



**AUSTRALIAN
CUSTOMS SERVICE**

Australian Customs Dumping Notice
No.2000/10

CUSTOMS ACT 1901 - PART XVB

CONTINUATION INQUIRY

BULK BRANDY

EXPORTED FROM FRANCE

The Australian Customs Service has completed its inquiry into whether countervailing measures currently applying to imports of bulk brandy (of alcoholic strength by volume exceeding 57%) from France should be continued for a further five years. The findings of Customs are detailed in Trade Measures Report no. 14.

Customs is satisfied that subsidies are still payable by the European Commission on bulk brandy produced in France and that the subsidies are likely to continue for the foreseeable future.

Customs is also satisfied that the expiration of the countervailing duty would be likely to lead to a continuation of the subsidisation and the material injury that the duty was intended to prevent.

In the light of the above, Customs has recommended that the Minister take action to continue the countervailing duty for a further five years.

The Minister for Justice and Customs has accepted Customs recommendation and, as a consequence, the countervailing measures will continue until 27 February 2005.

A printed version of Trade Measures Report No. 14 is expected to be available shortly. A copy of the summary page from the Report is attached.

A copy of Report No. 14 will be sent to each of those parties who made submissions to the inquiry. Copies will also be available on request from Phil Hilyard, Trade Measures Branch, at Customs by telephoning (02) 6275-6057 or by e-mail at phil.hilyard@customs.gov.au

Trade Measures Report No. 14 will also be available on the Internet at:

<http://www.customs.gov.au/notices/reports/report14.htm>

Any questions about this notice may be directed to Petri Povel, Assistant Director, Dumping Review by telephone (02) 6275-6055 or email petri.povel@customs.gov.au

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FOR CHIEF EXECUTIVE OFFICER
CANBERRA ACT

February 2000

1 SUMMARY

This report presents Customs conclusions and recommendations to the Minister as a result of its inquiry into whether the countervailing duty currently applying to bulk brandy exported to Australia from France should be continued.

Under the Australian legislation, countervailing duties automatically expire five years after their imposition. The countervailing duty applying to bulk brandy from France is due to expire on 27 February 2000. However, interested parties are able to apply to Customs for the continuation of the duty for a further five years beyond the expiry date.

Following an application from the Winemakers' Federation of Australia for the continuation of the duty, Customs initiated this inquiry on 9 August 1999.

The product under inquiry is bulk brandy - distilled wholly from grape wine - with an alcoholic strength by volume exceeding 57 per cent and imported in containers holding five litres or more. It is a legislative requirement that distilled wine must be matured in wood for a minimum of two years before it can be considered brandy and cleared for consumption. Bulk brandy is diluted prior to bottling. The annual retail value of the Australian bottled brandy market is estimated to be about \$80 million.

From its inquiries, Customs has established that the Australian market for bulk brandy is supplied by Australian production and by imports, predominantly from France. While the overall bulk brandy market declined by almost twenty per cent over the past five years, imports of bulk brandy from France remained stable. In the same period, the market share held by the Australian industry declined by one third to around thirty per cent.

Customs found that the Australian industry has suffered reduced sales, price undercutting and loss of profits that could be linked to the imported subsidised French brandy.

From information obtained during its inquiries, Customs also established that the European Commission continues to pay a subsidy to distillers of wine to partly compensate for the high price paid for wine. As distillation is an integral process in the production of brandy, Customs considers that the brandy produced in France continues to be subsidised. Customs also found that the level of the subsidy has increased over the past five years.

On the basis of the available evidence, Customs is satisfied that the expiration of the countervailing duty would be likely to lead to a continuation of the subsidisation and the material injury that the duty was intended to prevent. Accordingly, Customs has recommended to the Minister that the countervailing duty on exports of bulk brandy from France should be continued for a further five-year period.

