Australian Government

Anti-Dumping Commission

Application for the publication of

dumping and/or countervailing

duty notices

White Uncoated

A4 Copy (Cut Sheet) Paper

Exported from The Federal Republic of Brazil, the People's Republic of China, the Republic of Indonesia and the Kingdom of Thailand

February 2016

ANTI-DUMPING COMMISSION
Form B108
July 2013

APPLICATION UNDER SECTION 269TB OF THE *CUSTOMS ACT 1901* FOR THE PUBLICATION OF DUMPING AND/OR COUNTERVAILING DUTY NOTICES

DECLARATION

I request, in accordance with Section 269TB of the Customs Act 1901, that the Minister publish in respect of goods the subject of this application:

☐ a dumping duty notice, or

☐ a countervailing duty notice, or

☒ a dumping and a countervailing duty notice

This application is made on behalf of the Australian industry producing like goods to the imported goods the subject of this application. The application is supported by Australian producers whose collective output comprises:

- 25% or more of the total Australian production of the like goods; and
- more than 50% of the total production of like goods by those Australian producers that have expressed either support for, or opposition to, this application.

I believe that the information contained in this application:

- provides reasonable grounds for the publication of the notice(s) requested; and
- is complete and correct.

Signature:	
Name:	**Peter Williams**
Position:	**Chief Operating Officer**
Company:	**Paper Australia Pty Ltd**
ABN:	**ABN 63 061 583 533**
Date:	

IMPORTANT INFORMATION

Signature requirements

Where the application is made:

By a company - the application must be signed by a director, servant or agent acting with the authority of the body corporate.

By a joint venture - a director, servant, agent of each joint venturer must sign the application. Where a joint venturer is not a company, the principal of that joint venturer must sign the application form.

On behalf of a trust - a trustee of the trust must sign the application.

By a sole trader - the sole trader must sign the application.

In any other case - contact the Commission's Client support section for advice.

Assistance with the application

The Anti-Dumping Commission has published guidelines to assist applicants with the completion of this application. Please refer to the following guidelines for additional information on completing this application:

- *Instructions and Guidelines for applicants: Application for the publication of dumping and or countervailing duty notices*
- *Instructions and Guidelines for applicants: Examination of a formally lodged application*

The Commission's client support section can provide information about dumping and countervailing procedures and the information required by the application form. Contact the team on:

Phone: 1300 884 159

Fax: 1300 882 506

Email: clientsupport@adcommission.gov.au

Other information is available from the Commission's website at www.adcommission.gov.au.

Small and medium enterprises (i.e., those with up to 200 employees) may obtain assistance, at no charge, from the International Trade Remedies Adviser, employed by Australian Industry Group and funded by the Australian government. To access this service, visit www.aigroup.com.au/traderemedies or telephone (03) 9867 0267.

Important information

To initiate an investigation into dumping and/or subsidisation, the Commission must comply with Australia's international obligations and statutory standards. This form provides an applicant industry with a framework to present its case and will be used by the Commission to establish whether there are reasonable grounds to initiate an investigation. To assist consideration of the application it is therefore important that:

- all relevant questions (particularly in Parts A and B) are answered; and
- information that is reasonably available be supplied.

The Commission does not require conclusive evidence to initiate an investigation, but any claims made should be reasonably based. An application will be improved by including supporting evidence and where the sources of evidence are identified. Simple assertion is inadequate to substantiate an application.

To facilitate compilation and analysis, the application form is structured in 3 parts:

1. **Part A** seeks information about the Australian industry. This data is used to assess claims of material injury due to dumping/subsidisation. Where an Australian industry comprises more than one company, each should separately prepare a response to Part A to protect commercial confidentiality.
2. **Part B** relates to evidence of dumping.
3. **Part C** is for supplementary information that may not be appropriate to all applications. However some questions in Part C may be essential for an application, for example, if action is sought against subsidisation.

All questions in Parts A and B must be answered, even if the answer is 'Not applicable' or 'None'. Where appropriate, applicants should provide a short explanation about why the requested data is not applicable. This will avoid the need for follow up questions by the Commission.

The application form requests data over several periods (P^1, P^2….P^n) to evaluate industry trends and to correlate injury with dumped imports. The labels P^1…P^n are used for convenience in this application form. Lodged applications should identify the period relevant to the data. This form does not specify a minimum period for data provision. However, sufficient data must be provided to substantiate the claims made. If yearly data is provided, this would typically comprise a period of at least four years (for example the current financial year in addition to three prior years). Where information is supplied for a shorter period, applicants may consider the use of quarterly data. Data must also be sufficiently recent to demonstrate that the claims made are current.

When an investigation is initiated, the Commission will verify the claims made in the application. A verification visit to the Australian industry usually takes several days.

Applicant companies should be prepared to substantiate all Australian industry financial and commercial information submitted in the application. Any worksheets used in preparing the application should therefore be retained to facilitate verification.

During the verification visit, the Commission will examine company records and obtain copies of documents relating to the manufacture and sale of the goods.

Appendices

Some questions require attachments to be provided. The attachment numbering sequence should refer to the question answered. For example, question A2.2 requests a copy of an organisation chart. To facilitate reference, the chart should be labelled Attachment A2.2. If a second organisation chart is provided in response to the same question, it should be labelled Attachment A2.2.2 (the first would be labelld Attachment A2.2.1).

Provision of data

Industry financial data must, wherever possible, be submitted in an electronic format.

- The data should be submitted on a media format compatible with Microsoft Windows.
- Microsoft Excel, or an Excel compatible format, is required.
- If the data cannot be presented electronically please contact the Commission's client support section for advice.

Lodgement of the application

This application, together with the supporting evidence, should be lodged with:

The National Manager - Operations
Anti-Dumping Commission
Customs House
1010 Latrobe St
Docklands VIC 3008

or

Sent by facsimile to **1300 882 506**

Public Record

During an investigation all interested parties are given the opportunity to defend their interests, by making a submission. The Commission maintains a public record of these submissions. The public record is available on the Commission's website at www.adcommission.gov.au.

At the time of making the application both a confidential version (for official use only) and non-confidential version (public record) of the application must be submitted. Please ensure each page of the application is clearly marked "FOR OFFICIAL USE ONLY" or "PUBLIC RECORD". The non-confidential application should enable a reasonable understanding of the substance of the information submitted in confidence, clearly showing the reasons for seeking the conduct of a dumping and/or subsidy investigation, or, if those reasons cannot be summarised, a statement of reasons why summarisation is not possible. If you cannot provide a non-confidential version, contact the Commission's client support section for advice.

PART A

INJURY

TO AN AUSTRALIAN INDUSTRY

IMPORTANT

All questions in Part A should be answered even if the answer is 'Not applicable' or 'None'. If an Australian industry comprises more than one company/entity, each should separately complete Part A.

For advice about completing this part please contact the Commission's client support section on:

Phone: 1300 884 159
Fax: 1300 882 506
Email: clientsupport@adcommission.gov.au

A-1 Identity and communication.

Please nominate a person in your company for contact about the application:

Contact Name:	Matt Decarne
Company and position:	Trade Affairs Manager
Address:	307 Ferntree Gully Road, Mt Waverley, Victoria, 3149
Telephone:	(03) 8540 2451
Facsimile:	(03) 8540 2284
E-mail address:	matt.decarne@australianpaper.com.au
ABN:	49 082 475 438

Alternative contact

Name:	Peter Williams
Position in company:	Chief Operating Officer
Address:	307 Ferntree Gully Road, Mt Waverley, Victoria, 3149
Telephone:	(03) 8540 2293
Facsimile:	(03) 8540 2282
E-mail address:	Peter.Williams@australianpaper.com.au

If you have appointed a representative to assist with your application, provide the following details and complete Appendix A8 (Representation).

Name:	John O'Connor
Business name:	John O'Connor and Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo Qld, 4151
Telephone:	(07) 3342 1921
Facsimile:	(07) 3342 1931
E-mail address:	jmoconnor@optusnet.com.au
ABN:	3909 865 0241

A-2 Company information.

1. State the legal name of your business and its type (e.g. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.

The name of the applicant company requesting the anti-dumping and countervailing measures is as follows:

Paper Australia Pty Ltd (ACN 061 583 533)
307 Ferntree Gully Road,
Mt. Waverley VIC 3149

Australian Paper Pty. Ltd. (ACN 082 475 438) is a wholly owned subsidiary company of Paper Australia Pty Ltd and is effectively dormant. The name 'Australian Paper' (abbreviated 'AP') is used as a business or trading name for Paper Australia Pty Ltd and is the usual way in which Paper Australia Pty Ltd is referred to in common use.

"Australian Office' (abbreviated 'AO') is the business name of the division of Paper Australia Pty Ltd which sells the goods in Australia and in New Zealand.

Exports of the goods (other than to New Zealand) are generally undertaken by 'Paper Products Marketing' (abbreviated 'PPM'), a collection of 5 subsidiary companies of Paper Australia Pty Ltd which trades in paper worldwide.

Throughout this application, 'Australian Paper' or 'AP' will refer to Paper Australia Pty Ltd, which includes Australian Paper, Australian Office and the 5 subsidiary companies that make up PPM.

2. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Please find attached (Confidential Attachment A-2.2) Australian Paper's internal organisation chart.

Confidential Attachment A-2.2 identifies the key functions that include:

- 'Australian Office', which manufactures, imports and sells envelopes & stationery and sells Australian Paper's cut sheet paper as well as a very small volume of imported cut sheet paper in Australia and New Zealand;
- 'Printing Papers', which sells Australian Papers printing and converting papers in Australia and New Zealand. Australian Paper's small specialty paper mill, Shoalhaven, reports to this business;
- 'Packaging', which sells Australian Paper's packaging and industrial papers;
- 'Maryvale mill' which manufactures Australian Paper's high volume papers including cut sheet paper, printing & converting papers and packaging & industrial papers; and
- 'Paper Products Marketing' (PPM) undertakes the overseas sales & export (except to NZ) of Australian Paper's products including cut sheet paper and also trades papers manufactured by other companies internationally.

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

Paper Australia Pty Ltd is a wholly owned subsidiary of Nippon Paper Industries Co. Ltd ('NPI') registered in Japan (Prior to 1 April 2013 Nippon Paper Group Inc.).

http://www.nipponpapergroup.com/english/

4. If your company is a subsidiary of another company list the major shareholders of that company.

Paper Australia Pty Ltd Is a wholly owned subsidiary of Nippon Paper Industries Co Ltd.

Note that the Parent Company name changed from Nippon Paper Group to Nippon Paper Industries on 1 April 2013

No individual shareholders of Nippon Paper Industries Co. Ltd had greater than 10% of shares as of April 1 2014.

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

Not Applicable

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

Confidential Attachment A-2.6 includes a diagram of the associated or affiliated companies.

If further information on the companies associated of affiliated with Nippon Paper Industries Co. Ltd is required, this is available from their website at:

http://www.nipponpapergroup.com/english/about/group/

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

There are no management fees/corporate allocations charged to Australian Paper by its parent or related company.

Australian Paper does, however, cover the majority of salaries and costs associated with ex-pat employees from the parent company working in its business and also technical fees on a usage basis.

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

Australian Paper and its subsidiaries and associated companies are not exporters of the goods to Australia.

Some significant importers of the goods and customers of the importers are also customers of Australian Paper.

The 'Australian Office' business imports small volumes of cut sheet paper from Europe as a compliment to its range where demand does not justify local production. In total, these imports approximate 1,000 tonnes annually.

9. Provide a copy of all annual reports applicable to the data supplied in appendix A3 (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

Australian Paper changed from a July-June financial Year to a January-December financial year in 2009, with a half-year report July-December 2009 being produced, then annual reports for calendar years 2010-2012. A copy of the 2014 annual report is included at Confidential Attachment A-2.9.1.

The unaudited report for the half year to June 2015 is also provided as Confidential Attachment A-2.9.2.

Additional information on Australian Paper, Australian Office and the products is available from the following websites:

- www.australianpaper.com.au
- www.leadingbrands.com.au
- www.reflex.com.au
- www.tudor.net.au
- www.onpaper.com.au
- www.ethicalpaperthefacts.com.au
- www.queenslipper.com.au

10. Provide details of any relevant industry association.

Australian Paper is a member of the following Industry Association:

Australian Forest Products Association
PO BOX 239 Deakin West
ACT 2600
Phone: (02) 6285 3833
Facsimile: (02) 6285 3855
enquiries@ausfpa.com.au
www.ausfpa.com.au

A-3 The imported and locally produced goods.

1. Fully describe the imported product(s) the subject of your application:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

The imported products the subject of this application are uncoated white paper of a type used for writing, printing or other graphic purposes, in the nominal basis weight range of 70 to 100 gsm and cut to sheets of metric sizes A4 (210mm x 297mm) (also commonly referred to as cut sheet paper, copy paper, office paper or laser paper).

The paper is not coated, watermarked or embossed and is subjectively white. It is made mainly from bleached chemical pulp and/or from pulp obtained by a mechanical or chemi-mechanical process and/or from recycled pulp.

2. What is the tariff classification and statistical code of the imported goods.

The tariff classifications and statistical codes of the imported goods since 1 January 2012 are:

Period	Subheading/statistical code	Description/gsm
From 1 January 2012	4802.56.10/03	A4 paper 40-89 gsm white
Prior to 1 January 2012	4802.56.10/03	A4 paper 40-89 gsm

This application is limited to imports of A4 copy paper. The identified classifications will likely include small volumes of goods which are not like goods, however, statistical code 03 is understood by Australian Paper to be almost wholly 80gsm white A4 paper and has, in the analysis of dumping margin calculations, been used as the basis for comparison with respective normal values for China and Indonesia for 80gsm white A4 paper.

