dried.

The timber products sold domestically by Stora Enso Austria are functionally and commercially quite different to structural timber it exported to Australia in the investigation period. The planed and dried B grade timber is export reject material. The A grade planed and dried timber is used as lamellas (outer layers) for laminated products. Other timber sold domestically is roughsawn and either dried or undried.

Having regard to all of these factors, we consider that the structural timber sold domestically by Stora Enso Austria does not have characteristics closely resembling those of the exported goods.

Sweden

The majority of Stora Enso Sweden's domestic sales volume (XXX) is roughsawn timber. Of the planed timber sold in Sweden, the majority (XXX) is B grade material. The company made XXX sale of XXX grade timber (under the European standards) and sold a XXXX quantity of XXXXX grade timber, a visual grade similar to the XXX.

We consider that roughsawn and planed B grade material is not physically, functionally or commercially alike to structural timber exported to Australia. However, we consider that the XXX and XXXXXX timber sold in the investigation period has characteristics resembling the exported goods. It is planed, dried timber with a mechanical or visual stress grading similar to the products exported to Australia.

5.6 Conclusion

We consider that the goods sold domestically by Stora Enso Austria are not like goods to the goods the subject of the application. Further, we consider that Stora Enso Sweden's sales of XXX and XXXXXX timber are like goods.

6 EXPORT SALES TO AUSTRALIA

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6.1 General

In the investigation period, both Stora Enso Austria and Stora Enso Sweden exported structural timber only to its Australian national distributor, Stora Enso Australia.

6.1.1 Export sales data provided

In its responses to the exporter questionnaires, each mill provided an export sales spreadsheet detailing each export sale within the investigation period.

This spreadsheet included line-by-line information relating to:

- customer
- level of trade
- model
- product code (specifying species, planing, drying type, dimension, grade, treatment, if the product was finger-jointed)
- invoice date
- date of sale
- order number
- shipping terms
- payment terms
- quantity (m³)
- gross invoice value
- net invoice value
- exchange rates
- ocean freight
- FOB export price
- inland freight.

Additionally, Stora Enso Austria and Stora Enso Sweden provided for all mills:

- a 'Turnover' spreadsheet (showing sales values and volumes for both the investigation period and the most recently audited 2010 calendar year;

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6.2 Sales volume and value

We observed within the Stora Enso Austria and Stora Enso Sweden export sales spreadsheets that exported product to Australia in the investigation period was in the following volumes and values:

Table 1 - Brand sawmill exports

Grade (F or MGP)	Total quantity (m ³)	% total quantity	Total value (AUD\$ FOB export price)	% total value
XXX	XXX	XX	XXXXX	XX
XXX	XXX	XX	XXXXX	XX
XXX	XXX	XX	XXXXX	XX
Total	XXX	100%	XXXXX	100%

Table 2 - Ybbs sawmill exports

Grade (F or MGP)	Total quantity (m ³)	% total quantity	Total value (AUD\$ FOB export price)	% total value
XXX	XXXXX	100%	XXXXXXXX	100%
Grand Total	XXXXX	100%	XXXXXXXX	100%

Table 3 - Sollennau sawmill exports

Grade (F or MGP)	Total quantity (m ³)	% total quantity	Total value (AUD\$ FOB export price)	% total value
XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX
Grand Total	XXX	100%	XXX	100%

Table 4 - Gruvon sawmill exports

Grade (B or MGP)	Total quantity (m ³)	% total quantity	Total value (AUD\$ FOB export price)*	% total value
XXX	XXX	XX	XXX	XX
XXX	XXX	XX	XXX	XX
XXX	XXX	XX	XXX	XX
XXX	XXX	XX	XXX	XX
Grand Total	XXX	100%	XXX	100%

Table 4 - Kopparfors sawmill exports

Grade (B or MGP)	Total quantity (m ³)	% total quantity	Total value (AUD\$ FOB)	% total value
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	export price)*				69
XXX	XXX	XX	XXX	XX	
XXX	XXX	XX	XXX	XX	
XXX	XXX	XX	XXX	XX	
Grand Total	XXX	100%	XXX	100%	

6.3 Export sales process

The export sales process is as follows:

1. Stora Enso Australia places orders with a centralised European sales coordinator for Stora Enso products that are distributed from Central Europe, the Baltic region and Scandinavia.
2. The sales coordinator allocates production to the appropriate mills.
3. Prices for the order are negotiated between Stora Enso Australia and Stora Enso Austria and Stora Enso Sweden. Both entities will negotiate with Stora Enso Australia if the order can be produced at the price it has requested. The price offer is only accepted if it is considered profitable by the mill.
4. Once the price is finalised, the sawmill order is input to the production schedule for the mill. When volumes are confirmed contracts are issued from the mill's order and invoicing systems.
5. Once produced, Stora Enso Austria and Stora Enso Sweden load the products into shipping containers on-site at the mill. A packing list is issued and the goods are despatched and a waybill is issued.
6. Invoices, XXXXXXXXX [currency], are issued when delivery of the goods commences from the mills.

6.4 Date of sale

We advised Stora Enso Austria and Stora Enso Sweden that Customs and Border Protection usually regards the invoice date as the date of sale (i.e. the date that best represents when the material terms of the sale have been established) unless there is clear evidence to indicate that another date is appropriate.

6.5 Pricing and terms

Stora Enso Austria and Sweden claimed that all of its products that were sold to Australia were to its national distributor, Stora Enso Australia and were on carriage and insurance paid (CIP) terms. Terms of payment were XXX days net from invoice value.

