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L A W Y E R S

International Trade • Customs • Commercial Law

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PUBLIC FILE VERSION

8 March 2012

Mr Justin Wickes
National Manager
International Trade Remedies Branch
Australian Customs & Border Protection Service
Customs House
5 Constitution Ave
CANBERRA ACT 2601

Dear Mr Wickes

Re: Trade Measures Enquiry No 176 – Structural Timber Exported from Austria, Canada, the Czech Republic, Estonia, Germany, Lithuania, Sweden and the USA

We refer to the email from Mick Kenna dated 6 March 2012 wherein Customs has requested further information regarding the issue of identifying a profit margin for establishing a constructed normal value.

Specifically, Customs has requested that Ilim provide details of a product or a selection of products which might be more appropriate in determining a profit margin.

To date, Customs have based the profit margin on a premium spruce product known as **[TEXT DELETED – PRODUCT IDENTIFICATION]** as previously referred to in our submission dated 7 February 2012.

This premium product is derived from the highest log grade used by the mill and has the highest yield.

If you recall, Ilim exports three principal pine grades to Tilling Timber comprising MGP10, MGP12 and F5.

We have further examined Ilim's domestic sales made during the investigation period and have identified products that are closer in their characteristics to the products sold for export to Tilling Timber.

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We now **attach** a confidential spreadsheet which contains details of the relevant domestic sales by Ilim from the INT and HWN plants in the investigation period.

The characteristics of the products listed in this spreadsheet are as follows:

- All products listed are spruce. This is the predominant material used in German construction timbers;
- The Grades are [TEXT DELETED - PRODUCT IDENTIFICATION]. We are instructed that these grades are approximately equivalent, particularly in their strength rating, to the MGP12, MGP10 and F5 grades sold by Ilim to Tilling Timber;
- Ilim has excluded what are known as 'sideboards' from this data. These have a product code designation of [TEXT DELETED - PRODUCT IDENTIFICATION]. Sideboards are the first cut from a log that is taken from the rounded outside part of the log and is of a reject quality used mainly for pallets and packaging materials. Tilling Timber does not buy an equivalent product from Ilim;
- Critically, the sales included are of products of [TEXT DELETED - PRODUCT SIZES], which are similar sizes as those products sold to Tilling Timber and the type of log used to produce those products is similar;
- All of the products are Kiln Dried as is the case for all exports to Tilling Timber; and
- The total volume of these sales is [TEXT DELETED - PRODUCT VOLUME] which is a very significant representative sample and approximately similar to the sales volume of exports to Tilling Timber.

The average price of these domestic sales by Ilim is [TEXT DELETED - PRICING INFORMATION] per cubic metre. Ilim believes that this is a much more representative group of products upon which to base a profit margin when Customs compares this average price to the average CTMS established by Customs for INT of [TEXT DELETED - PRICING INFORMATION] as set out in Appendix 2 of the Ilim Visit Report.

We trust that this product sales information shall be more useful to Customs in order to establish an accurate representative profit margin for Ilim's domestic sales.

Should you have any queries regarding the above, in particular regarding the product codes, please do not hesitate to contact me to discuss.

Yours faithfully
GROSS & BECROFT



Dr. Ross Becroft
Principal

Encl.