The applicable Customs rate of duty applicable to imports from Brazil is 5 per cent. For goods imported from the ASEAN countries Indonesia and Thailand is the rate of duty is zero. From 20 December 2015, the rate of duty applicable to imports from China reduced to 4 per cent. From 1 January 2016, the rate declined further to 3 per cent. Prior to 20 December 2015, the applicable rate of duty for imports from China was 5 per cent.

3. Fully describe your product(s) that are 'like' to the imported product:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**
- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

The goods produced by Australian Paper are uncoated white paper of a type used for writing, printing or other graphic purposes, in the nominal basis weight range of 70 to 100 gsm and cut to sheets of metric sizes A4 (210mm x 297mm) (also commonly referred to as cut sheet paper, copy paper, office paper or laser paper).

The paper is not coated, watermarked or embossed and is subjectively white. It is made mainly from bleached chemical pulp and/or from recycled pulp.

Australian Paper has included technical documentation for the goods at Confidential Attachment A-3.3.

Additional information on Australian Paper, Australian Office and the products is available from the following websites:

- www.leadingbrands.com.au
- www.reflex.com.au
- www.tudor.net.au

4. Describe the ways in which the essential characteristics of the imported goods are alike to the goods produced by the Australian industry.

The imported goods possess similar essential characteristics to locally produced A4 cut paper in the following ways:

a. Physical Likeness

Both the imported goods and the goods produced by the Australian industry are white paper cut in rectangular sheets and generally wrapped in reams of 500 sheets, but also sold in packs containing different numbers of sheets. Both are what the Australian consumer would recognise as white copy paper. Unless placed side by side, the average consumer would be unlikely to notice any difference between them.

In the Australian market, the predominant sheet size and basis weight is A4, 80 gsm. The old imperial sheet sizes have fallen out of use. As well as the 80gsm weight which dominates the Australian market, some 70gsm, 75 gsm, 90 gsm and 100gsm is used together with small amounts of heavier weights used for special purposes.

The imported goods and the goods produced by the Australian industry are physically alike in all practical aspects.

b. Commercial Likeness

The imported goods and the goods produced by the Australian industry compete for the same market. In particular, a significant portion of the Australian market is goods wrapped and sold as the purchaser's own brand e.g. *[customer]*. In this portion of the market, together with the 'plain wrap' and generic products, there is direct head-to-head competition between imported goods and the goods produced by the Australian industry. At different times in the past, Australian Paper has previously supplied several of the purchaser's brand products now sourced from imports, most particularly the *[customer and brand]* ranges.

Where the goods are wrapped and sold in the manufacturer's brand and are heavily promoted, e.g. Australian Paper's '*REFLEX®*' brand, there is some short term decoupling of price, but ultimately the end consumer will switch based on the trade-off between price, service and reputation.

c. Functional Likeness

Both the imported goods and the goods produced by the Australian industry are used in the same range of applications, including high speed and low speed copying, printing (both on computer printers and small offset printers), and general use in business, education and home offices as well as in small offset printers.

The imported goods and the goods produced by the Australian industry are functionally alike in all practical aspects.

In the domestic markets of the exporting countries, as well as 'export grade' goods produced by the exporters in the nominated countries which are generally comparable with the goods sold in the Australian domestic market, there are also lower priced goods which have significantly inferior appearance (e.g. lower brightness, lower whiteness, poor surface finish, specks, inconsistency etc.) and, at times, functionality (e.g. unsuited to high speed duplex copying or printing) when compared with the 'export grade' goods.

d. Production Likeness

The paper production and finishing processes are substantially identical across the large scale industry. Some mills, such as UPM-Kymmene China, use paper pulp purchased from bleached pulp mills located elsewhere while others, such as Australian Paper, have their own bleached pulp mills on site.

The imported goods and the goods produced by the Australian industry are manufactured using equipment and processes which are alike in all significant practical aspects and which are as described in A-3.6 below.

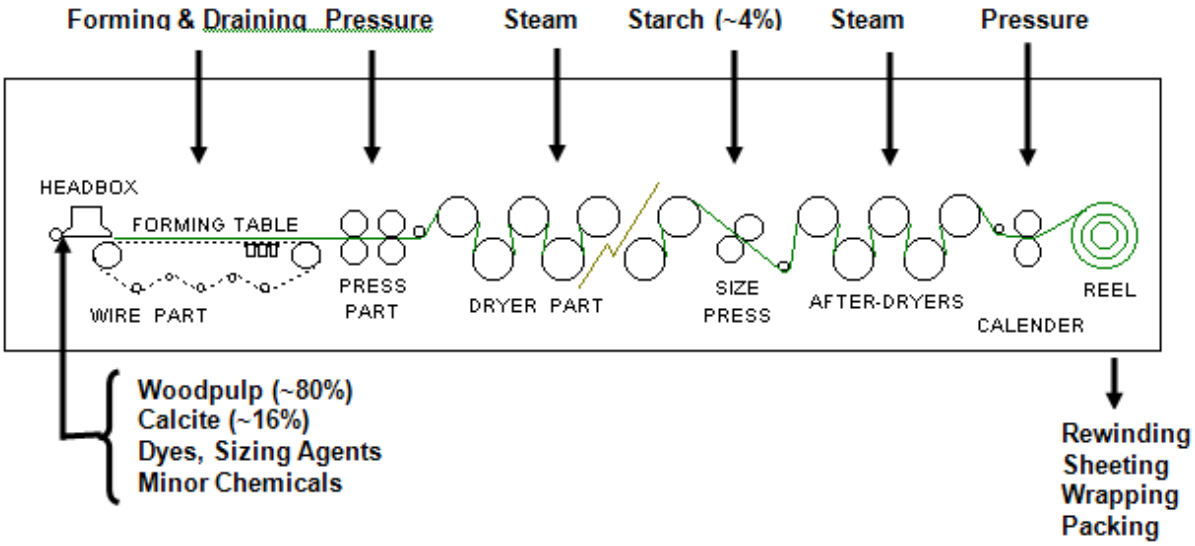
Australian Paper therefore submits that the imported goods possess the same essential characteristics as locally produced cut sheet paper.

5. What is the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) applicable to your product.

The Australian and New Zealand Standard Industrial Classification Code (ANZSIC) for cut sheet paper is 1510 - Pulp, Paper and Paperboard Manufacturing.

6. Provide a summary and a diagram of your production process.

Australian Paper's production process is as set out by the diagram below.



The major raw material used in papermaking is wood pulp, including recycled wood pulp. At the Australian Paper mill which produces the goods, Maryvale in Gippsland, Victoria, the majority of wood pulp used is produced on site and this is supplemented by up to 10% imported pulps, while at certain overseas mills (including China), all or most of the wood pulp is manufactured elsewhere and may be purchased on the international market or, quite frequently, from related companies in the country of export. The other two key materials used are Calcite and Starch, which for Australian Paper are both produced and supplied from within Australia.

The papermaking process in all printing & writing paper mills starts by preparing and blending pulps, filler, starch, sizing agents, dyes and minor chemicals which are then, in very dilute form (less than 1% solids) pumped to a 'headbox' or horizontal nozzle which forms the paper sheet on a horizontal rapidly moving mesh belt or 'wire' from which some of the water is drained by gravity and by suction. At the end of the wire, the paper sheet is still only around 20% solids (80% water). The sheet then passes through a series of press rolls and more water is removed by pressure, leaving the sheet about 40% solids (60% water). The remainder of the water is removed by evaporation as the sheet passes around a series of steam heated drying cylinders.

The sheet then has a layer of starch applied to each surface at the 'size press' and is again dried using steam heated cylinders and calendared between smooth rolls at high pressures to give a smooth surface. The sheet is then rolled into parent rolls or 'Jumbos' several metres long and over 2 meters in diameter, weighing several tonnes.

The Jumbos are then rewound into smaller reels, generally 1.5 metres in diameter and around 2.5 metres long for use in the sheeting process. These smaller reels are cut directly into A4, or other cut sheet sizes, usually but not always wrapped as reams (generally, but not exclusively of 500 sheets), packed into boxes and the boxes palletised on highly automated 'finishing' equipment (the 'Cut Size Lines').

At this point the cut sheet paper is ready for loading for shipment.

Note that other uncoated woodfree papers (not cut sheet paper and therefore not like goods) to be sold in rolls or large 'folio' sheets undergo the same process on the same equipment to the point of rewinding the jumbo reels, but is then 'finished' differently as rolls or sheets for use in the customers' manufacturing processes such as printing or paper stationery manufacture.

The PaperHelp Encyclopaedia, available on line at:

http://www.risiinfo.com/toolcontent?toolkit=paperhelp

provides further information on the pulp and paper making process.

7. If your product is manufactured from both Australian and imported inputs:

- **describe the use of the imported inputs; and**
- **identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).**

Prior to its closure in mid-2012, recycled pulp was purchased from Amcors's Fairfield de-inking plant. Australian Paper has since purchased, upgraded and commissioned the old Amcor equipment at their Maryvale site, which became operational in April 2015.

Between mid-2102 and April 2015 Imported DIP was used in Australian Paper's recycled grades although inputs were on average less than 10% of the domestic product. Imports over the period were limited to long fibre wood pulp, recycled pulp), and some dyes and other chemicals. Imported DIP was last purchased in Feb 2015 and was last used in around May 2015. Australian Paper still holds a very small amount of Imported DIP as emergency stock on site.

Installation of the Maryvale de-inked pulp (DIP) Plant has subsequently tripled Australian Paper's usage of recycled fibres, and is expected to divert 80,000 tonnes of wastepaper away from landfill per year.

The entire manufacturing process from wood to wrapped, boxed and palletised cut sheet paper takes place in Australia (at the Maryvale mill of Australian Paper)

The paper manufacturing process is very capital intensive, with approximately A$2,000 of investment in the paper making machine alone for each annual tonne of paper production, with additional investment downstream in highly automated sheeting and packaging equipment, as well as upstream in pulp manufacture and in infrastructure such as steam boilers and chemical preparation equipment. As an example, Maryvale's M5 paper machine, used for cut sheet paper production, was installed in 1997 at a cost of $330 million for a capacity of 160,000 tonnes/year (now 200,000 tonnes/year) and the sheeting and packing equipment installed with that machine cost about $20 million for a capacity of 95,000 tonnes/year (a second line has been added for a sheeting capacity of 190-210,000 tonnes/year).

The entire Australian Paper Maryvale mill has a capital replacement value of greater than $3 Billion.

8. If your product is a processed agricultural good, you may need to complete Part C-3 (close processed agricultural goods).

The goods the subject of this application is not considered "a processed agricultural good".

9. Supply a list of the names and contact details of all other Australian producers of the product.

When Australian Paper was sold by PaperlinX to Nippon Paper in June 2009, the Tasmanian mills of Australian Paper were retained by Australian Paper's former owners, PaperlinX Ltd and became Tas Paper Pty Ltd (no longer related to Australian Paper) which operated for a short time to allow orderly closure of the paper mills in Tasmania.

Australian Paper remained responsible for paper sales and marketing for Tas Paper Pty Ltd until its mills were closed in mid-2010.

Since mid-2010, there have been no other Australian producers of the product.

When the Tas Paper Pty Ltd mills were closed in mid 2010, Australian Office purchased the

remaining office papers stocks and continued to sell these stocks until sold out.

A-4 The Australian market.

1. Describe the end uses of both your product and the imported goods.

The product, both locally produced and imported, is described variously as white 'cut sheet', 'cut ream', 'cut size', 'office paper', 'copy paper' or 'laser paper' is used in both dry toner and ink jet copying, faxing and printing in offices and in instant printing outlets. Used in a wide variety of commercial outlets including mail houses, digital, instant and commercial printing businesses. It is also used in smaller quantities for offset printing and for general printing, business, educational and home office uses.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;**
- **the way in which the imported and Australian product compete; and**
- **any other factors influencing the market.**

In Australia, cut sheet paper (copy paper, office paper or laser paper) is predominantly A4 (210 x 297 mm) size and 80 gsm (401 A4 reams/tonne) with a much smaller quantity sold in other sizes (i.e. A3 and A5), with the old imperial quarto and foolscap sizes having fallen out of use. As well as 80gsm, it is also sold in small quantities in other sheet weights of 70 gsm (458 A4 reams/tonne), 75 gsm (427 A4 reams/tonne), 85 gsm (377 A4 reams/tonne), 90 gsm (356 A4 reams/tonne) and 100 gsm (320 A4 reams/tonne).

This application is limited to A4 copy paper.

The Australian market for cut sheet paper has dynamics that can be characterised as follows:

- A high volume commodity market with little readily discernible differentiation other than price;
- "Brand recognition" effects relate primarily to Australian Paper's *REFLEX*® brand which has been regularly promoted on mass media since 1984;
- Whilst the cut sheet paper market in Australia is mature, with overall annual volumes remaining fairly flat since 2010, there was a slight decrease in the 2015 calendar year. However, generally flat. Growth in population and in the Australian workforce has offset declining per capita use of cut sheet paper, keeping the overall market size fairly stable year on year;
- The lack of growth in this market creates a situation where competing for market share with competitors is the only way to increase sales volumes;
- Cut sheet paper in Australia is primarily sold through a handful of national key contract resellers and retailers. These include Fuji Xerox, Staples, OfficeMax, Lyreco, Wesfarmers, Woolworths, Australia Post and BPGI (Business Product Group International) buying group. This creates a highly concentrated procurement dynamic which places the balance of power firmly in the hands of the reseller. Cut sheet paper manufacturers seek to gain Australian market share by targeting direct supply contracts with these organisations;
- Cut sheet paper production in China and Indonesia is growing well ahead of anticipated increases

in domestic demand, creating a great deal of over-capacity, not just in both markets, but in the Asian region. For example, the capacity growth in China is continuing, with APRIL starting up a new 450,000 tonnes/yr uncoated paper machine in late 2012, UPM-Kymmene started up its new paper machine with 450,000 tonnes/yr capacity in 2015. In July 2015, Shandong Chenming Paper Holdings fired up a 190,000 tonne/yr second-hand printing and writing (P&W) PM at its mill in Zhanjiang city, Guangdong province, this converted a newsprint machine into an uncoated woodfree machine including cut ream paper. Shandong Sun Paper Industry also started up a new 300,000 tonne/yr uncoated printing and writing paper machine at its plant in Yanzhou city in September, which will produce cut ream paper.

