



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

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R E P O R T

**INVESTIGATION INTO THE ALLEGED DUMPING OF
STRUCTURAL TIMBER
EXPORTED FROM
AUSTRIA, CANADA, THE CZECH REPUBLIC,
ESTONIA, GERMANY, LITHUANIA, SWEDEN AND
THE USA.**

**VISIT REPORT - AUSTRALIAN INDUSTRY
HYNE & SONS PTY LTD**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND
MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION**

March 2012

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Abbreviations

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
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
the company	Hyne & Sons Pty Ltd
COGS	Cost of goods sold
CTMS	Cost To Make & Sell
Customs and Border Protection	Australian Customs and Border Protection Service
EBIT	Earnings before interest and tax
FOB	Free On Board
GAAP	Generally accepted accounting principles
MGP	Machine grade pine
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
Pronto	'Pronto Software' (ERP Accounting software)
SEF	Statement of Essential Facts
structural timber	As defined in section 3.1 of this report
Tariff Act	<i>Customs Tariff Act 1995</i>
the goods	the goods the subject of the application
the Minister	the relevant Minister, in this case the Attorney-General
USP	Unsuppressed Selling Price

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1 BACKGROUND

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 (in this case the Attorney-General¹) 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, Customs and Border Protection restarted the twenty day period for considering the application.

There have been no previous investigations into structural timber by Australian authorities.

The investigation was initiated on 9 September 2011. A 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

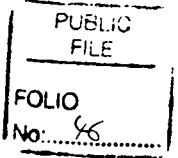
1.1 Purpose of visit

We explained to the company that the purpose of our visit was to:

- obtain general information about the Australian market for structural timber;
- gain a greater understanding of the company's manufacturing, marketing, sales and distribution processes;
- verify information provided in the application relating to the company;
- obtain additional financial data to assist in the analysis of the claimed injury to the Australian industry;
- give the company the opportunity to provide any further comments or raise any further issues it believed relevant to the investigation; and
- discuss and gather data relevant to establishing an unsuppressed selling price (USP).

¹ The Minister for Home Affairs may have a conflict of interest in respect to the wood product industry and therefore this matter will be dealt with by the Attorney-General.

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1.2 Contact details

Company:	Hyne & Sons Pty Ltd
ABN:	67 009 660 995
Address:	26 Brickyard Road, Virginia, QLD 4014
Telephone:	(07) 3131 3115
Fax:	(07) 3865 2011
Date of visit	18 – 20 October 2011

The following were present at various stages of the interview.

Hyne & Sons Pty Ltd	Mr Phil Drury, Senior Divisional Accountant Mr Chris Robertson, General Manager Structural Softwood QLD Mr Peter Hyne, General Manager Wholesale Division Ms Wendy Boyd, Assistant Marketing Manager
Consultant	Mr John O'Connor, Consultant
Customs and Border Protection	Mr Mick Kenna, Manager, Operations 3 Ms Cienna Turpie, Supervisor, Operations 2

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1.3 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows:

The investigation period is 1 July 2010 to 30 June 2011.

The injury analysis period is from 1 July 2007 for the purposes of analysing the condition of the Australian industry.

A preliminary affirmative determination (PAD) may be made no earlier than 8 November 2011. Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

A Statement of Essential Facts (SEF) will be placed on the public record by 13 March 2012. The SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The SEF will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister.

Customs and Border Protection's report to the Minister is due no later than 23 April 2012, unless an extension to the SEF is approved by the Minister.

1.4 Visit Report

The company was informed that Customs and Border Protection will prepare a report following the visit. The report would be provided to the company to review its factual accuracy and to identify those parts of the report it considered confidential. Following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

2 COMPANY BACKGROUND**2.1 Company structure**

Hyne & Sons Pty Limited (Hyne) is a privately owned timber company, operating in Australia since 1882.

Hyne is primarily a manufacturer and distributor of structural softwood products for the building and construction industries, with the majority of its sales volume comprising framing timber. Hyne sells its products in Australia and internationally.

