



Australian Government
**Australian Customs and
Border Protection Service**

**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

ADDENDUM

STORA ENSO WOOD PRODUCTS PLANÁ S.R.O.

AND

STORA ENSO WOOD PRODUCTS ŽDÍREC S.R.O.

CZECH REPUBLIC

27 February 2012

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REVISED DUMPING ASSESSMENT**Introduction and summary**

This short report represents an addendum to the exporter visit report in relation to Stora Enso Wood Products Ždivec S.R.O., and Stora Enso Wood Products Planá S.R.O., (hereinafter collectively referred to SEWP Czech).

After reviewing the SEWP Czech visit report, spreadsheet data, and information gathered during the verification visit, the visit team considered it was necessary to revise the approach taken to treatment of by-product revenues when calculating the costs to make and sell for structural timber, for SEWP Czech, in the investigation period. Accurate CTMS data is important for:

- measuring whether domestic sales of the most closely comparable like goods were in the ordinary course of trade;
- measuring the profitability of domestic sales of like goods generally (which was used as a basis for profit in a constructed normal value), and
- use as the basis of the constructed normal value.

The revised approach to treatment of by-product revenues was to offset those revenues against production costs, an approach which had not been undertaken in the original report and findings.

The effect of such a change, after revisions to CTMS, volume of like goods used for profit, and to the profit margin used for constructed normal value, was to change the original dumping margin calculation of negative 0.7% to negative 28.6%.

Analysis

The SEWP Czech approach to cost allocation, as verified by the visit team in October 2011, was such that by-product revenues were omitted from its CTMS calculations. Since that time, we have noted that all other exporters presented CTMS calculations that had effectively allowed for the offset of by-product revenues against production costs in some way. We understand this to be the industry norm so that net wood costs are reflected in any unit cost assessments.

We consider that the original approach to CTMS calculations by SEWP Czech is inconsistent with other interested parties and that the approach does not result in costs that reasonably reflect the competitive market costs associated with the manufacture or production of those goods¹. Accordingly, we approached SEWP Czech with questions concerning its treatment of by-product revenues in the CTMS data submitted to Customs and Border Protection.

¹ Customs Regulation 180(2)

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In response to those questions, SEWP Czech provided a letter from Pricewaterhouse Coopers, Czech Republic, which answered two of the three questions posed by the Customs and Border Protection visit team. The Pricewaterhouse Coopers letter is at non-confidential **Attachment 1**.

In addition, by way of answer to the third question, SEWP Czech submitted (non confidential **Attachment 2**) that it is appropriate to offset by-product revenues. In support of this position, it noted that SEWP Czech keeps its records in accordance with the generally accepted accounting principles of the Czech Republic and that there was no allegation that those records do not reasonably reflect competitive market costs associated with the production of the goods. SEWP Czech also referred to the WTO Panel case *United States – Final Determination on Softwood Lumber from Canada (WTE/BS264)* to support its view that “Customs can utilise the information in those records for purpose of performing the off setting calculations.”

Having regard to the submission of SEWP Czech, and in the interests of taking a consistent approach to an important cost accounting issue for structural timber, we consider it is reasonable to recalculate the SEWP Czech CTMS data in a manner that allows for the off setting of by-product revenues. In addition, we consider it is reasonable to recalculate the flow-on profit figures, constructed normal values and dumping margins.

We are already in possession of sufficient information to undertake such revisions and we have now completed that exercise.

Conclusion – revised dumping margin for SEWP Czech

As was the case originally, 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 *revised* weighted average product margin for structural timber exported to Australia by SEWP Czech in the investigation period was negative 28.6%.

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