Stora Enso Austria and Sweden advised that there were no rebates, discounts, or other reimbursements, nor any commissions, in relation to its sales of structural timber to Stora Enso Australia and that the invoiced price was the final price payable.

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Stora Enso provided all price lists operating during the investigation period for sales to Australia (**confidential attachment EXP1**).

6.6 Export packaging

Stora Enso Austria and Stora Enso Sweden advised that packaging costs per cubic metre for XXXXXX are slightly more expensive than its packaging costs per cubic metre for XXXXXXXXXXXX. Stora Enso Austria and Stora Enso Sweden explained that they do not record the packaging costs separately for XXXXXX and XXXXX sales.

6.7 Ocean freight and inland freight

In its detailed export sales spreadsheet submitted in the responses to the exporter questionnaires, both Stora Enso Austria and Stora Enso Sweden provided for each separate mill line-by-line data for the cost of ocean freight and for the cost of inland freight from mill to port of loading.

Stora Enso Austria and Stora Enso Sweden advised that freight charges are paid in periodic lump sums, that the freight charged to Stora Enso Austria and Sweden changes monthly, and that a typical load is XXX (for a XXXXX container). Stora Enso Austria and Sweden claimed that consistent with the CIP invoice terms, the freight charged is all-inclusive from point of loading at the mill to the point of delivery at the Australian port.

6.8 Quarantine charges

Stora Enso Austria and Stora Enso Sweden advised that they did not incur quarantine charges and that Stora Enso Australia would incur this charge where applicable.

6.9 Verification of export sales to source documents

At the visit we sought and were provided with invoices and supporting documentation for a total of 20 consignments relating to exports from both Austria and Sweden. For each consignment the set of documents:

- commercial invoice
- contract
- bill of lading (where applicable)
- inland transport invoice (where applicable)
- ocean freight (where applicable)
- packing list (where applicable)
- evidence of payment (where applicable)

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Document bundles for exports from Austria form **confidential attachment EXP2** FOLIO 67
Document bundles for exports from Sweden form **confidential attachment EXP8**

As part of the verification we compared the data contained within the source documents to the individual mill export sales spreadsheet provided by Stora Enso Austria and Sweden and found it to be accurate.

6.9.1 Sales volume and value

We were able to reconcile sales volume (in m³) using the commercial invoices and packing lists, and sales value in XXXXXXXXXX [currency]. We matched the invoice amounts paid by Stora Enso Australia to the Stora Enso Austria in-house credit summary statements for all selected consignments. These amounts confirmed the payment by Stora Enso Australia of the purchase price XXXXX [currency] to Stora Enso Austria. Documents confirming evidence of payment from Stora Enso Australia for the selected Austrian exports form **confidential attachment EXP4**.

We undertook the same exercise for the export sales by Stora Enso Sweden from both the Gruvön and Kopparfors mills and again matched the sales volumes and invoiced values from the documents to the Stora Enso Sweden export sales spreadsheets. We confirmed the payment by Stora Enso Australia of the invoiced purchase price, XXXXX [currency] to Stora Enso Sweden. Documents confirming evidence of payment from Stora Enso Australia for the selected Swedish exports form **confidential attachment EXP5**.

6.9.2 Ocean freight and land transport freight

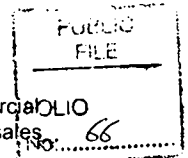
We observed that all selected shipments were listed as having CIP terms on their commercial invoices, as reported by Stora Enso Austria and Stora Enso Sweden within its export sales spreadsheet.

We noted that the ocean freight and land transport amounts from the selected consignments did not agree with export sales spreadsheets data for these costs. Stora Enso Sweden explained that in preparing the summary data a notional amount had been used based on historical ocean freight and inland transport costs. While the differences were not significant we sought and received evidence of the actual ocean freight and inland transport costs incurred by Stora Enso Sweden over the investigation period. Stora Enso Sweden provided invoices from respectively, XXXXXXXXXX and XXXXXXXXXX Transport AB for these costs. These documents form **confidential attachment EXP6**.

6.9.3 Credit terms

We observed within the export sales spreadsheet, and on the invoices, that payment terms to Stora Enso Australia were all listed as XXX days net from invoice date. An examination of the selected transactions confirmed that the payment was made in the majority of consignments on or shortly after the payment terms.

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We observed that the spreadsheet matched the payment terms on all commercial invoices. We therefore consider the credit terms contained within the export sales spreadsheets to be reasonably reliable.

6.9.4 Handling and other charges

We verified amounts included in the export sales spreadsheets handling expenses for containers from the Brand warehouse, inland transport from Brand to Krems and the transport of containers from the Ybbs factory to the train depot. The verification documents are at **confidential attachment EXP7**.

We observed that no other marine insurance, packing, invoice handling, delivery handling, warranty, technical support, commissions or other costs were recorded within the export sales spreadsheet. We found no evidence to believe that any further charges should be reported against the transactions.