Hyne operates at several manufacturing, administration and distribution sites as follows:

Production	Generate and Wholesale	
Tuan, QLD	Maryborough, QLD	Gold Coast, QLD
Imbil, QLD	Cairns, QLD	Newcastle, NSW
Melawondi, QLD	Virginia, QLD	Sydney, NSW
Virginia, QLD	Rockhampton, QLD	Illawarra, NSW
Maryborough, QLD	Sunshine Coast, QLD	Coffs Harbour, NSW
Tumbarumba, NSW	North Brisbane, QLD	Canberra, ACT
Holbrook, NSW	South Brisbane, QLD	Melbourne, VIC

All sites and operations are divisions of the company Hyne & Son Pty Limited; there are no related entities.

A diagram of the company's organisational structure was provided as a confidential attachment to the application.

Hyne provided a presentation on the agenda items. Copies of the slides presented are at confidential attachment GEN 1.

2.2 Accounting structure and details of accounting systems

The accounting period of the company is based on the financial year 1 July to 30 June. Hyne's financial statements are consolidated into their annual statements. These statements are audited annually.

Hyne advised in its application that its accounting practices do not differ from Australian generally accepted accounting principles (GAAP). The company uses Pronto software to manage its accounting systems and ERP requirements.

Hyne's centralised accounting system is managed and administered from Maryborough Queensland. The centralised accounting system tracks

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accounts receivable and payable, payroll, information services, financial consolidation, taxation, divisional accounting, general administration and corporate overhead allocation to all Hyne business divisions. Linked to the centralised accounting system are divisional accounting systems for each manufacturing site, and for each sales and distribution site.

2.3 Relationship with suppliers and customers

2.3.1 Suppliers

The log suppliers for Hyne comprise both Government-owned forest plantations, such as Forests NSW and Forestry Plantation Queensland, and one privately-owned plantation – Hancock Victorian Plantations. It was advised that supplier relationships are formed on XXXXX year supply agreements.

Hyne also informed the visit team that none of the log suppliers are related companies.

2.3.2 Customers

Hyne's customers are primarily in the building and construction industry, independent retailers or merchants (such as hardware stores), or independent wholesalers and frame and truss companies.

Hyne advised that none of its customers of structural timber are related entities.

2.3.3 Relationship with exporters and importers

Hyne were asked to provide details of and reasons for its imports of like goods. We explained this included goods imported directly by the company and those purchased from traders or other intermediaries involved in the importation of structural timber.

Hyne provided information about its imports, and explained that it imported a small amount of structural timber from a single supplier in XXXXXXXX. Hyne explained that the decision to import was based on meeting strong customer demand; that at times Hyne needs to supplement its own production by purchasing structural timber products from other Australian producers and by importing them, in order to supply sufficient product volumes for high customer demand. Hyne also explained that the imports were primarily XXXXXXXX material. Hyne ceased imports of structural timber as demand declined in 2010/11.

Hyne also advised that they export structural timber. Their exports are chiefly products which XXXXXXXXXXXXXXXXXXXXXXXX, or are otherwise unsuitable for sale in the Australian market. We do not consider these like goods.

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3 THE GOODS

3.1 The goods the subject of the application

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.

3.1.1 Tariff classification

The goods are classified to the following tariff subheadings and statistical codes of Schedule 3 to the *Customs Tariff Act 1995*:

- 4407.10.10 (statistical codes 22, 23, 24, 25 and 33); and
- 4407.10.99 (statistical codes 08, 09, 10, 11, 12 and 13).

Imports under tariff subheadings are not the goods the subject of the application:

- 4407.10.99 (statistical codes 14,15,16, 20); and
- 4407.10.10 (statistical code 21).

The general rate of duty is currently 5%. Imports from Canada are subject to a preferential duty rate of 4%. Imports from the USA are free under the Australia-USA free trade agreement.

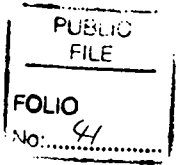
3.1.2 Tariff concession orders

No tariff concession orders apply to the goods.

3.2 Standards to which structural timber is manufactured

In the application, the applicants identified the relevant standards to which structural timber is manufactured. The Australian industry manufactures structural timber in accordance with Australian Standard

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AS/NZS1748.AS/NZS1748 - Timber-Solid-stress graded for structural purposes has two parts:

- Part 1 – General requirements; and
- Part 2 – Qualification of a grading method.

Part 1 outlines general branding, moisture and strength requirements affecting grade; that the grading method be qualified in accordance with Part 2; and that the nominated properties have been verified in accordance with AS/NZS 4490 – 2011.