- APRIL, APP and others in China have also foreshadowed further major capacity increases in this market;

- The threat of continued growth in import volumes to the domestic market is likely to continue as displaced tonnes from the successful US anti-dumping action against all Brazil, China, Indonesia and Thailand will need to find alternative markets, potentially including Australia.

- This over-capacity has created a situation where manufacturers in the particularly in the Asian region, especially in China and Indonesia; are seeking opportunities on export markets at almost any price to sell the capacity, while attempting to protect prices in their home market to remain profitable overall. This effect, which is driven by the extreme capital intensity and the high fixed costs of the industry, serves to drive wholesale prices for office paper in Australia down to levels which are unsustainable for local Australian production;

- Since 2010, Import prices have lead the market down, with resellers and buying groups applying pressure to all suppliers to match or better the low import prices available from alternative sources, without regard to whether these prices are 'fair'. Weakening of the AUD has caused a small increase in the Import price in the 2nd half of 2015, however, price increases were not proportional to the change in exchange rate, meaning that the sole Australian manufacturer; Australian Paper has not been able to win back significant volumes;

- Price reduction is often delivered as rebates paid 'off-invoice' and also as off-invoice 'contributions to marketing' or similar, frequently totalling as much as xx% or more of the headline invoice price and import declaration. These are rarely directly connected with invoices and may be paid at the of the year as lump contribution;

- Mills must, because of their need to service the huge capital base and high fixed costs inherent in their production processes, meet these demands to allow them to remain in operation, often selling down to their marginal cost to avoid down-time and lay-offs from which it is difficult to recover;

- For Australian Paper to maintain operations and to avoid extended down-time (which would increase fixed costs per tonne of paper) and lay-offs (which would result in permanent loss of the skilled workforce that is critical to continued operations), it must follow the price of the lower priced imports down to the low, severely dumped price levels of some imports. This price depression results in considerable material injury, which, in turn, affects Australian Paper's ability to invest in the equipment, facilities and research needed to remain abreast of market developments. The inevitable effect of this, in the long term, is that the Australian industry is faced with a falling market share, increased imports and greatly reduced viability; and

- The market is <u>not</u> prone to seasonal volume fluctuations, nor is the underlying end user volume very sensitive to changes in economic factors; being underpinned by the number of Australians in full time office-based employment. Volume growth as discussed is forecast to remain flat on an annualised basis.

There are three basic categories of end user:

- Home and home office/small office (serviced predominantly by retailers such as *name, name.*

name supermarkets, stationers, newsagents and *name*);

- Medium and large business, Government and education (serviced predominantly by contract resellers such as *name* and *name*);

- Industrial users including instant print and in-plant printing operations (serviced predominantly by wholesale paper merchants such as *name , name, name* and contract resellers).

There are three categories of product (all interchangeable in a functional sense):

- Manufacturers brands (e.g. *REFLEX*®, *Australian*®, *name, name*) ;

- Private label products sold under retailer's branding(e.g. *name, name, name*); and

- Plain label copy papers or generic products (targeted largely at the industrial user market which is not brand name or source-sensitive)

Both private label and generic products can be and are sourced from alternative manufacturers on a contract basis.

Dumping occurs in all end use sectors and channels of the Australian market and is supported by the common practice of retailers to use office paper as a low priced item to draw in buyers and for businesses to issue tenders for stationery supply where the lowest office paper price has a large influence on the outcome.

The following summarises Australian and imported manufacturers brands identified in the Australian market:

- Current Australian Paper Brands include: Reflex, Australian, Brilliant, Olympic, Tudor, all made in Australia;

- Private label brands currently manufactured by Australian Paper for others include: Staples Carbon Neutral, Staples Red, Australia Post, Aspire, Fuji Xerox Green Wrap 50%, again all made in Australia;

- Private label brands believed imported from *country include: name, name, name, name, name. name, name, name, name,*

- Private label brand(s) imported by *entity* from *exporter* including *company name and product*;

- Brands Australian Paper have identified as being imported from country (including private branded product) include: *brand name, brand name, brand name, brand name, brand name, and brand name*, all from *exporter*, as well as *brand name* from *exporter*.

- Brands Australian Paper have identified as being imported from *country* (including private branded product) include: *brand name* and *brand name* , believed to be from *exporter*.

- Brands we have identified as being imported from *country* (including private branded product) include: *brand name, brand name*, believed to be from *exporter*.

3. Identify if there are any commercially significant market substitutes for the Australian and imported product.

While mechanical papers, tinted papers, embossed papers, watermarked papers, pre-printed papers and coated papers are on rare occasions substituted for plain white uncoated cut sheet papers, these constitute separate markets which sell generally at significantly higher prices. These products are rarely chosen as a substitute for white uncoated cut sheet paper unless there is an explicit

requirement. In practice, there are no significant market substitutes.

4. Complete appendix A1 (Australian production). This data is used to support your declaration at the beginning of this application.

Australian Paper has completed Confidential Appendix A1 – Please refer to Confidential Appendix A1.

5. Complete appendix A2 (Australian market).

Australian Paper has completed Confidential Appendix A2 – Australian market. Please refer to Confidential Appendix A2.

6. Use the data from appendix A2 (Australian market) to complete this table:

*Indexed table of sales quantities**

Period	(a) Your Sales	(b) Other Aust^{n} Sales	(c) Total Aust^{n} Sales (a+b)	(d) Dumped Imports	(e) Other Imports	(f) Total Imports	Total Market
2010	**100**	100	100	100	100	100	100
2011	**89.83**	100	89.83	102.67	218.5	113.4	100.0
2012	**82.28**	100	82.28	117.0	86.3	114.1	96.1
2013	**80.66**	100	80.66	139.9	47.2	131.3	102.6
2014	**77.45**	100	77.45	143.5	92.6	138.8	104.0
2015	**75.90**	100	75.90	133.6	88.5	129.5	99.1

Notes:

1. Source: Confidential Appendix A2.
2. Calendar year – Jan to Dec data.
3. Dumped and other import data, and how determined, please refer to Section B-1.5.

The above Table demonstrates that in a fairly stable market, Australian Paper's sales volumes have declined year-on-year since 2010 (in aggregate by up to xx per cent) and the volume of dumped imports has increased by xx per cent (by 2014) over the same time period. The injurious imports have displaced imports from other source countries and have caused the Australian industry (as represented by Australian Paper) to lose sales volumes and market share.

A-5 Applicant's sales.

1. Complete appendix A3 (sales turnover).

Australian Paper has completed Confidential Appendix A3 – please refer to Confidential Appendix A3.

2. Use the data from appendix A3 (sales turnover) to complete these tables.

*Indexed table of Applicant's sales quantities**

Quantity	2010	2011	2012	2013	2014	2015
All products						
Australian market	100	88.38	78.84	76.01	76.22	85.39
Export market	100	107.56	132.10	132.96	140.83	128.60
Total	100	96.01	100.02	98.66	101.92	102.58
Like goods						
Australian market	100	89.83	82.28	80.66	77.45	75.90
Export market	100	77.53	77.06	113.23	82.85	95.48
Total	100	87.08	81.11	87.94	78.66	80.28

Source: Confidential Appendix A3.

*Indexed table of Applicant's sales values**

Quantity	2010	2011	2012	2013	2014	2015
All products						
Australian market	100	86.12	77.89	71.90	70.12	74.18
Export market	100	100.14	106.26	116.05	134.28	134.29
Total	100	90.39	86.53	85.35	89.66	92.49
Like goods						
Australian market	100	88.39	81.44	76.19	72.17	67.58
Export market	100	74.55	67.50	94.37	77.18	88.97
Total	100	86.09	79.12	79.21	73.01	71.14

Source: Confidential Appendix A3

Note that 'All Products' includes coated paper imported from NPI Japan after closure of Tas Paper. These imports ceased following the Tsunami in March 2011 which affected the NPI mills in Japan, reducing total AP sales to the Australian market. Shipments of NPI coated paper resumed in September 2012.

Australian Paper has five paper making machines at its Maryvale mill. Three of these are specialised packaging paper machines and two manufacture cut sheet papers as well as other uncoated printing, writing and conversion papers. Australian Paper also had a paper machine in Shoalhaven NSW producing specialty printing and writing papers, however, this facility was forced to close down in mid-2015 as part of the business' turnaround strategy.

Cut sheet papers (*like goods*) are produced as rolls on paper machines that make a range of similar uncoated papers which include envelope papers, offset printing papers and scholastic papers. Because

of the high level of investment and relatively high costs which do not vary in proportion to production levels, the total volume of production is, wherever possible, maintained to give high equipment utilisation, with any volume above the domestic cut sheet paper sales sold in other markets.

Australian Paper has the capacity to supply nearly the entire domestic market (approximately 99%) for A4 copy paper if not for imported like goods. However, due to increased imports, particularly since 2010, Australian Paper has been forced to sell this capacity to the less lucrative export market. Subsequently products like Reflex cannot benefit from the high domestic brand awareness as a result of sustained marketing, and therefore must forego the premium price they achieve in the local market.

3. Complete appendix A5 (sales of other production) if you have made any:

- **internal transfers; or**
- **domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.**

The 'Australian Office' business imports small volumes of cut sheet paper from Europe as a compliment to its range where demand does not justify local production. In total, these imports are around xxxxx tonnes annually and comprise specialist papers sold at [*commercially sensitive pricing information*].

Australian Paper also makes its export sales (other than to New Zealand) through PPM, a group of subsidiary companies.

Please refer to Confidential Appendix A5 that includes details of these transfers and sales.

4. Complete appendix A4 (domestic sales).

Confidential Appendix A4 is supplied as a spreadsheet in electronic form because of the size of the file.

5. If any of the customers listed at appendix A4 (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.

All sales are to unrelated parties. This question is therefore not applicable.

6. Attach a copy of distributor or agency agreements/contracts.

Each distributor agreement is individually negotiated.

Confidential Attachment A-5.6 is a typical distributor agreement.

7. Provide copies of any price lists.

Representative Price lists setting out list prices of Australian Paper office papers to various sizes of distributor are contained in Confidential Attachment A-5.7 as follows:

- Confidential Attachment A-5.7.1 – [*customer type*] price list
- Confidential Attachment A-5.7.2 – [*customer type*] price list
- Confidential Attachment A-5.7.3 – [*customer type*] price list

In practice the pricing structure, including quantity discounts and rebates are negotiated individually with each distributor, resulting in several hundred individual price lists.

8. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.

- **Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4 (domestic sales).**
- **If you have issued credit notes (directly or indirectly) provide details if the credited**

amount has not been reported appendix A4 (domestic sales) as a discount or rebate.

Since Paper Australia Pty Ltd was purchased from PaperlinX by Nippon Paper in mid-2009, distributor agreements and pricing structures have been individually negotiated,[*commercially sensitive pricing information*].

[*Commercially sensitive pricing information concerning Confidential Attachment A-5.8*].

9. Select two domestic sales in each quarter of the data supplied in appendix A4 (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

Confidential Attachment A-5.9 contains complete sets of commercial documentation for two domestic sales in each quarter over the 12 months to December 2015.

A-6 General accounting/administration information.

1. Specify your accounting period.

January 1 to December 31

Note that Paper Australia Pty. Ltd. changed from a July-June financial Year to a January-December (calendar year) financial year in July 2009.

2. Provide details of the address(es) where your financial records are held.

General Financial Records, Sales Records

Australian Paper
307 Ferntree Gully Road,
Mt. Waverley VIC 3149

Production and Production Cost Records

Australian Paper
Maryvale Mill,
Morwell VIC 3840

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- chart of accounts;

  Australian Paper's chart of accounts is included at Confidential Attachment A-6.3.1.

- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);

  Annual Reports for 2014 containing audited financial statements with footnotes and auditors opinion are provided as Confidential Attachment A-2.9.

- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.

  These documents should relate to:

  1. the division or section/s of your business responsible for the production and sale of the goods covered by the application, and
  2. the company overall.

  Confidential Attachment A-6.3.2 contains extracts from internal management accounts. These accounts are utilised by the auditors in preparing their opinion.

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Audited accounts for 2014 are included at Confidential Attachment A-2.9.1.

The unaudited yearly statement for 2015 is included as Confidential Attachment A-2.9.2.

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

This question is not applicable.

6. Describe your accounting methodology, where applicable, for:

- **The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;**

  Accrual Method

- **provisions for bad or doubtful debts;**

  Provision for doubtful debts are based on the age profile of the debt and whether it is insured against non-payment. A provision for bad or doubtful debts is made at approximately 1.7% of debtors.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**

  Head Office selling expenses and interest are not allocated to cost of goods. Mill overheads are allocated as described below.

- **costing methods (e.g. by tonnes, units,** revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes

  Mill overheads are allocated to cost of goods by tonnes. Other costs shared with other processes are allocated by the most appropriate method in each case. These are explained in annotations to *Confidential Appendix A6*.