6.9.5 Other data

Stora Enso Austria and Stora Enso Sweden also included several other columns of data that we were able to verify from the provided source documents. These were as follows:

- Product code specifying:
 - type of timber (XXXXXXXXXXXXXXXXXXXX) [species];
 - planing (surface four sides (S4S), surface four sides rounded corner (S4SEE);
 - physical dimension (35 x 90, 35 x 70, etc.);
 - internal grade type (A-grade);
 - export grade to Australia (XXXXXXXXXX);
 - drying (special dried (SD), kiln-dried (KD)).
- Invoice number
- Invoice date
- Payment terms
- Quantity m³
- Gross invoice value (XXX)
- Container number

6.10 The exporter

We consider Stora Enso Austria and Stora Enso Sweden to be the exporters of product shipped from both Austria and Sweden because both:

- are the manufacturers of the goods and manufactured the goods to the specific order for Stora Enso Australia;

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- owned the goods at the time of export;
- are listed as the supplier on the waybill;
- invoice Stora Enso Australia for the goods directly;
- arrange and pay the ocean freight and inland transport to ship the product to Australia;
- are the principals in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia; and
- sent the bulk goods for export to Australia and were aware of the identity of the purchaser of the goods.

6.11 The importer

We noted that Stora Enso Austria and Stora Enso Sweden's Australian customer, Stora Enso Australia:

- negotiates directly with both Stora Enso Austria and Sweden for the purchase of timber;
- are named as the consignee on the waybill; and
- arrange customs clearance, quarantine, logistics, and storage of the goods after they have been delivered to the Australian port.

We consider that the Australian customer, Stora Enso Australia, is the beneficial owner of product at the time of importation and is therefore the importer of the structural timber exported by both Stora Enso Austria and Sweden.

6.12 Arms length

In relation to all of Stora Enso Austria and Stora Enso Sweden's export sales of structural timber to Stora Enso Australia during the investigation period, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

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We note that the visit to Stora Enso Australia found nothing to indicate that the between it and the European entities were not arms length. This included an examination of the profitability of Stora Enso's sales in Australia.

We therefore consider all of Stora Enso Austria and Sweden's export sales to Stora Enso Australia during the investigation period to be arms length transactions.

6.13 Export price – preliminary assessment

In the case of export sales to Australia by Stora Enso Austria and Stora Enso Sweden, we consider:

- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have been purchased by the importer from the exporter;
- and the purchases of the goods were arms length transactions.

Therefore, we are satisfied that export price for direct export sales from both Stora Enso Austria and Stora Enso Sweden's can be established under Section 269TAB(1)(a) of the Act.

Export price calculations for Stora Enso Austria and Stora Enso Sweden are at **confidential appendices 1A and 1B respectively**. Export price summaries by quarter are at **confidential appendices 2A and 2B**.

7 DOMESTIC SALES

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7.1 GeneralAustria

Stora Enso Austria explained that Austria has a sawn timber production capacity of approximately XXXXXXXX. In 2010, Stora Enso Austria was Austria's largest timber producer, accounting for approximately XXX of national production. With Austria's population of approximately 8.5 million, the majority of Austria's timber production is exported. Stora Enso Austria stated that its focus is on export markets, particularly XXXX.

Stora Enso Austria said that its focus was on producing raw materials for further processing. It stated that approximately XXX of its domestic sales volume is sold to entities that further process the material. The other XXX is sold to trading companies, many of which export the timber to other European countries.

As discussed in section 5.4.1 above, Stora Enso Austria explained that construction methods in Austria are very different to the stick building methods employed in Australia. As a result it does not sell products in Austria that are similar to the small section, mechanically stress graded timber it sells to Australia.

Sweden

Stora Enso Sweden explained that building systems in Sweden are quite different to Australian construction methods. The company said that there are five large Swedish producers of pre-fabricated houses but that these were located in the south of Sweden, some 300 kilometres from the Gruvon mill. There are XXXX other timber mills closer to the fabricators, which means Stora Enso Sweden sells XXXXXX stress graded timber on the domestic market of Sweden.

Stora Enso Sweden made XXXXX sale (XXX) of mechanically stress graded timber in the investigation period. It was graded to XXX under the Canadian Lumber Standards. The company also sold a quantity of timber with a grade described as XXXXXX, which it described as a visual grading similar to the XXX mechanical grade.

7.2 Levels of trade

Stora Enso Austria advised that it uses two distribution channels. In its response to the exporter questionnaire for each mill, it explained that it uses traders where the customers are very small and the traders are able to distribute the bigger volume to a lot of small customers (where it does not have the capability for that). It also explained that it makes direct sales to industrial companies, where they buy large volumes and Stora Enso Austria are able to manage the direct sales to them.

Stora Enso Sweden advised that it has only direct sales from the sawmills to industrial customers.

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Both Stora Enso Austria and Stora Enso Sweden advised that they XXXX XXXX XXXX on price according to the distribution channels. Prices vary because of the market situation and the volume purchased by the customer.

7.3 Domestic sales process, pricing and terms

7.3.1 General

Stora Enso Austria advised that the majority of its customers purchase timber products that are tailored specifically for them. Accordingly, the price is also framed for the specific customer. For products that are the same quality for all customers (eg sideboards and roof laths) it maintains an official price list.

Stora Enso Austria enters into a price agreement with customers based on quality and volume of the products required. Orders are mostly received according to an agreed volume for a quarter and the volume is delivered when 'call-offs' are received from the customer. Prices are based on cost calculations and trends in the market.

Stora Enso Sweden sells only tailored product to industrial customers and does not maintain price lists. Prices are negotiated for a maximum XXXXXX period based on volume and product range.

7.3.2 Delivery terms

The majority of domestic sales (XXX) from the Austrian mills are sold on Free Carrier (FCA) terms while XXX are sold Carriage Paid To (CPT). The remaining sales are made on a range of Incoterms including Ex-Works (EXW).