Part 2 details the qualification of systems used to verify properties of timber. This includes machine stress graders based on low point contact grading (e.g. Metriguard) as the qualified system with the resultant product branded as MGP (machine grade pine).

In the application, the applicants claim that structural framing timber can also be visually graded to Australian Standard AS/NZ2858 to meet design properties specified in AS1720 (i.e. F5 and F7). AS/NZS2858 is used for non-load bearing internal studs and as a basis for product requiring visual grading.

The Australian industry manufactures the following grades: MGP10, MGP12 and MGP15. The timber is available in a range of sizes typically from 70x35mm to 190x35mm, and in lengths commonly ranging from 2.4 to 6.0 metres.

The locally-produced structural timber is also available in treated forms (designated with an "H" e.g. "H2") to protect against termite attack. Permethrin and bifenthrin are active ingredients or repellents used in the treatment process. Treated structural timber is available from the Australian industry in the same grades, sizes and lengths as untreated structural timber.

3.3 Significance of structural timber to Hyne

Hyne stated at the verification meeting that structural and framing timber are its core business, and that XXXX% of current total sales volume was framing timber.

3.4 Previous dumping investigations

There have been no previous investigations relating to structural timber.

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4 THE AUSTRALIAN INDUSTRY

4.1 Hyne's production

Hyne advised that the timber mills it owns that produce like goods are located at Tuan, Queensland and Tumbarumba, New South Wales. Other production sites, such as Imbil in Queensland, produce decorative timber products such as internal mouldings made from araucaria, a different wood species from the like goods.

As part of the verification, we inspected site facilities at Tumbarumba in New South Wales. This enabled the investigation team to develop an understanding of the production process.

4.2 Like goods

The applicants claimed that the goods produced by the Australian industry possess characteristics closely resembling the goods the subject of the application. The company claimed that imported structural timbers are:

- classified to the same tariff sub-headings;
- made from similar raw materials;
- manufactured using similar manufacturing processes and techniques;
- sold into and compete in the same market segments and are sold through the same distribution channels;
- are interchangeable in identified end-use applications; and
- are priced to compete directly with each other.

In particular, Hyne considers its framing timber, both untreated and treated up to H2 standards, in grades MGP10 and MGP12, to be like goods, provided the size and thickness of the timber is between the specifications in the description of the goods.

At the visit, Customs and Border Protection discussed the products categorised as like goods by Hyne. During this discussion it became clear that the products considered by Customs and Border Protection to be like goods from Hyne's product range was broader than the products the company had originally considered to be like goods. The goods categorised as like goods by Hyne excluded some products which on further investigation should be included. Accordingly, the company revised the list of its products identified as like goods.

Based on the information in the application and on our visit to Hyne, we consider that its Australian produced structural timber products are like goods to the goods the subject of the application.

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4.3 Manufactured in Australia

Subsections 269T(2) and 269T(3) specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

Hyne purchase Australian raw materials (logs) which undergo production processes such as sawing, kiln drying, and planing at mills located in Australia, with any further finishing such as treatment also undertaken in Australia. Customs and Border Protection therefore consider the like goods manufactured by Hyne at its mills to be wholly manufactured in Australia in accordance with s 269T(2).

4.4 Export sales

Hyne exports timber which it considers is not suitable for the Australian market. Exports accounted for fewer than XXX percent of sales in the last financial year and the majority of exports did not meet the definition of structural timber. Export were predominantly throughout Asia.

4.5 Employment and annual turnover

Hyne employs approximately XXX staff in total. Hyne's annual turnover for like goods is approximately \$XXX million.

4.6 Conclusion

On the basis of information provided in the application and observed during our visit, we are satisfied that, pursuant to s. 269T(1), the structural timber produced by Hyne is like goods to the GUC. We are also satisfied that Hyne undertakes a substantial process of manufacture in producing structural timber and that, pursuant to s. 269T(2), (3) and (4) of the Act, Hyne constitutes part of the Australian industry producing like goods.

5 AUSTRALIAN MARKET

5.1 Market size, condition and servicing of market sectors

5.1.1 Market size

The Australian market for structural timber considered the goods and like goods was estimated by the applicants at confidential appendix A2 of their application to be worth over \$XXX million in the 2010-11 financial year, with approximately XX% of the volume of like goods sold being Australian made. Of the imported goods identified in the application, the applicants claimed about XX% were allegedly dumped.