- **the method of valuation for inventories of raw material, work-in-process, and finished goods (e.g. FIFO, weighted average cost);**

  - Raw Material — Weighted Average
  - Work in process — Standard Cost
  - Finished Goods — Standard Cost

- **valuation methods for scrap, by-products, or joint products;**

  Scrap produced in the papermaking process (also referred to as 'broke') is returned to the papermaking process for reuse. It is valued at the cost of its pulp content.

  There are no by-products or joint products

- **valuation methods for damaged or sub-standard goods generated at the various stages of production;**

  Damaged or substandard goods are generally returned to the process for reuse and are treated as for scrap above.

- **valuation and revaluation of fixed assets;**

  Assets are valued at original cost with impairments of some assets prior to the purchase of Paper Australia Pty. Ltd. by Nippon Paper in June 2009. There have been no subsequent revaluations.

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**

  Useful life of major pulp and paper production equipment is in excess of 25 years. Depreciation

is straight line at 4% pa. Converting equipment, which has a shorter operating life, is depreciated at 10% pa.

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**

  Australian Paper has a policy of hedging a minimum of xx% of known net foreign currency exposures and has discretion to hedge up to xxx% of known net foreign currency exposures. FX gains and losses occur due to under-hedging (xx%), transaction timing and the shape of the forward FX curve. These gains and losses are booked as such in the financial accounts.

  Net investments in the USA are hedged using USD borrowings. FX movements are accounted for in the balance sheet only.

- **restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.**

  Closure of Shoalhaven Paper Production facility was announced February 2015, with Paper making operations ceasing in July 2015 and Finishing closure in August 2015. Australian Paper are due to exit the site in June 2016. Closure cost were in excess of $xxx. However, this closure is not related to the goods.

  In additional to the closure an Organisation restructure of the Corporate functions was implemented. Redundancy costs of $xxx were incurred in 2015 in the areas of Sales and Marketing, Finance, Logistics. Once off, business turnaround specialists costs of $xxx was incurred in 2015.

7. If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.

There have been no changes of significance since the purchase of Paper Australia Pty. Ltd. by Nippon Paper in mid-2009.

A-7 Cost information

1. Complete appendices A6.1 and A6.2 (cost to make and sell) for domestic and export sales.

Australian Paper has completed Confidential Appendices A6.1 and A6.2 and included in the application.

A-8 Injury

The principal indicators of injury are prices, volumes and profit effects – although not all of these must be evident. For this application, profit refers to amounts earned. Profitability is the ratio of profit to sales revenue. Where injury is threatened, but has not yet occurred, refer to question C.2.

1. **Estimate the date when the material injury from dumped imports commenced.**

Australian Paper observed a sharp increase in import volumes of A4 cut paper at dumped prices in 2013. The surge in imports was primarily driven by increasing volumes from China and Thailand. Whereas import volumes from the nominated countries increased in the two years prior to 2013, Australian Paper experienced increasing costs that contributed to reductions in profit in 2011 and 2012. In 2013 – coinciding with the increase in imports from the nominated countries – Australian Paper introduced a number of cost reduction initiatives that assisted in improving the company's competitiveness with imports. In 2013 and 2014 domestic [*commercially sensitive profit performance detail*], however, the [*commercially sensitive pricing details and impact on profit and profitability*].

In 2015 the applicant has experienced a [*commercially sensitive pricing and cost trend information*]. As a result, the applicant has experienced a diminution in profit and profitability in 2015. The material injury from the dumped (and subsidised volumes from China and Indonesia) imports of A4 cut paper has therefore commenced to cause material injury to Australian Paper in 2015.

2. Using the data from <u>appendix A6</u> (cost to make and sell), complete the following tables for each model and grade of your production.

Australian Paper has completed Confidential Appendices A6.1 and Appendix A6.2 for each category of A4 copy paper, including as follows:

- for 0 to 20 per cent recycled paper;
- for 21 – 79 per cent recycled paper; and
- for 80 – 100 per cent recycled paper.

Australian Paper has also completed an aggregate Appendix A-6.1 and A-6.2 for all categories.

It should be noted that across the injury period, production of A4 cut paper of 0-20 per cent recycling grade accounts for approximately xx per cent of all like goods (i.e. A4 cut paper) manufactured by the company. The economic indicators shown in Sections A-8.2 and A-8.3 are therefore representative of the total A4 cut paper categories manufactured by Australian Paper.

Index of production variations (model, type, grade of goods)

Product	2010	2011	2012	2013	2014	2015
A4 0-20%	100					
A4 21-79%	100					
A4 80-100%	100					
Total	100	90.52	85.86	88.09	74.07	78.50

<u>Notes</u>:

1. Production data sourced from Confidential Appendix A6.1 and A6.2.
2. 2010 production data not available by quarter. Sales volumes used as replacement.
3. Years ending December.

Australian Paper has experienced a decline in production levels of A4 cut paper since 2010, with volumes declining substantially in 2014, increasing in 2015, but remaining approximately 10 per cent below the levels of 2013. Total production for domestic consumption has declined by 20 percent since 2010, despite the Australian market remaining stable over the intervening period.

Index of cost variations (model, type, grade of goods)

Product	2010	2011	2012	2013	2014	2015
A4 0-20%	100					
A4 21-79%	100					
A4 80-100%	100					
Total	100	102.39	102.03	95.92	91.83	90.87

Notes:

1. Refer Confidential Appendix A6.1 (Line J49).
2. Years ending December.

With the increase in aggregate import volumes from Brazil, China, Indonesia and Thailand from 2012/13, Australian Paper has sought to reduce costs (including through reductions in employment numbers) to remain competitive with imports. Cost reductions contributed to improved margins in 2013 and 2014.

Index of price variations (model, type, grade of goods)

Product	2010	2011	2012	2013	2014	2015
A4 0-20%	100					
A4 21-79%	100					
A4 80-100%	100					
Total	100					

Notes:

1. Refer Confidential Appendix A6.1 (Line L54).
2. Years ending December.

Australian Paper experienced a 4 per cent reduction in selling prices in 2015 as dumped (and subsidised) imports undercut Australian Paper's selling prices. As similar cost reductions were not achieved in 2015, Australian Paper experienced an erosion of its margin over costs in 2015.

Index of profit variations (model, type, grade of goods)

Product	2010	2011	2012	2013	2014	2015
A4 0-20%	100					
A4 21-79%	100					
A4 80-100%	100					
Total	100					

Notes:

1. Refer Confidential Appendix A6.1 (Line N58) .
2. Years ending December.

Australian Paper's reduced margin in 2015 contributed to a 30 per cent reduction in domestic profit on sales of A4 cut paper. Similar reductions in the profitability of A4 cut paper was also observable (see below).

Index of profitability variations (model, type, grade of goods)

Product	2010	2011	2012	2013	2014	2015
A4 0-20%	100					
A4 21-79%	100					
A4 80-100%	100					

Total	100					

Notes:

1. Refer Confidential Appendix A6.1 (Line O60).
2. Years ending December.

3. **Complete appendix A7 (other injury factors).**

Please refer to Confidential Appendix A7 for all "other" economic indicators completed by Australian Paper.

Index of Revenue

Product	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
A4 Cut Paper	100	86.09	79.12	79.21	73.01	71.14

Notes:

1. Refer Confidential Appendix A3.
2. Includes domestic and export revenue.

Australian Paper has experienced a reduction in revenues (domestic and export) for A4 cut paper since 2010. Total revenue for A4 cut paper was lowest in 2015 [*commercially sensitive information on trend*] and is almost xx per cent below the levels of *yea*r.

Index of Return on Investment (net assets)

Product	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
A4 Cut Paper	100	-21.8	31.4	-6.9	-73.0	-52.2

Notes:

1. Refer Confidential Appendix A7 – Return on Fixed Assets.
2. Line 88.

The return on investment (net assets) in 2015 is inadequate and reduces the company's appetite for reinvesting capital in a capital-intensive operation such as A4 cut paper. The return on investment is inadequate and raises doubt as to the merit of re-investing for the manufacture of like goods in Australia.

Index of Capacity Utilisation

Product	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
A4 Cut Paper	100	104.51	104.50	106.62	113.74	95.25

Notes:

1. Refer Confidential Appendix A7.
2. Line 82.

Australian Paper has experienced a reduction in capacity utilisation in 2015 as production and sales volumes of A4 cut paper have declined.

Index of Employment

Product	2010	2011	2012	2013	2014	2015
A4 Cut Paper	100	90.48	83.5	78.04	61.10	80.83

Notes:

3. Refer Confidential Appendix A7 – Employees (Like Goods only).
4. Line 38.

With increased import competition from 2013, combined with reduced sales volumes and [*commercially sensitive information on trend*, Australian Paper has reduced employee numbers to reduce production costs. Full time employee numbers were reduced each year from 2010 to 2014. In 2015, employee numbers at Maryvale [*commercially sensitive information on trend*] remained xx per cent below the levels of 2010.

A-9 Link between injury and dumped imports.

To establish grounds to initiate an investigation there must be evidence of a relationship between the injury and the alleged dumping. This section provides for an applicant to analyse the data provided in the application to establish this link. It is not necessary that injury be shown for each economic indicator.

1. Identify from the data at appendix A2 (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.

Australian Paper has experienced a decline in domestic sales volumes of A4 copy paper ("the goods") since 2010. Sales of locally manufactured goods have declined by almost xx per cent since 2010, and by xx per cent since 2013. Meanwhile the dumped (and subsidised) imports have increased by xx per cent since 2010, with the largest increase in volume in 2013.

Imports from other source countries have decreased since 2010, and are not considered influential on the Australian market.

In market share terms, Australian Paper's share has declined from xx per cent in 2010 to xx per cent in 2015. The dumped (and subsidised) imports increased market share by xx percentage points since 2010 (and were as high as xx percent above 2010 levels in 2014). Imports from "other" countries have been relatively stable over the six-year period since 2010.

It should also be noted that over the period (i.e. 2010 to 2015) the Australian market for A4 copy paper has experienced some limited growth, by around xx per cent by 2014, contracting by xx per cent in 2015.

The market analysis confirms that in a slightly expanding market since 2010, Australian Paper has experienced lost sales volumes and market share to increased dumped (and subsidised) imports that have also displaced imports from other source countries. The recent growth in the Australian market (2013 and 2014) has been supplied by the increasing injurious volumes of dumped and subsidised imports from Brazil, China, Indonesia and Thailand.

Australian Paper further highlights that the import volumes from China almost doubled in 2013 and 2014 from the levels of 2010, and is consistent with the increased production capacity for A4 copy paper in China (that is a consequence of the favourable investment incentives to expand production capacity in that country). There has been a significant increase in import volumes from Brazil in 2015 (albeit from a lower base in 2014) and this is considered to be as a consequence of the recent anti-dumping petition taken by the U.S. uncoated paper industry against imports from a number of countries including Brazil[1]. The Australian domestic market now faces the threat of increased import volumes as Brazilian, Chinese, Indonesian and Thai volumes displaced by the US determination look to find an outlet.

2. Use the data at appendix A2 (Australian market) to show the influence of the price of dumped imports on your quarterly prices, profits and profitability provided at appendix A6.1 (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

Confidential Appendix A2 confirms increasing import volumes of A4 copy paper from Brazil, China, Indonesia and Thailand from 2012. Since that time, Australian Paper's average net selling price has declined by xx per cent, including a xx per cent reduction in 2015 despite a depreciation of the Australian currency (by approximately 20 per cent).

The price depression experienced by Australian Paper has been due to the price undercutting from the dumped and subsidised imports from China and Indonesia, and the dumping of imports from Brazil and Thailand. For example, A$ CIF prices for uncoated woodfree paper (i.e. A4 copy paper) imported from China during 2015 was in the range A$xxxx to $xxxx per metric tonne (excluding rebates, estimated at

[1] Refer Non-Confidential Attachment A-9.1 – US Department of Commerce Final Affirmative determinations on certain uncoated paper.

a minimum 10 per cent). Border clearance, customs duty, local freight and handling expenses are estimated at approximately $xxx per metric tonne (refer Confidential Attachment A-9.2.1). The selling prices for Chinese A4 cut paper would be in the range $xxxx to $xxxx (after allowing for Customs duty and clearance & handling charges of $xxx/MT) and undercuts Australian Paper's selling prices (in the range $xxxx to $xxxx per metric tonne).

Indonesian CIF prices were below Chinese CIF prices in 2015, and would therefore also undercut Australian Paper's selling prices. Similarly, based upon [*name*] information, FOB prices for Brazilian and Thai exports of the goods exported to Australia in 2015 have undercut Australian Paper's selling prices by even greater levels than the exports from China and Indonesia.

The price depression experienced by Australian Paper in 2015 has been caused and, continues to be caused by, the increasing volumes of dumped (and subsidised) imports (relative to 2010 volumes) from Brazil, China, Indonesia and Thailand.

Australian Paper has identified the producers of imported A4 copy paper from the four countries nominated in this application (refer Section A-4.2). Recent examples of competitive offers in the market place have been as follows[2]:

Example 1 –[*Name*] (*Country* copy paper)

Press advertisement in weekend of 13 and 14 February 2016 confirms selling price at $2.00 per ream including GST. This equates to $726 per tonne. [*Country*] FOB prices are well above this level, confirming post export rebates are at play. Selling prices substantially undercut Australian Paper prices.

Example 2 – [*Name*] (*Country* copy paper)

In store promotion at end of January 2016 confirms price of $3.00 per ream including GST. This equates to $1,094 per tonne. This price is lower than recently declared FOB export prices as reflected in ABS data for [*Country*]. Again confirms the existence of rebates applicable to Australian customers.

Example 3 – *[Name*] (*Country* copy paper)

In store promotion on 5th November 2015. Price of $2.00 per ream including GST. This equates to approximately $726 per tonne. All [*Country*] export prices as per ABS are well in excess of this level (lowest was $1,113 for 2015). The price offers indicate that the imported paper has been sold at distressed levels.