For the Swedish mills in the investigation period, XXX of the volume was sold FCA, XXX Carriage Insurance Paid (CIP) and XXX Delivered Duty Unpaid (DDU).

7.3.3 Payment terms and discounts

Stora Enso Austria offers a range of credit terms to its domestic customers and in the majority of cases offers a discount of XXX of the invoiced value for early payment. The company also offers a volume discount of up to XXX. The volume discount is reflected in the invoiced price.

Stora Enso Sweden offers credit terms of XXXXXXXXX days and offers no discounts for any other factor, including early payment.

Stora Enso Austria and Stora Enso Sweden advised that there are no other discounts, rebates, or commissions applicable to domestic sales.

7.4 Verification of domestic sales to audited financial statements

We sought to trace the detailed domestic sales data provided by Stora Enso Austria and Stora Enso Sweden in their responses to the exporter questionnaire through management reports to the audited financial statements to provide us with confidence in the completeness and relevance of the data.

Austria

Stora Enso Austria provided a breakdown of sales by profit/cost centre for 2010 (**confidential attachment DOM1**). The breakdown comprises amounts taken from the company's general ledger and includes sales of by-products. At the bottom of the breakdown, Stora Enso included a breakdown of external sales categorised into domestic sales, Australian sales and third country sales. These figures are derived by the addition of all external (to Stora Enso Austria) sales amounts from the account breakdown above. The total of external sales reconciles with the amount of XXXXXXXXXX XXXXXX [currency] as shown in the audited financial statements.

To support the figures in the breakdown, Stora Enso Austria provided printouts (**confidential attachment DOM2**) from its SAP system showing domestic sales and sales to Australia for 2010 and the investigation period. The totals for each profit/cost centre for 2010 agreed with the amounts shown in the breakdown.

Sweden

Stora Enso Sweden provided trial balances for 1 July to 31 December 2010 and 1 January to 30 June 2011 (**confidential attachment DOM3**) for the Gruvon sawmill and highlighted the total value of sales of sawn product and the small amount of sales discounts applying to these. Stora Enso Sweden also provided reports showing invoicing of sawn timber and finished product timber by country for each of the two six month periods (**confidential attachment DOM4**).

Stora Enso Sweden demonstrated how, after converting the trial balance sale value from SEK to XXXXX [currency] using an indicative exchange rate, it reconciled with the invoiced values taken from the invoicing reports for the three market segments (domestic, Australia and third countries), and the Gruvon mill turnover statement, with a small discrepancy.

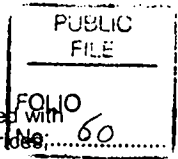
Having regard to the above, we consider the detailed domestic sales data provided by Stora Enso Austria and Stora Enso Sweden in its responses to the exporter questionnaire is a reasonably complete and relevant record of sales in the investigation period.

7.5 Verification of domestic sales to source documents

Having established the completeness and relevance of the domestic sales data, we then sought to trace that data down to source documents to ensure the accuracy of the data.

Prior to the visit we sent Stora Enso Austria and Stora Enso Sweden a list of 14 selected domestic sales transactions (7 for Austria and 7 for Sweden) that we had chosen for closer examination. We asked for copies of source documents to support the transaction details. In relation to each of the selected transactions, Stora Enso Austria and Stora Enso Sweden provided copies of the invoice, packing list and evidence of payment.

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We found that all the data contained in the domestic sales spreadsheet agreed with the source documents provided. We paid particular attention to quantities, prices, dates, delivery and payment terms, and inland freight amounts. Copies of the source documents for the selected domestic sales are at **confidential attachment DOM5**.

In terms of evidence of payment, Stora Enso Austria and Sweden provided copies from its customer account ledgers and these details indicated that the invoice price was the price paid. Copies of the documents supporting the price paid in domestic sales are included at **confidential attachment DOM5**.

Having regard to the above, we consider the detailed domestic sales data provided by Stora Enso Austria and Stora Enso Sweden are a reasonably accurate account of domestic sales details over the investigation period.

7.6 Arms length

In respect of Stora Enso Austria and Stora Enso Sweden's domestic sales we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We consider Stora Enso Austria and Stora Enso Sweden's domestic sales of timber products are made in arms length transactions.

7.7 Ordinary course of trade

Austria

We have concluded that Stora Enso Austria does not sell on the domestic market like goods to goods the subject of the application for anti-dumping measures.

Sweden

In the investigation period, Stora Enso Sweden sold a total of XXXXX of timber graded as XXXXXX (similar to the XXX standard) to XXXX customers in Sweden. As this is a low volume of sales (XXX of the export volume) we have not tested the profitability of these sales.

7.8 Suitability of sales

Austria

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We consider that there is an absence of domestic sales that would be relevant for determining normal values under s.269TAC(1).

Sweden

We consider that relevant sales by Stora Enso in Sweden of XXXXXXXX grade timber are not suitable for determining normal values as they are in low volume (XXXX of the export volume).

7.9 Sales by other sellers

Apart from the three Stora Enso Austrian mills, no other Austrian producers are participating in the investigation. One other Swedish mill has returned an exporter questionnaire response that is yet to be assessed.

7.10 Domestic sales conclusion

Having regard to the absence or low volume of relevant domestic sales in Austria and Sweden, we do not consider the structural timber products sold domestically by Stora Enso Austria and Stora Enso Sweden are an appropriate basis for determining normal values.