Hyne indicated during the verification visit that they are currently producing at just below XX% of their production capacity. Production of structural timber products across all sites is presently at XXXXXXm³, and Hyne informed the verification team that their mills have capacity to produce a further XXXXXX m³.

5.1.2 Factors affecting market size

In their application, the applicants indicated that demand for structural timber is driven primarily by the Australian housing sector. They identified several economic factors that impact on the underlying demand for dwellings and non-dwelling buildings, such as interest rates, housing affordability, government incentives and prevailing weather conditions.

At the verification, Hyne confirmed that the building and construction industry, and particularly the housing sector, are the main consumers of structural timber. Hyne stated that recent natural disasters in Queensland such as the Brisbane area floods and Cyclone Yasi had little impact on their business, both in terms of their production capacity and demand for structural timber products.

5.2 Conditions of competition

Hyne advised that it competed directly with the allegedly dumped imports from the eight nominated countries and imports that it considers to be undumped from other sources. The company also stated that the structural timber market in Australia was very transparent and that the structural timber market was highly price sensitive.

Hyne considered that imports of structural timber by XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXX and locally-produced timber from XXXXXXXXXXXX and XXX were setting the price in the Australian market. It explained that competition in the Australian structural timber market was particularly intense as a result of importers and Australian industry members competing to match the prices of imports of structural timber XXXXXXXXXXXX.

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5.2.1 Structural timber products and grades

Hyne advised that imported and locally-produced structural timber may be used interchangeably in housing construction, but that in some cases imported timber may require larger (and therefore more costly) nail plates to secure each truss, which may impact buyer decision-making.

5.2.1.1. Grades

The timber is machine graded to a particular stress grade based on a number of factors, including its bending ability, tension, compression, elasticity and rigidity ratings. The grades applicable to Australian produced structural timber are MGP10, MGP12 and MGP15 and F grades. These grades comply with AS/NZS1748 standards, and design properties specified in AS1720.1

Hyne produces structural timber in MGP10, MGP12, MGP15 and F5 grades.

5.2.1.2. Treatments

Timber of each MPG grade is available as untreated, or treated to protect against termites. Treated timber may be treated to a number of grades suitable for different climates and conditions.

Hyne treated structural timber is classified to H2 'blue' and H2 'red', with the latter being a stronger treatment suitable for tropical areas.

5.2.1.3. Sizes

Structural timber is sold in a variety of lengths and widths according to its intended use.

Hyne structural timber is packaged in set length packs ranging from 2.4m to 6.0m.

5.3 Distribution arrangements

Most structural timber in Australia is purchased either directly from a producer, through a wholesaler, or through a retailer.

Hyne products are distributed in Australia through three production channels:

- direct from Hyne production sites
- Hyne wholesale sites
- independent wholesalers

Hyne explained to the verification team that the size of orders and production channel used to purchase products is influenced by XXXXXXXX. For example, XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX may prefer to purchase products wholesale, while a XXXXXXXXXXXXXXXXXXXX who relies on XXXXXXXXXXXX may prefer to XXXXXXXXXXXX production sites.

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Hyne advised that it does not provide exclusive supplies to any customer and it considers that many customers prefer to purchase from a mix of other Australian manufacturers of structural timber as well as imported products.

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6 SALES

6.1 Domestic sales

6.1.1 Ordering, invoicing and delivery arrangements

Hyne explained that its sales to customers may be directly from its mills, or from a Hyne wholesale site. In the case of purchases from the mill, timber may be made to order for a particular customer, while wholesale purchases are from existing product stock.

Deliveries are made by external contractors servicing Hyne mills and wholesale sites. Hyne provided the verification team with a list of transport providers it uses at the visit.

Credit terms are XX days from end of month. XXXXXXXXXXXXXXXX
XX
XXXXXXXXXXXXXXXXXXXX[Commercially sensitive pricing information].

6.1.2 Level of trade

Most of Hyne's structural timber sales are made to customers in New South Wales and Queensland, with a small number across the rest of Australia.