Example 4 – [*Name*] (*Country* copy paper)

An October 2015 in store promotion confirms a shelf price of $3.17 per ream inclusive of GST. This translates to a price of $1,157 per tonne. [*Country*] A$ CIF prices at the time were circa $xxxx per metric tonne which does not include customs duty, clearance & handling or local freight charges. The selling price on offer by *name* therefore is not recovering all costs and likely represents applicable rebates paid by the exporter.

Example 5 – [*Name*] (*Country* copy paper)

Imported *name* Premium A4 80gsm paper sourced from [*Country*] and is predominantly sold into Corporate, Local and State government (this makes it difficult to source competitive offers for [*Country*] paper when one source). FOB export prices for [*Country*] A4 copy paper are at the low end of import

[2] Supporting documentation for quoted examples included at Confidential Attachment A-9.2.2.

prices from nominated countries.

Example 6 – [Name] (*Country* copy paper)

Imported [*Country*] copy paper being sold in February 2016 via [*name and name*] at $xxxx per ream. The equivalent price per tonne is $xxxx. [*Country*] FOB prices (ex ABS – at Confidential Attachment B-1.5) are substantially below these levels. Dumping remains evident even at this higher price.

The above recent examples of selling prices for A4 copy paper sold via different distributors and suppliers in Australia confirm that the dumped (and subsidised) goods are at prices that significantly undercut the Australian industry's selling prices. The quoted prices in the above examples are at retail level, whereas prices included in Australian Paper's Confidential Appendix A4 schedule and the weighted-average selling prices in Confidential Appendix A6.1 are selling prices at the wholesale and/or distributor level.

The available evidence indicates that the dumped A4 copy paper from Brazil, China, Indonesia and Thailand, and subsidised A4 copy paper from China and Indonesia, substantially undercuts Australian Paper's domestic selling prices in the Australian market. The selling prices for imported A4 copy paper further evidence that distributors/wholesalers are benefiting from rebates that permit sellers to price the imported goods at levels well below declared FOB prices.

3. Compare the data at <u>appendix A2</u> (Australian market) to identify the influence of dumped imports on your quarterly costs to make and sell at <u>appendix A6.1</u> (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).

Australian Paper's market share in 2010 was approximately xx per cent. As imports from Brazil, China, Indonesia and Thailand increased in the following years (particularly in 2013), the Australian industry's market share declined to xx per cent by 2015. Over this period, imports of A4 cut paper from Brazil. China, Indonesia and Thailand have increased market share from xx per cent to xx per cent. It is evident that the imports from the nominated countries have displaced Australian industry sales of like goods.

As the dumped imports have increased, selling prices for A4 cut paper have declined. In particular, domestic selling prices have declined by approximately xx per cent since from the beginning of 2013 - coinciding with a sharp increase in import volumes (by more than xx percent) from the four countries. A comparison of Confidential Appendix A2 with quarterly selling prices confirms a direct correlation between increased import volumes from Brazil, China, Indonesia and Thailand, and falling sales volumes of the Australian industry at reducing selling prices (refer Appendix A6.1).

Australian Paper did responded to declining market prices in 2013 through a program of cost reductions designed to ensure the local A4 cut paper production remained competitive with imports. Cost saving initiatives delivered reductions in Australian Paper's cost-to-make-and-sell ("CTM&S") A4 cut paper, and enabled it to hold margin in 2013 and 2014 (although sales volumes declined by almost 5 per cent from 2012 levels). However in 2015, as further price pressures from the dumped imports continued, Australian Paper was unable to hold selling prices and has experienced an erosion of its margin (and hence reduced profit and profitability) as well as a further deterioration in domestic sales volumes.

The cost saving initiatives implemented by Australian Paper [*period*] have mitigated the injury that can be attributed to the dumping (and subsidisation). Between [*period*] and [*period*], Australian Paper achieved fixed costs savings at its Maryvale plant of approximately $xxx, which includes $xxx in employee costs and $xxx in fixed costs. Additionally, Australian Paper has reduced its raw material costs $xxxx - $xxxx in log fibre cost reductions, $xxxx in chemical costs, and $xxx in improved energy efficiencies. Please refer to Confidential Attachment A-9.3.1 for a breakdown of cost savings between 2012 and 2014.

Australian Paper has continued to improve its production efficiencies in *year*, with further significant cost reductions achieved progressively [*period*]. Please refer to Confidential Attachment A-9.3.2.

4. The quantity and prices of dumped imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at appendix A7 (other economic factors). If factors other than those listed at appendix A7 (other economic factors) are relevant, include discussion of those in response to this question.

Australian Paper is able to demonstrate that it has suffered injury from the dumped imports in a number of "other" economic factors including:

- reduced return on investment;
- reduced capacity utilisation in 2015;
- reduction in employee numbers;
- reduced revenues; and
- reduced attractiveness to re-invest.

Australian Paper has included index data for the first four economic indicators identified (refer Section A-8.2) as sourced from Confidential Appendix A2. The reduction in return on investment earnings translates to commercial reality that it is far more attractive to invest capital in alternate investments (including fixed bank deposits) that generate a more favourable return on earnings that re-investing in paper-making in Australia (hence the reduced attractiveness to re-invest indicator).

The reduction in employee numbers has reduced Australian Paper's overall wages bill for operating the Maryvale paper-making facility, equating to approximately $xxx in savings since 2011. However, with increases in employees salaries since 2010, the wages bill per employee has increased and, in 2015, the applicant has been unable to recover increasing wage costs due to [*commercially sensitive pricing information*] in a market influenced by dumped (and subsidised imports).

5. Describe how the injury factors caused by dumping and suffered by the Australian industry are considered to be 'material'.

Australian Paper submits that the injury it has experienced from the dumped and subsidised imports of A4 copy paper is 'material'. In 2010, Australian Paper held xx per cent market share in relation to A4 copy paper with domestic sales totalling xxxxxxx tonnes. The sales generated a profit of approximately $xxx with a profitability rate of xxxx per cent. Following increases in imports from Brazil, China, Indonesia and Thailand, Australian Paper's sales domestic volumes declined and were particularly impacted by a surge in imports in 2013. Australian Paper had embarked upon a program of cost-reduction initiatives aimed at reducing production costs to remain competitive with imports.

The initiatives delivered benefits that were eroded by the injury impact from the dumping and subsidisation. Whereas Australian Paper delivered cost savings of $xxx between 2012 and 2014, the company was unable to translate these initiatives to the full extent possible to the profit line. Australian Paper contends that the self-imposed initiatives that occurred during the period in which the dumped and subsidised imports increased enabled it to hold profit levels at the 2011 level (or slightly above) for the next three years – despite the further reductions in domestic sales volumes from 2011 to 2014. In 2015, Australian Paper has made further cost reductions however reductions in selling prices (which are contrary to a devaluation of the Australian dollar) have been at a much faster rate.

The xx per cent reduction in Australian Paper's domestic profit for A4 copy paper in 2015 when contrasted with 2014) is considered 'material' by the applicant company in terms of the magnitude of the reduction. Additionally, the materiality of the injury is further highlighted by the xx per cent reduction in selling prices since 2012 (as import volumes from the nominated countries escalated since 2013) and Australian Paper's sales volumes deteriorated (by almost 8 percent). Over the same period Australian Paper's domestic revenues deteriorated by xx per cent. Australian Paper again points to the clear substitution in sales volumes by the dumped and injurious imports.

6. Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping.

The Australian market for the goods under consideration is recognised as a 'mature' market. The A4 copy paper market, however, does generally produce annual growth of approximately xx per cent per annum. In some periods there is a contraction of the market as was apparent in 2015. The contraction of the market impacts all players – local producers and importers. The decline in the market that was accompanied in 2015 by a devaluation of the Australian dollar should have seen a rise in sales of domestic production as locally produced goods become increasingly competitive with higher-priced, imported goods.

In 2015, this was not the case.

The selling prices of imported A4 copy paper from the four countries the subject of this application reduced necessitating responses from the Australian industry to reduce net realisations to hold domestic sales volumes. In a contracting market (returning total market volumes to the levels of 2010) Australian Paper was required to match pricing from the dumped and subsidised imports to secure sales (albeit at a reduced overall volume for 2015).

Australian Paper contends that in the contracting Australian market in 2015 it was susceptible to the injurious impacts of dumping and subsidisation. The injurious impact of the dumping and subsidisation was further amplified by reductions in selling prices throughout 2015 as Australian Paper responded to reduced pricing from the injurious imports.

Australian Paper confirms that it was exposed to an increased susceptibility to injury from dumping and subsidisation in a contracting market during 2015 as the selling prices for dumped and subsidised imports were reduced (contrary to a devaluation of the A$).

7. This question is not mandatory, but may support your application. Where trends are evident in your estimate of the volume and prices of dumped imports, forecast their impact on your industry's economic condition. Use the data at <u>appendix A2</u> (Australian market), <u>appendix A6</u> (cost to make and sell), and <u>appendix A7</u> (other economic factors) to support your analysis.

This application for anti-dumping measures on A4 copy paper exported from Brazil, China, Indonesia and Thailand, and countervailing measures on exports from China and Indonesia, demonstrates that the exports to Australia during 2015 have been made at dumped (and subsidised) prices that have caused material injury to the Australian industry.

Over the injury analysis period 2010 to 2015, Australian Paper has demonstrated that it has experienced injury in the following forms:

- a reduction in sales volumes by almost xx per cent ;
- reduced market share of xx per cent;
- reduced domestic revenues of xx per cent;
- a deterioration in profit of xx per cent in 2015 (when contrasted with 2014); and
- a reduction in profitability in 2015 of xx per cent (compared with 2014).

Australian paper has obtained domestic selling prices in Brazil and Indonesia during 2015. Comparison with FOB export prices to Australia confirms the existence of dumping margins for exports to Australia as follows:

- Brazil – by a weighted-average 19 per cent; and
- Thailand – by a weighted average 16 per cent.

In respect of exports to Australia from China and Indonesia, Australian Paper has demonstrated that

the governments in both countries influence the domestic selling prices of the goods in their home markets. The extent of the influence extends to subsidy programs that are intended for the domestic pulp and paper industries in the respective countries (please refer to Part C-1 for specific subsidy programs enacted by governments in China and Indonesia respectively). The impact of the subsidy programs in conjunction with the government influence on raw material input prices into pulp and paper manufacturing renders domestic selling prices in both China and Indonesia "unsuitable" for the determination of normal values under s.269TAC(1) of the *Customs Act*.

The alleged subsidisation of A4 copy paper (which is an uncoated woodfree paper) has recently been confirmed following investigations in the United States by the Department of Commerce ("DOC"). In the U.S. Final Finding's on exports of uncoated woodfree paper from China and Indonesia, the US DOC has confirmed subsidisation margins for exports as follows:

- *China – 7.23 per cent to 176.75 per cent; and*
- *Indonesia – 21.22 per cent to 109.15 per cent.*

Australian Paper would highlight that all exporter in both countries were found to have received countervailable subsidies/benefits above negligible amounts.

Australian paper considers that all Chinese and Indonesian exporters of A4 copy paper benefit from the same subsidy programs identified by the US DOC and that these programs were available to producers/exporters in 2015.

Australian paper submits that the subsidisation that has provided Chinese and Indonesian exporters with certain benefits, combined with artificially low government-influenced raw material input prices, establishes grounds for determining a particular market situation prevails for A4 copy paper in each of the domestic markets in China and Indonesia. As a result, and in the absence of any reliable alternate information, Australian Paper has determined normal values for exporters in China and Indonesia on a constructed cost basis (please refer to Section B-4.1).

On the basis of comparison of export prices from China and Indonesia during 2015 and constructed normal values, Australian Paper has determined dumping margins as follows:

- China – by a weighted average 20 per cent; and
- Indonesia – by a weighted average 64 per cent.

The xx per cent market share increase in the injurious exports since 2010 coincides with a similar decrease in the Australian industry's domestic sales of like goods over the same period. Australian Paper submits that anti-dumping (and countervailing) measures are required to prevent further material injury to the Australian industry manufacturing A4 cut paper.

Australian Paper is requesting the Anti-Dumping Commission to commence an investigation into the allegations of dumping and subsidisation as detailed in this application. Additionally, Australian paper is seeking the publication of a preliminary affirmative determination and the imposition of provisional measures from Day 60 of a formal investigation.

PART B

DUMPING

IMPORTANT

All questions in Part B should be answered even if the answer is 'Not applicable' or 'None' (unless the application is for countervailing duty only: refer Part C). If an Australian industry comprises more than one company/entity, Part B need only be completed once.

For advice about completing this part please contact the Commission's client support section on:

Phone: 1300 884 159
Fax: 1300 882 506
Email: clientsupport@adcommission.gov.au

B-1 Source of exports.

1. Identify the country(ies) of export of the dumped and/or subsidised goods.

The goods the subject of this application are exported from the Federal Republic of Brazil ("Brazil"), the People's Republic of China ("China"), the Republic of Indonesia ("Indonesia") and the Kingdom of Thailand ("Thailand").

2. Identify whether each country is also the country of origin of the imported goods. If not, provide details.

It is understood that the country of origin is also the country of export for each of the nominated countries.

3. If the source of the exports is a non-market economy, or an 'economy in transition' refer to Part C.4 and Part C.5 of the application.

For the purposes of Australia's anti-dumping provisions, exports from Brazil. China, Indonesia and Thailand are not considered non-market economy countries, or economies-in-transition countries.