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8 THIRD COUNTRY SALES

In its exporter questionnaire response for both mills, Stora Enso Austria and Stora Enso Sweden provided a summary of volumes and values for similar cross section timber products exported to third countries in the investigation period. The companies stated in their exporter questionnaire responses that the majority of exported product is of a lower standard to the timber exported to Australia.

Stora Enso Austria did not export any stress graded structural timber to other countries in the investigation period.

Stora Enso Sweden exported stress graded timber (XXX and XXXXXX and XXX) to a number of countries. At the meeting, the company provided a transaction by transaction listing of XXX and XXXXXX and XX sales over the investigation period.

9 COSTS TO MAKE & SELL

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9.1 General

In its exporter questionnaire responses, Stora Enso Austria and Stora Enso Sweden provided quarterly cost to make and sell calculations, showing total costs and costs per cubic metre for each mill. Separate costs were provided for domestic sales and for sales to Australia. Neither company produces or exports treated structural timber from any of the mills. The financial information was categorised and presented as:

- material costs;
- direct labour;
- manufacturing overheads;
- other manufacturing costs;
- administration costs; and
- delivery costs.

We sought to trace the cost data that was submitted up through management reports to audited financial statements to establish confidence in the completeness and relevance of the data. We also sought to trace the cost data to source documents to establish confidence in the accuracy of the data.

9.2 Reallocation of cost data

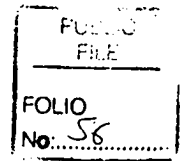
During Customs and Border Protection visit to verify information provided by the Stora Enso entities in the Czech Republic, it became apparent that costs had been calculated as an average for all finished products, regardless of whether the products were dried, planed or rough sawn. The Czech Republic entities agreed to recalculate costs to ensure the costs of kiln-drying, planing, finger-jointing and Blueshield (termite treatment) were only assigned to the respective volumes of goods that had undergone those processes.

Stora Enso Austria and Stora Enso Sweden advised that their costs had been prepared in the same manner as the Czech Republic entities costs had originally been prepared. The Austrian and Swedish entities agreed to recalculate the costs in the same manner as the Czech Republic costs had been revised. They were able to do this as each process represents a different cost centre. During the meeting, Stora Enso Austria and Stora Enso Sweden firstly provided revised costs for dried and planed timber produced at the Brand mill in Austria. These costs are higher than the average costs included in the exporter questionnaire response for the Brand mill.

The revised costs for Brand were provided in two formats. The first (**confidential attachment CTMS1**) provides the additional costs of planing and kilning compared to the average costs. The second format (**confidential attachment CTMS2**) shows the accumulation of the average costs for each of the following cost centres:

- Raw materials

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- Sawing
- Planing
- Kilning
- Freight.

We focussed on the Brand (Austria) and Gruvon (Sweden) costs during the verification and obtained certain information on the other mills to support the more detailed verification of the Brand and Gruvon data.

9.3 Verification of costs – Brand mill (Austria)

Stora Enso Austria provided a worksheet showing the quantities of planed, kiln dried and finger jointed product sold in the first and second six month periods of the investigation period (**confidential attachment CTMS3**). These volumes were used to calculate the percentage of costs for the planer mill, kilns and finger-jointed product that should be applied to the cost of producing the structural timber exported to Australia. No product is termite treated at the Austrian mills.

Stora Enso Austria provided a monthly operative income statement for Brand for the 2010 calendar year (also its financial year). The report includes information on the total amount of timber invoiced in each month. Adding the invoiced quantities for quarters 3 and 4 of 2010 equals the invoicing total of XXXXXXXX as shown as the denominator in **confidential attachment CTMS1**.

At **confidential attachment CTMS4** is a download of all costs incurred by the Brand mill's planing cost centre in quarters 3 and 4 of 2010. We asked for and Stora Enso Austria provided screen shots from its SAP system to support these figures. The total of these costs is divided by the quantity of planed material invoiced in the quarter to calculate a cost per m³ for planing in each quarter. The planing cost for the Brand mill was XXXX XXXXX in quarter 3 2010 and XXXX XXXX in quarter 4 2010. We were able to see that these amounts were carried forward into the costs calculated in the cost summary at **confidential attachment CTMS2**.

Stora Enso Austria provided similar packages for the Brand kilns and greenmill (**confidential attachments CTMS5 and CTMS6** respectively).

We selected quarter 3 2010 to verify the raw material cost of XXXX XXXX per m³ of timber sold that was produced in the Brand mill. Stora Enso Austria explained that the overwhelming majority of structural timber for the Australian market is made from XXXX diameter logs (XXXXXXX). It said that it had nevertheless used the average timber cost, which it said would overstate the cost of logs for the Australian production.

The Brand mill's operative profit and loss statement shows a total timber consumption cost of XXXXX million XXXXX in quarter 3 of 2010 and by-product sales of XXXXXXXX. The more detailed material cost worksheet (**confidential attachment CTMS7**) shows a net raw material cost of XXXXXXXX XXXX to produce

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the XXXXXXXXXXXX of finished timber sold. At **confidential attachment 8** is the general ledger account for log raw material used in each month of quarter 3 2010 for each of the three Austrian mills (Brand, Sollenau and Ybbs).

The Brand profit and loss statement (**confidential attachment 9**) shows log consumption of XXXXXX XXXX in 2010. To assist our reconciliation to the audited financial statements, Stora Enso Austria provided a profit and loss statement for the legal entity for 2010, broken down into the following six profit/cost centres:

- Brand mill;
- Sollenau mill;
- Ybbs mill;
- Brand Post (further processing centre);
- Ybbs post (further processing centre);
- Headquarters.