Hyne advised that they principally sell into two building and construction markets: the new house market, and the renovation market. These are accessed through sales to timber merchants and to truss and frame manufacturers, which made up a combined total of XXX% of Hyne's sales during 2010-11.

Frame and truss fabricators tend to sell to the new house market, while merchants (such as large hardware stores) sell to the renovation market.

Hyne has its own wholesale operations, and also sells to competing independent wholesalers, both of which supply Hyne structural timber to the building and construction industry. Wholesale customers account for approximately XX% of Hyne's sales for 2010-11.

Other significant market segments are re-manufacturers, which made up slightly XXXX% of Hyne's sales, and exports, which comprised XXX% of sales for last financial year.

6.1.3 Pricing

Hyne provided a 2010 price list during the verification visit. It stated that a price list is supplied to each customer, and the invoice price is the same as the listed price in all cases, XXXXXXXXXXXXXXXXXXXXXXXX.

The company explained that there are XXXXXXXXXXXXXXXXXXXXXXXX
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We also confirmed that the structural timber sales listing for the Tuan mill reconciled with revised Appendix A3 which adds to sales from the Tumarumba mill to reconcile with total sales in Appendices A6.1 for treated and untreated structural timber.

Hyne also provided a line by line listing of each sale of all products in the 2010/11 financial year. We were able to reconcile these listings to the Hyne trial balance and profit and loss statement for 2010/11.

6.3.1 Completeness and relevance of sales – conclusion

We are satisfied that the sales information provided by Hyne as part of their appendices is complete and relevant.

6.4 Verification of sales data accuracy

We advised the company that we required supporting documentation to demonstrate the accuracy of the Appendix A4 sales data, and therefore the summary A6 sales volumes and net sales revenue figures. We selected a number of sales transactions and Hyne provided a copy of the relevant invoices (confidential attachment SALES2).

In relation to all selected transactions, we noted the invoice details matched the transaction details reported in the detailed sales spreadsheets at Appendix A4, which in turn linked to Appendix A6 summary sales data. On this basis, we considered the sales data provided in the application was reasonably accurate.

6.4.1 Accuracy of sales – conclusion

Having regard to the above, we consider that the revised Appendix A6 data and the Appendix A4 data submitted by Hyne represents an accurate reflection of its sales of structural timber during the period from July 2007 to June 2011.

6.5 Export sales

At the visit, Hyne provided details of its exports during the investigation period.

6.6 Conclusion

We are satisfied with the relevance, completeness and accuracy of sales information provided by Hyne.

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7 COST TO MAKE AND SELL

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As discussed above, Hyne revised its appendices to the application to:

- include all structural timber sales according to the definition of the goods under consideration; and
- ensure that the costing methodology attributed the costs of the production processes (eg kilning, planing) only to the goods that undertake those processes.

Hyne provided a schedule (confidential attachment CTMS1) showing its calculation of the various cost elements that are used in Appendix A6. The schedule shows separate costs for Tuan and Tumberumba, the two Hyne sites that produce structural timber. Hyne demonstrated how the direct labour, variable overhead, fixed overhead and depreciation costs shown in the schedule for the September quarter 2010 reconciled to the total manufacturing and office and marketing expenses shown in the Tuan profit and loss statement for that period (confidential attachment 2).

The CTM&S analysis for Hyne is based on a standard activity based costing system using the nominal size measurement system as opposed to the finished/actual sized measurement system used by all other Australian and European Systems (i.e. under the nominal size measurement system shavings losses through the planer mill are not recorded, however all other volumetric losses associated with grading are accounted for).

Hyne stated that the costs shown in the schedule are standard manufacturing costs that are regularly updated. Hyne demonstrated from its Tuan profit and loss statement for September quarter 2010 that standard manufacturing costs XXXXXXXXXXXXXXXXXXXXXXXXXXXX%. On this basis we were prepared to accept the standard costs used to develop the appendices.

Hyne provided a report showing standard costs of each product manufactured in the September quarter 2010 (confidential attachment CTMS3). We selected the MGP10 95mm x 35mm product for detailed verification.

Hyne provided a copy of its Tuan "Dressed Cost" report for September 2010 (confidential attachment CTMS4). It shows the average cost of dried, planed MGP product through each of the MGP production stages: delivered log cost; log merchandiser; greenmill; kilns; and planemill.