4. Where possible, provide the names, addresses and contact details of:

- **producers of the goods exported to Australia:**

  The following companies are producers/exporters of A4 copy paper in China:

  - **UPM (China) Co., Ltd.**
    Shanghai Office
    23/F, Grand Gateway Tower 2, No. 3 Hongqiao Road,
    200030 Shanghai, China
    Tel. +86 21 6288 1919
    Fax +86 21 6288 2929/1079
    www.upm.com

  - **Yueyang Paper Co.**
    Yueyang Forest and Paper Co., Ltd.
    Hongjiazhou, Chenglingji,
    Yueyang, Hunan 414002, China
    Tel. +86-7308590247

  - **Sun Paper and associated companies**
    No.1 Youyi Rd.
    Yanzhou, Shandong, China 272100
    Tel (Exchange) : 0086 537 7925888,
    Fax : 0086 537 7928489
    www.sunpapergroup.com

  - **Chenming Paper and associated companies**
    No.2199 Nongsheng East Street, Shouguang City
    WEIFANG, SDG 262705
    China
    Tel: +86-536-2158008 (Phone)
    Fax: +86-536-2158977 (Fax)
    www.chenmingpaper.com/en

- **Asia Pacific Resources International Limited** (**APRIL) and associated companies**
  No 369 Beijing Road
  Rizhao, Shandong Province
  China
  Tel : +86 633 336 1000
  Fax : +86 633 336 1280
  (Note: This company has associated companies that produce in Indonesia also).

- **Asia Pulp & Paper Company (China) Pte. Ltd. and associated companies**
  8/9F, Bund Center
  222 Yan'an Road East
  Shanghai, 200002
  China
  Phone: 86 21 6335 2222
  Fax: 86 21 6361 8585
  www.asiapulppaper.com.cn

The following companies are producers/exporters in Indonesia:

- **Asia Pacific Resources International Limited (APRIL) Indonesia**
  PT Riau Andalan Pulp and Paper Jl M.H.Thamrin (d/h Jl. Teluk Betung)
  No. 31, Kebon Melati – Tanah Abang, Jakarta Pusat 10230, Indonesia
  Tel: +62 (21) 3193 0134
  Fax: +62 (21) 314 4604
  www.aprilasia.com

- **Asia Pulp & Paper Company (Indonesia)**
  Jl. MH Thamrin Kav 22 No. 51 Gondangdia Menteng Jakarta Pusat DKI Jakarta, Indonesia
  Phone:+62 21 3929266
  www.**asiapulppaper**.com

- PT TBK/Pabrik Kertas Tjiwi Kimia
  Jalan Raya Surabaya – Mojokerto km 44,
  Mojokerto 61301 East Java, Indonesia
  Tel: +62 321 388861
  Fax: +62 321 388522

- PT Pindo Deli Pulp and Paper Mills.
  Jl. Wirasaba, Karawang Tim.,
  Karawang Jawa Barat 41311 Indonesia

  Tel: + 62 21 392 9266

- Indah Kiat Pulp and Paper
  Jl Raya Minas – Perawang KM.26
  Desa Pinangan Sebatang, Perawang
  Siak, Riau, Indonesia.

The following companies are producers/exporters in Brazil:

- **International Paper Brazil**
  Avenida Paulista, 37 14° andar
  01311-902 São Paulo SP, Brazil
  Tel : +55-11-3797-5797
  www.internationalpaper.com/BRAZIL

- **Suzano Papel e Celulose Brasil**
  Avenida Brigadeiro Faria Lima, 1355
  Jardim Paulista Sao Paulo Brazil 01452-919
  Tel: + 55 11 3503 9000
  Fax: + 55 11 3503 9150

The following companies are producers/exporters in Thailand:

- **Double A Global**
  187/3 Moo 1, Bangna-Trad km. 42 Road
  Bangwua District, Amphur Bangpakong
  Chacoengsao, 24180 Thailand
  Tel: +662 659 1234
  Fax: + 66 38 538968-72 ext 2718
  www.advanceagro.com

- **SCG Paper Public Co**
  C/o The Siam Cement PLC
  1 Siam Cement Road
  Bangsue Bangkok 10800 Thailand
  Tel: +662 586 4444

- exporters to Australia;

  The producers of the goods identified above are also understood to the exporters of the goods from the nominated countries.

  It is possible that producers are using export intermediaries such as paper traders. Australian sellers are also active in the Chinese market or have purchasing representatives in China and may export on their behalf.

- importers in Australia.

  - **Asia Pacific Resources International Limited (APRIL) Sydney**
    (China and Thailand)
    Suite 1A, Level 9, North Tower1-5 Railway Street, Chatswood NSW 2067
    Tel : (02) 9087 6037
    Fax : (02) 9087 6035
    www.paperone.com

  - **Advance Agro Lane Cove**
    (Thailand)
    Unit 80, Level 8
    18-20 Orion Road, Lane Cove, NSW 2066, Australia
    Tel : +61 2 9424 3400
    Fax : +61 2 9424 3499
    www.doublea.com.au

  - **UPM-Kymmene Pty. Ltd.**
    (China)
    Level 13, 124 Walker Street
    NSW 2060 North Sydney
    Tel. +61 2 9334 5000
    Fax +61 2 9334 5001

  - **B J Ball**
    (Thailand/Indonesia)
    41 - 45 Mills Road, Braeside VIC 3195
    PO Box 113, Braeside VIC 3195

Tel: +61 3 8587 3500
Fax: +61 3 8587 3560
designlinevic@bjball.com.au

- **Central National Australia Pty. Ltd.**
  (Thailand)
  420 Burwood Highway
  Wantirna South, VIC, 3152
  Tel: (03) 98816222

- **Complete Office Supplies**
  (Brazil/Thailand/China/Indonesia)
  25 Nyrang Street
  Lidcombe NSW 2141
  Tel: 1300 882 244

- **Fuji Xerox Australia Pty. Ltd**.
  (China)
  Document Supplies Division
  101 Waterloo Road
  North Ryde NSW 2113
  Tel: 131411

- **Fuji Xerox Asia Pacific Pte Ltd**
  (China)
  14 Rodborough Road
  Frenchs Forest NSW 2068
  (known as 'Fuji Xerox Printers')
  Reports directly to Singapore

- **Jackaroo**
  (Brazil)
  66 Balgowlah Road
  Balgowlah NSW 2093
  Tel : 02 9976 1300
  Fax : 02 9976 3040
  www.jackaroopaper.com.au

- **Lyreco**
  (China)
  Unit 12,
  2-8 South Street
  Rydalmere NSW 2116
  Tel: 1300 363 608

- **OfficeMax**
  (China/Brazil/Thailand/Indonesia)
  636 Wellington Road
  Mulgrave VIC 3170
  Tel: 136 629

- **Paper Force (Oceania) Pty. Ltd.**
  (Indonesia/China)
  Ste10/ 255 Whitehorse Rd.
  Balwyn VIC 3103
  Tel: (03) 8809 3333
  (Note – believed to be a related company to Asia Pulp & Paper)

- **PaperlinX and associated companies** (Spicers, Dalton Fine Paper)
  (China/Thailand/Indonesia)
  155 Logis Boulevard
  Dandenong Sth, Vic 3175
  Tel: (03) 9764 7300
  Fax: (03) 9730 9741

- **Canon**
  (China)
  1 Thomas Holt Drive
  Macquarie Park NSW, 2113
  Tel: 132353

5. If the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 3% of all imports of the product into Australia refer to Part C.6 of the application.

The import volumes from each of the nominated countries – Brazil, China, Indonesia and Thailand – each exceed 3 per cent of the total import volume of A4 copy paper imported into Australia in 2015. Imports of A4 copy paper from certain countries (i.e. Brazil and Thailand) are the subject of suppression orders, hence, published export data has been used to derive volumes for both sources. As a consequence, there may be a timing difference involving volumes from Brazil and Thailand (when contrasted with the Anti-Dumping Commission's data), and this may impact the annual volumes shown in Table 1-5 .

Table B-1.5 – ABS (and derived) import volumes – 2015 (Metric Tonnes)

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**As % in 2015**
Brazil	5958	5308	4320	2471	2351	6000	5.0%
China	30878	36210	61652	71585	71077	57973	48.6%
Indonesia	37402	25611	20407	21303	22078	26362	22.1%
Thailand	9287	18623	11317	21052	24326	21289	17.9%
Other	8537	18653	7369	4033	7904	7551	6.3%
Total	92061	104405	105065	120444	127736	119174	100%

Notes:

1. ABS data and *entity*.
2. ABS data for Brazil in first 10 months of 2010, thereafter based upon *entity*.
3. Chinese and Indonesia imports ex ABS data;
4. Thai exports from *entity*.

Import data used in Table 1-5 is principally sourced from monthly ABS published import data. However, where ABS data is suppressed (i.e. No Country Declared details) and there is evidence to suggest that imports are arriving under NCD, then the applicant has relied upon export data sourced from *entity*. Export data is only used where there are zero imports identified for that country in the ABS clearance data.

Table B-1.5 confirms that imports of A4 copy paper from Brazil, China, Indonesia and Thailand each exceed 3 per cent of the total import volume into Australia (to September) in 2015.

The applicant acknowledges that the data in Table B-1.5 does not accurately sum to totals due to export data volumes used for Brazil and Thailand (timing differences). Nevertheless, the import volumes from each of the nominated countries are well in excess of negligible volumes.

A4 copy paper import data (sourced from ABS and *entity* is included at Confidential Attachment B-1.5 (soft copy).

6. In the case of an application for countervailing measures against exports from a developing country, if the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 4% of all imports of the product into Australia refer to Part C.6 of the application

The import volumes from China and Indonesia – Developing Countries nominated in this application the subject of subsidisation allegations – independently exceed 4 per cent of total import volumes for A4 copy paper into Australia in 2015.

B-2 Export price

Possible sources of information on export price include export price lists; estimates from the Australian Bureau of Statistics; a deductive export price calculation from the Australian selling price of the imported goods; export sales quotations or invoices; foreign government export trade clearances.

1. Indicate the FOB export price(s) of the imported goods. Where there are different grades, levels of trade, models or types involved, an export price should be supplied for each.

As indicated at Section B-1.5 above, ABS data has been used as basis for imports from Brazil for first 10 months of 2010 and thereafter *entity* export data has been used. All imports from China and Indonesia are based upon ABS import data. Thai exports have been sourced from *entity* as ABS include Thailand in the NCD category.

In respect of ABS import data, A4 copy paper has been classified as follows:

Period	Subheading/statistical code	Description/gsm
From 1 January 2012	4802.56.10/03	A4 paper 40-89 gsm white
Prior to 1 January 2012	4802.56.10/03	A4 paper 40-89 gsm

This application is limited to imports of A4 copy paper. The identified classifications will likely include small volumes of goods which are not like goods, however statistical code 03 is understood by Australian Paper to be almost wholly 80gsm white A4 copy paper and has, in the analysis of dumping margin calculations, been used as the basis for comparison with respective normal values for China and Indonesia for 80gsm white A4 paper.

The applicable Customs rate of duty applicable to imports from Brazil is 5 per cent. For imports from the ASEAN countries Indonesia and Thailand the rate of duty is zero. From 20 December 2015, the rate of duty applicable to imports from China reduced to 4 per cent. From 1 January 2016, the rate declined further to 3 per cent. Prior to 20 December 2015, the applicable rate of duty for imports from China was 5 per cent.

Australian Paper considers that the published ABS import data (and applicable *entity* export data) accurately reflects the declared FOB prices for the exported goods. However, Australian Paper does not consider that 'off-invoice' rebates and 'support' payments provided to importers and/or on-sellers by manufacturers, exporters or their related entities are included in the declared export prices. These off-invoice payments can be xx% or more of the invoice value.

The following Table B-2.1 identifies export prices for the goods as obtained from ABS and/or *entity*

information for the period 1 January 2015 to 31 December 2015.

Table B-2.1 – Export prices for A4 cut paper, monthly during 2015 for Brazil, China, Indonesia and Thailand (all prices A$ FOB per metric tonne)

Month	Brazil	China	Indonesia	Thailand
January 2015	983	1012	1141	987
February 2015	1014	1116	1076	1013
March 2015	1022	1137	1117	960
April 2015	1023	1111	1070	1009
May 2015	1003	1171	1078	1077
June 2015	1031	1143	1039	1101
July 2015	1069	1178	1010	1088
August 2015	1110	1183	1051	1144
September 2015	1149	1216	1121	1121
October 2015	1104	1283	1080	1144
November 2015	1056	1245	996	1121
December 2015	969	1232	1056	1147

Please refer to Confidential Attachment B-1.5 for detailed export price information for import volumes from the nominated countries (i.e. Brazil. China, Indonesia and Thailand).

2. Specify the terms and conditions of the sale, where known.

Australian Paper understands that the A$ FOB prices include inland freight and credit terms for distributors in Australia.

It is understood that industry credit terms of 90 days from bill of lading are most common for sales to Australia.

3. If you consider published export prices are inadequate, or do not appropriately reflect actual prices, please calculate a deductive export price for the goods. Appendix B1 (Deductive Export Price) can be used to assist your estimation.

Australian Paper considers that export prices (whether sourced from ABS or from *entity* are considered adequate for the purposes of determining dumping margins for goods exported to Australia.

As indicated at Section B-2.1 above, off-invoice rebates are not included in published export prices.

It is Australian Paper's understanding that the value of rebates and support payments are in excess of xx% of the FOB value of the goods. These rebates are frequently paid at the end of a quarter or a year and are often invoiced by the importer on the supplier and so are not readily linked to the paper purchase transaction. In some circumstances, the rebate may fall in the following financial year

For certain imports sold through Australian agents, either related or unrelated, the cost of the agents are understood to be paid through a commission directly from either the mill or paper company head office rather than through adding a margin to the selling price. As such, they would constitute an upward adjustment to the normal value. It is Australian Paper's experience in operating a paper trading business (PPM), these agency fees are estimated at approximately xx% of FOB.