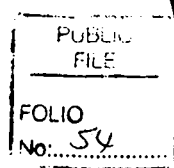
The statement shows a raw material consumption cost for Brand of XXXXXXXX XXXX which agreed to the amount shown in Brand profit and loss statement. The total log consumption for the three Austrian mills is shown to be XXXXXXXXXX XXXX which agrees to the amount shown in the audited financial statements (**confidential attachment CTMS10**).

We selected three log purchases from the SAP listing and asked Stora Enso Austria to provide the contract with the supplier and relevant invoice. The contracts and invoices (**confidential attachment 11**) show a range of prices per m³ for various dimensions and grades of log purchased according to the size and quality of the log purchased. Two of the invoices are for logs delivered to the Brand mill. The other is on the terms 'free forest road' and we could see the additional amount paid by Stora Enso Austria to have the timber delivered to the mill.

We also sought to reconcile the amounts shown for sawing, kilning and planing in the detailed SAP reports (used as the basis for calculating the unit cost of dried, planed timber) with the Brand profit and loss statement. Stora Enso Austria explained that these amounts could be reconciled by the addition of the following amounts in the Brand profit and loss statement:

- By-product purchases;
- Energy;
- Chemicals and filters;
- Packaging;
- Personnel costs;

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- Maintenance costs;
- Other fixed costs;
- Depreciation.

We were able to reconcile the amounts from the profit and loss statement with the amounts shown in the SAP reports (with a minor discrepancy).

The cost centre profit and loss statement for the legal entity (**confidential attachment CTMS12**) shows that the headquarter expenses are distributed across the three sawmill entities to arrive at an operating profit for the Brand mill of XXXXXXXX XXXX. This figure agrees with the operating profit in the Brand profit and loss statement.

We noted a discrepancy in the overall operating profit as shown in the consolidated profit and loss statement (XXXXXX XXXX) and that shown in the audited financial statements (XXXXXX XXXX). Stora Enso Austria explained that the company kept its accounts according to the International Financial Reporting Standards (IFRS) whereas its audited financial statements were required to be prepared according to Austrian GAAP. Stora Enso Austria explained that the main differences were represented by the following:

- the provision for retirement expenses and hedging deals were allowed to be capitalised under IFRS but were expense items under local GAAP (accounting for around XXXXXXXX XXXX); and
- different limits to the useful life of assets meant that depreciation expenses were approximately XXXXXXXX XXXX higher under local GAAP compared to IFRS.

We obtained depreciation schedules for the Brand mill (one according to IFRS and one according to local GAAP). These schedules are at **confidential attachment CTMS13**. The IFRS schedule shows an acquisition value of assets of approximately XXXXXXXX XXX for the Brand mill with a current book value of XXXXXXXX XXXX. The depreciation expense of XXXXXXXX XXXX matches the amount shown in the Brand mill profit and loss statement.

We obtained quarterly cost breakdowns for the Sollenau mill (**confidential attachment CTMS14**) and Ybbs mill (**confidential attachment CTMS15**). We also obtained SAP printouts for the Sollenau sawing, kilning and planing cost centres to support the cost breakdowns (**confidential attachment CTMS16**).

9.4 Verification of costs – Gruvon mill (Sweden)

Stora Enso Sweden provided a package of documents to support its calculation of the cost of producing dried and planed product. We held several telephone conferences with the financial controller of the Gruvon mill in Sweden and we were able to follow his navigation through various computer records via a connection to the system in the Brand offices.

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Stora Enso Sweden presented a worksheet (**confidential attachment CTMS17**) showing the unit cost associated with each of the following cost centres:

- Administration;
- Sales administration;
- Log sorting;
- Sawing;
- Kilning;
- Grading;
- Planing;
- Dispatch;
- Common costs.

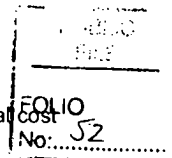
Each cost centre includes amounts for wages and salaries, other costs and depreciation.

The company provided a copy of its trial balance for the Gruvon mill for 2010 (**confidential attachment CTMS18**) and demonstrated how the cost elements had been allocated to the various processes. It was demonstrated that the addition of the various cost elements in the trial balance (excluding raw material costs) equalled the total value (XXXXXXXXXXXXXXXXX) in the cost worksheet. In the course of the demonstration the financial controller detected an amount of XXXXXXXXXXXX that needed be added to the kilning process. This amount was added and Stora Enso Sweden provided a revised set of documents reflecting the change (**confidential attachment CTMS19**).

We could see how the amounts for each process had been taken up from the trial balance for 2010 and that all amounts (excluding wood costs) had been included in the calculation. Stora Enso Sweden had then used sales volumes to calculate a unit cost for each process. The company had used total sales volume to calculate unit costs for administration, sales administration, log sorting, sawing, kilning and despatch cost centres. Stora Enso Sweden advised that all product manufactured at the Gruvon mill is dried.

We asked Stora Enso Sweden to demonstrate from its records the sales volumes used at the denominators to calculate unit costs for each process. The company provided its production report for 2010 (**confidential attachment CTMS20**) showing total production of XXXXXX. Stora Enso Sweden then applied a trimming loss of XX to arrive at an actual production volume of approximately XXXXXXXX in 2010. The report also shows the quantity of timber passing through the planer from which a small quantity of planer re-runs are deducted. Allowing for planer losses, this equals the volume of planed product used to calculate a unit cost for the planed product.