The Tuan "Dressed Cost" report shows a log cost of \$XXXX per m³ which incorporates royalties, private purchase, harvest and haul, other costs and log output from the log merchandiser. Hyne provided a summary of the of the Tuan mill log costs for the month of September 2010 (confidential attachment CTMS5). It shows private purchases from Forestry Plantations Queensland (FPQ) and the small quantity of purchases from XXXX. The summary was supported by a report of purchases for the month showing invoice number,

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quantity and invoice price (confidential attachment CTMS6) and a report of costs by forest for the month (confidential attachment CTMS7).

We confirmed that the amounts stated in the log cost reports had been carried forward to the Tuan "Dressed Cost" report and the Pronto system. An example of the Tuan "Dressed Cost" report for September 2011 and the corresponding log cost in Pronto is at confidential attachment CTMS8.

We then traced the build up of the standard cost in Hyne's Pronto system for an 90mm x 35mm MGP10 product. The Bill of Materials header information (confidential attachment CTMS9) shows the material cost, overhead cost and labour cost for the sawn timber produced in the greenmill (with dimensions of 100mm x 38mm to allow for drying and planing). The material cost per linear metre agrees with the log cost shown in the Tuan "Dressed Cost" report. The total cost at this stage is \$XXXX per linear metre.

The Bill of Materials header information (confidential attachment CTMS10) for seasoned timber shows the additional costs accumulated for the drying stage of production. The total cost to this stage is \$XXXXX per linear metre.

The final Bill of Materials header information for the planing stage (confidential attachment CTMS11) shows an increase in material costs due to XXXXXXXXXXXXXXXX of volume at Tuan and typically XX% at Tumbarumba for grading losses in the planer or dry mill. The accumulated overhead and labour costs to this stage are \$XXXX and \$XXXXX per linear metre respectively. The total cost is \$XXXXX per metre and this amount, converted to a m3 cost, is the amount shown in the Pronto report of standard costs per product group.

Hyne provided an excel workbook to show how the costs amounts from the profit and loss statements for the Tuan and Tumbarumba mills were allocated to structural timber products covered by the investigation and used in the revised Appendix A6.

The workbook shows how Hyne has used the sales volumes of like goods relative to total sales to allocate the various costs to the like goods. Hyne has also used the ratio of untreated to treated production volumes to allocate material costs to each.

Hyne used the relative manufacturing costs of product emerging from the greenmill, kilns and planer processes taken from the Tuan "Dressed Cost" Report as a method of allocating direct labour and overheads to these three processes, based on the sales volumes from each process. As the vast majority of Hyne's timber is sold dried and planed, this made only a marginal difference to the unit costs.

As with material costs, selling costs XXXXXXXXXXXXXXXX and administration costs have been taken from the Tuan and Tumbarumba profit and loss statements and allocated to the like goods based on their proportion of total sales volume. Distribution costs are taken directly from the Hyne wholesale profit and loss statement and a proportion allocated to like goods in the same

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manner. The profit and loss statement for the wholesale division for the September quarter 2010 is at confidential attachment CTMS12.

Hyne provided schedules showing the allocation of the assets in Appendix A7 of the Tuan and Tumarumba sites based on the volume of like goods (confidential attachment CTMS13). It also provided a balance sheet from the Pronto system showing the net value of assets of the Tuan mill at the end of 2010/11 to reconcile to the schedules provided (confidential attachment CTMS14). Hyne also provided a body count report to support the employment numbers provided in Appendix A7 (confidential attachment CTMS15).

Costs to make and sell – conclusion

We consider that Hyne's revised quarterly costs to make and sell data in Appendix A6, is a reasonably complete, relevant and accurate reflection of the actual Hyne costs to make and sell structural timber over the period July 2007 to June 2011.

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8 MATERIAL INJURY

The Applicant companies claimed that the allegedly dumped exports of structural timber caused material injury commenced in the 2009/10 financial year and that the industry had been injured in the form of:

- reduced sales volume;
- reduced market share;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced production volume;
- reduced revenue;
- reduced employment;
- underutilised production capacity;
- deteriorating returns on investment; and
- reduced ability to attract investment.

8.1 Data used in the assessment of the economic condition of the industry

We undertook an analysis on a financial year basis to assess the injury trend up to the most recent period.