4. It is important that the application be supported by evidence to show how export price(s) have been calculated or estimated. The evidence should identify the source(s) of data.

The monthly FOB export price reported by ABS or *entity* has been used as the basis for export prices in dumping margin calculations. Australian Paper is aware that the Commission has previously verified that rebates and other financial support (not appearing in the declared FOB prices) are paid to major importers of copy paper. From Australian Paper's experience, these importers have generally

received rebates of around xx% and also promotional support which can reduce the effective export price by a further xxxx%. These further reductions have not been included in the export prices sourced from ABS and/or *entity*.

B-3 Selling price (normal value) in the exporter's domestic market.

Possible sources of information about domestic selling prices in the country of export include: price lists for domestic sales (with information on discounts); actual quotations or invoices relating to domestic sales; published material providing information on the domestic selling prices; or market research undertaken on behalf of the applicant.

1. State the selling price for each grade, model or type of like goods sold by the exporter, or other sellers, on the domestic market of the country of export.

Australian Paper has obtained domestic selling price information for A4 copy paper sold in Brazil and Thailand during 2015. It is alleged in this application that a particular market situation prevails in China and Indonesia for A4 copy paper. Please refer to Section B-4.1 for normal value estimates for A4 cut paper sold in China and Indonesia during 2015.

1. Brazil

Australian Paper has obtained domestic pricing for uncoated woodfree paper (i.e. A4 copy paper) sold in Brazil (i.e. domestically) on a monthly basis in 2015. The domestic prices have been sourced from *entity* , a respected paper industry publication that monitors paper pricing globally.

The domestic prices for the goods in Brazil during 2015 were as follows:

Month	**Domestic Price US$/MT**
Jan 2015	1136
Feb 2015	1067
Mar 2015	957
Apr 2015	980
May 2015	983
Jun 2015	961
Jul 2015	934
Aug 2015	855
Sep 2015	811
Oct 2015	810
Nov 2015	831
Dec 2015	831

Notes:
1. Prices are delivered in xxxxxxxx and do not include taxes or rebates.
2. November 2015 price used for December 2015.

Please refer to Confidential B-3.1.1 for domestic selling prices in Brazil.

2. China

(i) Market situation in China for A4 copy paper

Australian Paper submits that domestic prices of A4 cut paper (also known as uncoated woodfree paper) are not suitable for determining normal values under s.269TAC(1) of the Customs Act as the prices are significantly influenced and distorted by the Government of China's ("GOC") influence on raw material inputs and subsidies during the investigation period, such that selling prices for the goods are rendered artificially low.

S.269TAC(1) of the *Customs Act* states:

> *"…the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arm's length transactions by the exporter or, if like goods are not sold by the exporter, by other sellers of like goods*".

The provisions contained in s.269TAC(1) are subject to s.269TAC(2)(a) that specifies exceptions. Of relevance to this application are the provisions of s.269TAC(2)(a)(ii) that states:

> "*because the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1) the normal value of goods exported to Australia cannot be ascertained under subsection (1)."*

Where it is determined that a particular market situation prevails on the domestic market of the exported goods during the investigation period, normal values for the goods may be determined in accordance with s.269TAC(2)(c) using the producer/exporter's cost of production, plus amounts for selling and general administration, and an amount for profit. Normal values may also be determined under s.269TAC(2)(d) based upon the exporter's export prices to third countries.

(ii) GOC influence on domestic prices

By 2008, China had surpassed the U.S. to become the world's largest producing country of paper and paper products and has since continued to increase its production capacity. Due to the resultant oversupply in uncoated paper, exports increased dramatically. This domestic oversupply has resulted in depressed local prices for uncoated paper (including A4 copy paper).

Australian Paper contends that Chinese domestic selling prices for A4 cut paper ("the goods") are:

(i) artificially low due to the influence of the government of China ("GOC"); and
(ii) conditions in the Chinese domestic market for the goods render sales in that market not suitable for determining normal values under s.269TAC(1) of the *Customs Act 1901* (s.269TAC (2) (a)(ii) applies).

Australian Paper considers that the domestic selling prices in China are artificially low due to the policies and measures of the GOC that have materially distorted raw material input costs (including pulp and chemicals) thereby impacting the domestic selling prices of the goods. Further influences by the GOC on the domestic selling prices of the goods include the subsidies available to producers (including Foreign Invested Enterprises – FIEs) that benefit from exempted and/or reduced income tax, reduced interest payments on monies borrowed, and grants (refer to Section C-1 on subsidies below).

The pulp and paper industry in China is a key strategic (i.e. "Encouraged") industry to the Chinese economy[3]. Due to the strategic nature of the industry, the GOC has sought to control and manage development of the industry to achieve its objective as the world's largest pulp and paper producing country. The GOC develops Five-Year Plans for the Chinese economy and, for the key strategic industries, also develops individual five-year plans.

The Chinese economy is guided by the over-arching "*Twelfth Five-Year Plan for National and Social Development of the People's Republic of China*" administered by the National Development and Reform Commission ("NDRC")[4]. The Pulp and Paper Industry – an 'Encouraged' Industry – is operating in accordance with the "*Twelfth Five-Year Plan of the Paper Industry*". The Twelfth Five-Year Paper

[3] Refer Ministry of Commerce "Catalogue for Guidance of Foreign Investment Industries (Amended in 2011)", Section III Manufacturing Industries, Sub-Section 8 (1) "Paper Making and Paper Products Industry"
[4] Period is 2011 to 2015.

Industry Plan involves a guiding ideology that is aligned with the "*Twelfth Five-Year Plan for National and Social Development of the People's Republic of China*", and involves the following basic principles[5]:

1. *Focused on domestic demand, control of the scale of the industry and supplement domestic sales with export sales;*
2. *Accelerate the development of forestry-paper integration;*
3. *Boost the independent innovation ability, regulate and optimize industry structure;*
4. *Energetically develop the "circular" economy, tighten the ecological environmental protection;*
5. *Advocate paper saving, take initiative in green, low carbon consumption;*
6. *Stick to reform and opening up, fully utilize domestic and foreign resources, encourage and support domestic enterprises to merge and acquire overseas.*

The identified principles for the pulp and paper industry are achieved via the following key "Development Goals"[6]:

- *(i) Achieve steady growth of production and consumption;*
- *(ii) Continually improve the raw material structure (regulating paper made from raw materials with the proportion of wood pulp, non-wood pulp, waste paper pulp to be regulated from 22.0%, 15.3%, 62.7% in 2010 to 24.3%, 11.7%, 64.0% in 2015);*
- *(iii) Continually optimize the product structure;*
- *(iv) Continually boost industry concentration, by 2015 there will be 20 large pulp and paper entities whose annual output exceeds 1 million tonnes;*
- *(v) Gradually heighten the equipment level, through research and development;*
- *(vi) Continually reduce resource consumption;*
- *(vii) Reduce pollutant emissions; and*
- *(viii) Achieve substantial results in the elimination of outdated capacity, with 10 million tonnes of capacity to be retired.*

The influence of the GOC in controlling the development of the Chinese domestic pulp and paper industry is significant. In particular, the GOC has sought to regulate the scale and structure of the industry, establishing targets including directives to "heighten the industry concentration", for example, by boosting the proportion of production by the top 30 enterprises paper and paperboard output to 45.0 per cent of total domestic production by 2015. Additionally, the GOC has established minimum scale of production thresholds for new and expansion projects[7].

The policies and plans for the GOC for the Chinese pulp and paper industry as detailed in the Eleventh and Twelfth Five-Year Plans are key factors that have influenced the development of China's domestic industry. In detailing the policy measures to be implemented during the Twelfth Five-Year Plan, it is noted that the GOC will[8]:

- *Strengthen policy support, promote forestry-paper integrated development;*
- *Encourage independent research and development, develop domestic equipment (including through exemptions of import duties and VAT on imported equipment);*
- *Perfect incentive policy, promote energy saving and emission reduction (including implementing rules for eliminating the outdated capacity);*
- *Promote waste paper recycling, guide green consumption;*
- *Establish and revise relevant standards, perfect standard system;*
- *Perfect foreign capital policy, guide investment direction;*
- *Render great support, promote overseas investment;*
- *Increase investment, expand financing channel;*
- *Establish perfect system, cope with trade friction;*
- *Give full play to mediating role, push forward the implementation of the plan.*

[5] Twelfth Five-Year Development Plan of Paper Industry – National Development and Reform Commission, Ministry of Industry and Information Technology, State Forestry Administration, December 2011.
[6] Ibid, P. 15.
[7] *Ibid*, See further Figure 5 "Minimum Scale of New Projects and Expansion Projects During the "Twelfth Five Year Plan" Period", at P.30.
[8] *Ibid*, P. 39-40.

The GOC will facilitate policies and measures that will aid investment in the China pulp and paper industry. For example, the objective of increasing investment will involve guidance of finance institutions to "*boost the scale of commercial bank loan, encourage and guide financial institutions to render great support to the projects and enterprises with strong economic strength and great market potential*". This is considered to involve the provision of low cost interest loans to paper producers for investment in the pulp and paper industry (refer to Section C-1 below).

With the increase in exports of goods by the Chinese pulp and paper industry there has been a notable increase in trade remedy actions involving the Chinese industry. Recently, the U.S. Department of Commerce ("USDOC") has published Final Dumping and Countervailing Determinations on uncoated woodfree paper exported from China. In the U.S. Countervailing Duty investigation into uncoated woodfree paper (that includes A4 cut paper) exported from China, the following programs were found to be countervailable:

(i) Policy loans to the Paper Industry;
(ii) Provision of raw materials at less than adequate remuneration including calcium carbonate, caustic soda, and coal;
(iii) Preferential Income Tax Program for High or New Technology Enterprises;
(iv) Preferential Income Tax for Comprehensive Utilisation Entitling Enterprise;
(v) Tax Allowance for Special Equipment for Water and Energy-Saving purchased by Enterprises;
(vi) VAT and Import Tariff Exemptions for imported Equipment;
(vii) VAT Rebates on FIE purchases of Chinese Made Equipment;
(viii) Subsidies for Energy Efficiency and Environmental Protection;
(ix) Support Fund for Environmental Protection Project – Rizhao City;
(x) Support Fund for Environmental Protection Input;
(xi) Support Fund for Environmental Protection Project;
(xii) City Bonus for Export Activity from Finance Bureau;
(xiii) Energy Efficiency and Environmental Protection Project; and
(xiv) Administrative and Industrial Fee Exemptions in Yinzhou Lake Paper Base.

The Anti-Dumping Commission has identified some of the above-mentioned programs in recent Australian investigations involving Chinese exporters. Australian Paper contends that the programs identified by the Commission in other key strategic industries (e.g. steel and aluminium) continue to provide benefits to FIEs and Chinese State-Owned Enterprises in the Chinese pulp and paper industry.

The U.S. DOC finding on uncoated woodfree paper (published on 8 January 2016) confirms the eligibility of producers in the Chinese pulp and paper industry that received benefits under certain programs[9]. It is considered by Australian Paper that exporters of the goods the subject of this application have similarly received benefits under certain identified programs (refer to Section C-1 for identified programs). The Twelfth Five-Year Plan identifies that the policy measures remain an effective means that aid the GOC in the implementation of its plans and objectives for the Chinese domestic pulp and paper industry.

A further influencing factor additional to the programs and measures identified above involves the impact of the GOC's policies associated with VAT rebates applicable to raw material pulp, both locally manufactured and imports into China. To assist in reducing production costs, in 1999 the GOC abolished the VAT export rebate[10] on "*logs, lumber and wood pulp, and waste paper*". Additionally, "*the VAT rates on imported timber, processed forest products, and wood pulp were reduced by half*". The impact of "*Both of these measures reduced the domestic price for the relevant products, and, in turn, reduced the manufacturing cost for downstream enterprises*" including for the goods the subject of this application.

[9] Refer Non-Confidential Attachments C-1.3.1.
[10] China's Support Programs for Selected Industries: Wood and Wood Products, Trade Lawyers Advisory group, June 2007, P.66.

The GOC's manipulation of the VAT system to apply zero rebates on exports of key inputs (i.e. pulp), and by reducing the VAT by half on imported pulp contributes to a reduction in domestic prices for pulp and an increase in supply of pulp in China. The government-influenced reduced input costs impact the domestic selling prices for further manufactured paper products, including the goods the subject of this application.

Market situation – Conclusion

Australian Paper contends that the GOC directly influences A4 copy paper prices in China and domestic selling prices in China for A4 cut paper are artificially low. This application details the subsidy programs that provide benefits to paper producers in China that are countervailable (refer Part C-1 of application) and contribute to domestic selling prices in China being lower than they otherwise would be.

The broad range of policies and measures identified in the Twelfth Five-Year Plan impact the domestic selling prices for A4 cut paper that, as a consequence, are lower than they otherwise should be in China in the absence of government influence. On this basis it can be concluded that a "Market Situation" for A4 copy paper sold in China exists and the domestic selling prices of the exporters of the goods to Australia are not suitable for use in determining normal values under s.269TAC(1).

Normal values for A4 copy paper in China have therefore been determined on the basis of a constructed cost methodology using the best available information to the applicant (See Section B-4.1 below).

3. Indonesia

(i) Market situation in Indonesia for A4 copy paper

Australian Paper submits that domestic prices of A4 copy paper (also known as uncoated woodfree paper) are not suitable for determining normal values under s.269TAC(1) of the Customs Act as the prices are significantly influenced and distorted by the Government of Indonesia's ("GOI") influence on raw material inputs and subsidies during the investigation period.