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Stora Enso Sweden also provided a worksheet calculating the net raw material cost for 2010, the six months to June 2010 (and by deduction the six months to December 2010) and the six months to June 2011. We were able to trace from the worksheet the amounts in the trial balance for 2010 to arrive at the net raw material cost. The cumulative log cost is added to the by product transport expense and the by product income is deducted to arrive at a net log cost.

As mentioned above, Stora Enso Sweden procures its logs though the company XXXXXXXXXX, of which it owns XXX. Stora Enso Sweden provided an invoice for the purchase of spruce logs by XXXXXXXXX from an independent grower XXXXXX (**confidential attachment CTMS21**). The invoice shows a purchase price of XXX XXXXX per cubic metre including transportation. Stora Enso Sweden also provided an invoice for the sale of logs by XXXXXXXXXXXX to Stora Enso Sweden (**confidential attachment CTMS22**). We were able to trace the total of the invoice to log purchases ledger (**confidential attachment CTMS23**). We were also able to trace the total of the log purchases for 2010 to the number in the trial balance.

The Fp recovery worksheet provided by Stora Enso Sweden (**confidential attachment CTMS24**) shows the calculation of trimming losses for the typical dimensions of the timber exported to Australia. Using the nominal and actual sizes, Stora Enso Sweden estimated that the actual volume is approximately XXX smaller than the nominal volume. Stora Enso Sweden used this factor to estimate the actual unit raw material cost from the nominal volumes. Using the nominal volumes, Stora Enso Sweden calculated that the wood costs were as follows:

- July to December 2010 – XXX XXXX per m³ of product sold
- January to June 2011 – XXX XXXX per m³ of product sold

In the cost summary worksheet (**confidential attachment CTMS25**), Stora Enso Sweden inflated these costs using the XXX factor to calculate an actual m3 wood cost as follows:

- July to December 2010 – XXX XXXX per m³ of product sold
- January to June 2011 – XXX XXXX per m³ of product sold

The cost summary also shows the adjustment of the process costs by the same XXX factor to arrive at a fully absorbed cost to make and sell the product.

We asked Stora Enso Sweden to show how the profit and loss statement for Gruvon mill reconciled to the audited financial statements, using the raw material cost as an example. The company provided trial balances for each of the nine profit/cost centres within the legal entity. It also provided a total trial balance for the legal entity. Stora Enso Sweden demonstrated the items that could be added, including the raw material costs for Gruvon, to reconcile with the amount for raw materials included in the audited financial statements (**confidential attachment CTMS26**).

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9.5 Costs to make and sell – conclusion

We consider these costs to make and sell are a reasonably complete, relevant and accurate reflection of the actual costs of Stora Enso Austria and Stora Enso Sweden to make and sell the structural timber during the investigation period.

We consider these costs to make and sell are suitable for:

- determining a constructed normal value under section 269TAC(2)(c) of the Act; and
- assessing ordinary course of trade under section 269TAAD of the Act.

10 ADJUSTMENTS

We considered whether any adjustments were required to a constructed normal value to ensure it was properly comparable to export prices of structural timber exported to Australia.

It should be noted that we calculated an export price at EXW level and therefore consider that no adjustment for inland freight is required to constructed normal values that are calculated as EXW.

Furthermore, it is not necessary to adjust for differences in production costs (for example the additional costs of planing, kiln-drying and finger-jointing that is incurred in greater proportion by the Australian product) because these are already incorporated in the constructed normal value which is based on the production costs of the exported product.

10.1 Credit terms

As mentioned earlier, the domestic sales spreadsheet provided by Stora Enso Austria and Sweden in the response to the exporter questionnaire identified various payment terms.

On the basis that evidence of payment indicated that payment was made reasonably consistently with the quoted terms, we calculated an average number of days credit for Austria and Sweden, assuming the early payment discounts were availed in all circumstances.

During the visit to verify information for the Stora Enso Czech entities provided information on short term borrowings within the Group. The Czech entities explained that access to capital was an inter-group activity and there was no need for the Stora Enso Czech mills to borrow funds outside the group. It provided an email from its financial controlling team that stated the interest rate applicable to short term borrowings within the group was charged at LIBOR + XXX. The Czech entities also provided a schedule of LIBOR rates.

The average LIBOR rate for 3 months for the investigation period was 0.26%, which provided for an average interest rate applicable of XXX. We used this in conjunction with the number of days credit to calculate an amount for credit applicable to domestic sales.

In relation to export sales to Australia, we noted that payment was made reasonably consistently with the quoted terms of XXXX.

We consider a negative adjustment for domestic credit should be incorporated within the constructed normal value because that constructed normal value was initially and notionally inclusive of domestic credit terms. We also consider a positive adjustment should be incorporated to bring the constructed normal value to XXXXX credit terms and therefore a comparable basis to export sales.

11 NORMAL VALUE**11.1 Domestic sales not suitable**

Although the price paid for the goods in domestic sales of like goods was established satisfactorily, we found that there was an absence (Austria) or low volume of sales (Sweden) relevant for determining a normal value on the basis of domestic selling prices. Accordingly, normal value cannot be established using domestic selling prices in terms of section 269TAC(1) of the Act.