We have examined Hyne's performance from 1 July 2007 to assess the company's injury claims. In addition to the claimed injury factors, we have also examined other economic factors as required under the World Trade Organisation (WTO) Anti-Dumping Agreement and the Australian legislation to ascertain an overall assessment of Hyne's performance over the injury analysis period.

8.2 Volume

Sales volume

The following chart shows the sales volumes of structural timber for the company over the injury analysis period from 1 July 2007 to 30 June 2011.

Figure 1 - Sales volume (m3)

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Our analysis of the data shows a decrease in total sales volumes from 2007-08 to 2008-09. Total sales volumes recovered somewhat in 2009-10. In the 2010-11 financial year, total sales volumes decreased. Sales of treated timber have increased since 2008/09.

8.2.1 Market share

An analysis of the market will be completed following the verification of information from all Australian industry applicants.

8.3 Price

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases for the applicant's product, which otherwise would have occurred, have been prevented. Movements in Hyne's unit prices and costs are illustrated in the following charts.

Figure 2 - Unit prices and costs - untreated

Chart removed

The weighted average unit price of untreated structural timber has remained steady since 2007/08 while unit costs have increased.

Figure 3 - Unit prices and costs - treated

Chart removed

Average unit prices for treated structural timber rose in 2008/09 but have declined since. Unit costs were steady between 2007/08 and 2009/10 before increasing in 2010/11.

An indicator of price suppression may be the margin between revenues and costs. The margin between unit price and units CTMS has diminished over the investigation period.

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8.4 Profits and profitability

The following charts illustrate Hyne's profit and profitability performance over the injury analysis period.

Figure 4 – Profits and profitability - untreated

Chart removed

Figure 5 - Profits and profitability - treated

Chart removed

Figure 6 - Profits and profitability - total

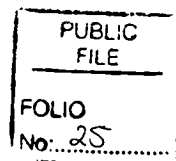
Chart removed

Hyne's profit and profitability declined in 2010/11 for treated, untreated and total structural timber sales of locally produced goods.

8.5 Other injury factors

Hyne provided a revised Appendix A-7 following the visit.

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8.5.1 Assets

The data in confidential appendix A-7 indicates that the value of assets relevant to the production of structural timber increased across the injury analysis period.

8.5.2 Capital investment

Hyne made significant capital investment in its structural timber production in 2007/08 and 2008/09. Investment has been lower in 2009/10 and 2010/11.

8.5.3 Research and Development (R & D)

Hyne's expenditure on R & D delined in 2010/11 compared to previous years.

8.5.4 Revenue

Hyne's structural timber revenue fell significantly in 2010/11.

8.5.5 Return on investment

The data in confidential appendix A-7 indicates that the return on investment declined sharply in the 2008/09 financial year, and again in 2010/11.

8.5.6 Capacity

Hyne's production capacity for structural timber has increased since 2008/09 to be XXXXXX cubic metres. Capacity utilisation was XX% in 2010/11.

8.5.7 Employment

Hyne's total employment decreased from XXX in 2009/10 to XXX in 2010/11.

8.5.8 Productivity

Hyne's productivity has increased throughout the injury analysis period.

8.6 Conclusion – economic condition of the industry

Based on an analysis of the information contained in the application and obtained and verified during our visit, we consider that Hyne has experienced injury in the form of:

- reduced sales volume;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;

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- reduced production volume;
- reduced revenue;
- reduced employment;
- underutilised production capacity; and
- deteriorating returns on investment.

A conclusion on market share will be made following analysis of data gathered at visits to the other Australian industry applicants and the importers of the goods.

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9 CAUSATION

In the application for anti-dumping measures, the Australian industry estimated that material injury from the dumped imports of structural timber commenced in the 2009-10 financial year.

Hyne claimed that the allegedly dumped imports had undercut the prices of the Australian industry, thereby gaining sales volumes and market share. It claimed that as a result Hyne had been unable to increase selling prices to cover increased production costs.

The lower sales volumes and reduced margin attributable to the allegedly dumped imports had seriously impacted on profit margins and profitability.

During the visit, Hyne provided information on the pricing of imported structural timber (confidential attachment LINK1).

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10 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price was the subject of a submission made jointly by the applicants.

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11 ATTACHMENTS

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