11.2 Constructed normal value

Based on the information provided by Stora Enso Austria and Stora Enso Sweden, and the verification conducted on site, we are satisfied that the costs to make and sell are suitable for determining a constructed normal value under section 269TAC(2)(c) of the Act.

In terms of profit, we note the Dumping and Subsidy manual provides that:

In constructing a normal value, Customs may include an amount for profit. Where all sales are made at a loss, no profit is added. Where sales in the ordinary course of trade are not in sufficient quantities, an amount for profit may be added in constructing the normal value. However in this scenario, Customs will not base the profit amount upon the low volume of domestic sales that were found to be unsuitable for determination of a normal value under s. 269TAC(1) of the Act.

Consistent with this policy, in the case of Sweden we will not apply the amount of profit that is applicable only to those sales of most comparable products – XXXXX graded, planed, kiln dried product.

Customs Regulation 181A provides that, if reasonably possible, the profit must be worked out by using data relating to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade. We consider that the nature of domestic sales by Stora Enso Austria and Stora Enso Sweden do not provide a reasonable method of estimating the profit that would apply to a sale of the goods on the domestic market.

Sub-regulation 181A(3) provides a number of alternatives for working out the rate of profit to be included in a constructed normal value where it is not reasonably possible to work out the profit using data relating to the production and sale of like goods in the ordinary course of trade. These alternatives include working out profit using any reasonable method and having regard to all relevant information.

We consider that, having regard to all relevant information, using the Stora Enso Group's published profit of XX is reasonable for both Austria and Sweden.

In constructing normal values, we consider that certain adjustments, in accordance with s. 269TAC(9) of the Act, are necessary to ensure fair comparison of normal values with export prices. Using the data verified we consider adjustments for

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differences in domestic and export credit terms are warranted and are therefore incorporated into the constructed normal value calculation.

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The nature and extent of the adjustments are discussed in detail in the section above, and summarised in the table below.

Adjustment	Add to, or deduct from, domestic selling prices
Domestic credit terms	Deduct an amount based on the relevant number of days credit (XX days for Stora Enso Austria and XX days for Stora Enso Sweden)
Export credit terms	Add an amount based on XXX days credit and an interest rate of XXX%

Details of the constructed normal value calculations for Stora Enso Austria and Stora Enso Sweden are at **confidential appendices 3A and 3B** respectively.

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12 DUMPING MARGIN – PRELIMINARY ASSESSMENT

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We compared the quarterly weighted average export prices with corresponding quarterly constructed normal values, for the whole of the investigation period, in accordance with s. 269TACB(2)(a) of the Act.

The weighted average product margin for structural timber exported to Australia by Stora Enso Austria in the investigation period was minus 9.7%. Details of this calculation are at **confidential appendix 4A**.

The weighted average product margin for structural timber exported to Australia by Stora Enso Sweden in the investigation period was minus 9.5%. Details of this calculation are at **confidential appendix 4B**.

13 LIST OF APPENDICES AND ATTACHMENTS**Confidential Appendices**

Confidential appendix 1A	Export price calculations – Stora Enso Austria
Confidential appendix 1B	Export price calculations – Stora Enso Sweden
Confidential appendix 2A	Export price summary – Stora Enso Austria
Confidential appendix 2B	Export price summary – Stora Enso Sweden
Confidential appendix 3A	Normal value calculations – Stora Enso Austria
Confidential appendix 3B	Normal value calculations – Stora Enso Sweden
Confidential appendix 4A	Dumping calculations – Stora Enso Austria
Confidential appendix 4B	Dumping calculations – Stora Enso Sweden

Confidential Attachments

GEN1	Stora Enso Wood Products presentation
GEN2	Presentation on mill operations and domestic markets
LG1	C24 domestic sale in Sweden
EXP1	Export price lists – investigation period
EXP2	Document bundles – Stora Enso Austria
EXP3	Document bundles – Stora Enso Sweden
EXP4	Evidence of payment – Stora Enso Austria
EXP5	Evidence of payment – Stora Enso Sweden
EXP6	Ocean freight invoices
EXP7	Verification documents – other handling costs
DOM1	Profit/cost centre breakdown - Austria
DOM2	SAP printouts – domestic and Australian sales
DOM3	Gruvon mill trial balances
DOM4	Destination country reports – Gruvon mill
DOM5	Source documents – selected domestic sales
CTMS1	Brand revised costs – format 1
CTMS2	Brand revised costs – format 2
CTMS3	Brand sales volumes
CTMS4	Brand planing costs report
CTMS5	Brand kiln costs report
CTMS6	Brand greenmill costs report
CTMS7	Log raw material usage ledger
CTMS8	Brand profit and loss statement
CTMS9	Stora Enso Austria audited financial statements
CTMS10	Log purchase contracts and invoices
CTMS11	Cost centre profit and loss statement - Austria

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CTMS12	Depreciation schedules – Brand mill
CTMS13	Quarterly cost breakdown – Sollenau mill
CTMS14	Quarterly cost breakdown – Ybbs mill
CTMS15	Sawing, klining, planing costs reports - Sollenau
CTMS16	Cost centre report - Gruvon
CTMS17	Trial balance – Gruvon mill 2010
CTMS18	Amended cost worksheets
CTMS19	Gruvon mill production report 2010
CTMS20	Independent grower log purchase invoice
CTMS21	Stora Enso Skog invoice – log sales
CTMS22	Log purchases ledger
CTMS23	Fp recovery worksheet
CTMS24	Cost summary worksheet
CTMS25	Stora Enso Sweden audited financial statements