S.269TAC(1) of the *Customs Act* states:

> *"…the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter or, if like goods are not sold by the exporter, by other sellers of like goods*".

The provisions contained in s.269TAC(1) are subject to s.269TAC(2)(a) that specifies exceptions. Of relevance to this application are the provisions of s.269TAC(2)(a)(ii) that states:

> "*because the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1) the normal value of goods exported to Australia cannot be ascertained under subsection (1)."*

Where it is determined that a particular market situation prevails on the domestic market of the exported goods during the investigation period, normal values for the goods may be determined in accordance with s.269TAC(2)(c) using the producer/exporter's cost of production, plus amounts for selling and general administration, and an amount for profit. Normal values may also be determined under s.269TAC(2)(d) based upon the exporter's export prices to third countries.

(ii) GOI influence on domestic prices

The GOI has declared the Pulp and Paper Industry in Indonesia as one of the priority industries in its National Industry Policy. The GOI is anticipating that Indonesia's Pulp and Paper Industry will grow to be the fifth largest producing country by 2025. The expansion plans for the industry are consistent with the "Indonesian Economy Acceleration and Development Expansion Masterplan".

Australian Paper notes the U.S. Department of Commerce affirmative final determinations in the anti-dumping and countervailing investigations involving Indonesia[11]. The Issues and Decision Memorandum for the Final Affirmative Determination in respect of the Countervailing Duty Investigation of Certain Uncoated Paper from Indonesia confirmed that countervailable subsidies existed that afforded Indonesian exporters certain benefit(s). As indicated at Part C.1.3.1 of this application (where Australian Paper has nominated applicable subsidy programs that are specific and provide a benefit to Indonesian pulp and paper producers) Indonesia pulp and paper producers have received countervailable subsidies including:

- *the provision of standing timber at less than adequate remuneration;*
- *benefits under the GOI's ban on export of logs; and*
- *debt forgiveness including the buy-back of debt by the GOI.*

In its final determination announcement on countervailable subsidies, the US DOC has confirmed that the GOI continues to own the vast majority of the forest land in Indonesia during the applicable investigation period (i.e. 2014). The GOI did not provide the US DOC with "*information or documentation that the stumpage fees it charges are established in accordance with market principles*[12]". The fees charged for stumpage by the GOI include Provisi Sumber Daya Hutan ("PSDH"), Dana Reboisasi ("DR"), and Penggantian Nilai Tegakan ("PNT") fees, which are cash stumpage (or royalty) fees, rehabilitation and replacement of stumpage fees, respectively. However, these fees are not based upon market prices (due also to the operation of the GOI's export log ban).

The US DOC used a benchmark price to determine the benefit received from Indonesian producers involved in the harvesting of logs. As the benchmark price could not be determined using private domestic prices in Indonesia, a benchmark was determined by reference to certain exported timber from Malaysia and Thailand. The US DOC further determined that the program was specific to the forestry industry and provided a benefit to four select industries (including the paper industry). US DOC determined that cooperative producers received a countervailable benefit of 9.81 per cent *ad valorem* for the program.

It was also determined by the USDOC that the GOI continued to operate a ban on the export of logs "*in order to provide lower-priced inputs (i.e. logs and chipwood) to industries that consume those products*". The US DOC received information from the U.S. applicant industry and the GOI that the effect of the log export ban "*is to grow the wood processing industry, to encourage processing industries in Indonesia, and to suppress prices in Indonesia*[13]". It was further determined that the ban constituted a financial contribution (i.e. lower prices for logs and chipwood) and that the industries receiving the benefit were limited in number (and hence specific). The value of the benefit determined by U.S. DOC in the investigation was 11.41 per cent *ad valorem*,

The minimum subsidy rate determined by the US DOC in respect of exports of Certain Uncoated Paper exported from Indonesia was 21.22 per cent. Higher subsidy rates were determined for non-cooperative exporters (i.e. up to 109.15 per cent).

(iii) Market situation conclusions

Australian Paper submits that the US DOC final determination on countervailable subsidies on exports of Certain Unwooded Paper (i.e. goods that include A4 cut paper) is relevant to its claims that Indonesian market prices for A4 copy paper are heavily influenced by the GOI through the provision of two key raw material input programs (i.e. standing timber at less than adequate remuneration and the export ban on logs). As a result, the raw material input prices for pulp manufacture in Indonesia (and consequently the pulp price in paper production) are lower than they otherwise would be in the absence of the identified GOI programs.

Normal values for A4 copy paper in Indonesia have therefore been determined on the basis of a

[11] Refer Non-Confidential Attachment C-1.3.2.
[12] Countervailing Duty Investigation of Certain Uncoated Paper from Indonesia: Issues and Decision Memorandum for the Final Affirmative Determination, US Department of Commerce, 8 January 2016, P. 13.
[13] Idd, P. 19.

constructed cost methodology using the best available information to the applicant (See Section B-4.1 below).

Thailand

Australian Paper has commissioned a market survey of A4 copy paper selling prices in Thailand. The survey indicates that there has been minimal movement (i.e. a mere 1.25 per cent price increase) in domestic selling prices for the goods sold between August 2014 and September 2015.

The survey identifies two paper brands of 80gsm that were monitored over the period. The brands surveyed were as follows:

Company	**80 grams**
Name	*Product*
Name	*Product*

The domestic selling prices in Thailand in September 2015 and August 2014) from Mill to Large retailer were as follows:

	September 2015		**August 2014**	
	Product (baht/ream)	**Product (baht/ream)**	**Product (baht/ream)**	**Product (baht/ream)**
Mill to Main Distributor				
Price/Ream Excl VAT (Mill)	78.00	81.00	77.00	80.00
Transport cost from mill to distributor	1.94	1.16	2.20	1.32
1st Tier Distributor				
1st Tier Distribution Mark Up	11.32	9.10	12.06	9.94
1st Distribution Selling Price	91.26	91.26	91.26	91.26
2nd Tier Distribution				
2ud Tier Distribution Mark Up	2.74		2.74	
2nd Tier Distribution Selling Price	94.00		94.00	
Modern Trade				
Modern Trade Mark Up	11.61	13.41	11.61	13.41
Modern Trade Selling Price	105.61	104.67	105.61	104.67
Final Selling Price (incl 7% VAT)	113.00	112.00	113.00	112.00

Notes:

1. All prices exclude VAT except final selling price to customer.
2. For *entity*, transport cost to 2nd tier distributor; For *entity*, transport cost to 1st-tier distributor.
3. *entity* originate from *entity* (450km from Bangkok). *entity* products (Double A) originate from location (135km from Bangkok).

A copy of the Confidential Market Survey on A4 copy sheet paper is included at Confidential Attachment B-3.1.2

2. Specify the terms and conditions of the sale, where known.

Brazil

Australian Paper understands from *entity* that published domestic prices are for delivery to major merchants and include local freight, but exclude local taxes.

China and Indonesia

Australian Paper has constructed normal values at the ex-factory level.

Thailand

All domestic prices exclude VAT. Prices are shown at the ex-factory level to distributor.

It is further understood by Australian Paper that credit terms are extended to distributors. Credit terms have not been calculated or included in dumping margin assessments.

3. Provide supporting documentary evidence.

Brazil

Australian Paper has obtained domestic wholesale prices for A4 copy paper (i.e. uncoated woodfree paper) from the recognised industry publication, *entity*. Please refer to Confidential Attachment B-3.1.1.

Thailand

Please refer to Market Survey included at Confidential Attachment B-3.1.2.

4. List the names and contact details of other known sellers of like goods in the domestic market of the exporting country.

Brazil and Thailand

Producers of the goods under consideration in Brazil and Thailand are identified at Section B-1.4 above.

China

Further to the producers listed at B-1.4 above, we have been able to identify the following manufacturers of uncoated woodfree paper in China. Most or all would either manufacture cut sheets or have their paper converted into cut sheets by others:

- China Metallurgy Meili Paper
- Ahhui Anquing Huatai
- Yuayang Paper
- Guangxi Liujiang Paper
- Gold East Paper (APP)
- Gold Huasheng Paper (APP)
- Guangxi Yongkai
- Hebei Baoding Orient Paper
- Henan Zhumadian City Baiyun Paper
- Heinan Yinge Paper
- Hubei Chibi Chenming Paper
- Hubei Maxleaf Jianli Paper
- Jiangsu Oji
- Jiangsu Xinda Paper
- Jindaxing
- Jinzheng Paper
- Linyi Zhenyuan Paper
- MCC Yinhe Paper
- Nanping
- Nine Dragons
- Qunxing Paper
- Shandong Bohui
- Shandong Chenming (Chenming)
- Shandong Long Kou
- Shandong Huatai
- Shandong Huajin Paper
- Shandong Binzhou Huanghe Paper
- Shandong Gaoqing Paper
- Shandong Sun Paper (Sun)
- Shandong Taishan
- Shandong Tralin
- Sichuan Yongfeng Paper
- Tiger Forest & Paper
- Wuhan Chenming Paper (Chenming)
- Xinxiang Xinya Paper
- Zhumadian Baiyun

The list above has been assembled from public sources 2007-2012, so some company or mill names and affiliations may have changed and some manufacturers listed as making coated paper may be

selling some of their manufacturing capacity as uncoated paper because of market circumstances.

There are other small producers of uncoated woodfree papers which could be converted into cut sheets, possibly by third parties, but these are unlikely to be significant exporters. They are also likely to be producing an inferior grade of cut sheet paper not comparable with that sold in Australia.

There are many distributors, resellers and agents for the goods throughout China, some owned by manufacturers or affiliated companies or affiliated individuals and some independent. We have no means of gathering this information.

Indonesia

Australian Paper has identified the main A4 copy paper producers in Indonesia at B-1.4 above.

B-4 Estimate of normal value using another method.

This section is not mandatory. It need only be completed where there is no reliable information available about selling prices in the exporter's domestic market. Other methods of calculating a normal value include:

- the cost to make the exported goods plus the selling and adminstration costs (as if they were sold in the exporter's domestic market) plus an amount for profit (if applicable);

OR

- the selling price of like goods from the country of export to a third country.

1. Indicate the normal value of the like goods in the country of export using another method (if applicable, use appendix B2 Constructed Normal Value).

2. Provide supporting documentary evidence.

1. China

Australian Paper does not consider that normal values for Chinese producers of the goods can be determined under s.269TAC(1) as a market situation for A4 copy paper is considered to exist in Indonesia.

Australian Paper does not have access to the production costs for Chinese A4 copy paper (including material, labour, energy rates, etc.). Australian Paper has relied upon the cost model for uncoated production paper used by the US applicant industry in the Certain Uncoated Paper case that was based upon a constructed cost methodology.

The model relies upon the "*direct consumption of raw material inputs, labor usage, and energy consumption"* as an estimate of a producers' factors of production. As Australian Paper considers the raw material inputs in China are artificially low (subject to government of China influence) it is appropriate to use Indonesian production cost inputs (where available) and/or market prices (e.g. for woodchip a "World Price" of US$170 per metric tonne was derived). Australian Paper has sourced Chinese labour rate percentages (See www.tradingeconomics.com/china/wages-in-manufacturing) that analyses labour rates over a recent five year period. Chinese labour rates as a percentage of Australian labour rates have been used to calculate labour costs in the Chinese constructed cost model. Publicly available information for electricity, natural gas, fuel and water in Indonesia were used (as the government of China influences public utility prices also). To calculate factory overheads, S,G&A and profit, the US industry applicants used financial ratios sourced from the 2015 Interim Financial Statements for Shandong Chenming Paper Holdings (a large Chinese producer and exporter of the goods).

The constructed Chinese normal value in 2014 for Certain Uncoated Paper has been summarized in the following Table ("Table B-4.1.1). As domestic selling prices have not significantly altered year-on-

year in the paper industry (refer to Section B-3.1 above for shifts in Thai domestic prices for A4 copy paper from 2014 to 2015 of 1 baht per ream), Australian Paper considers that in the absence of alternative cost data, the 2014 constructed cost model relied upon the U.S. industry is the most relevant and reliable information available for normal value purposes.

Table B-4.1.1 – Cost to Make and Sell ("CTM&S") A4 cut paper - China

Cost Category	**Value (US$/MT)**
Pulp Making Process:	
- woodchips, chemicals, etc	
Total Raw Materials (exclud energy, etc)	384.00
Paper Making Process:	
Paper Making Labour (xx% of *source*)	22.48
Energy & other utilities	48.0
Total Raw Materials	642.00
Total Materials, Labour & Energy	**712.48**
Depreciation (0.34%)	2.42
Selling & General Administration (incl finance) (16.25%)	115.78
Packaging (*source*)	203.89
Profit (4.39%)	31.28
Total CTM&S	**$1,065.65**

Notes:

1. Total raw materials is not the sum of raw materials, labour, energy and paper making process, as .
2. CTM&S is that based upon constructed methodology in US Industry application for certain woodfree paper produced in Indonesia.
3. Depreciation, S,G&A and Profit based upon Chinese producer Shandong Chenming Paper Holdings Consolidated Income Statement, 2015 Interim Annual Report (P.117) using percentage amounts.
4. 1Aus$=US$0.7781

Supporting documentation to the constructed normal value for A4 copy paper manufactured in China (with surrogated values for major raw material inputs based upon market values external to China) Indonesia is included at Non-Confidential Attachment B-4.1.1.

2. Indonesia

Australian Paper does not consider that normal values for Indonesian producers of the goods can be determined under s.269TAC(1) as a market situation for A4 copy paper is considered to exist in Indonesia.

Australian Paper does not have access to the Indonesian producers costs of production for A4 cut paper (including material, labour, energy rates, etc.). Australian Paper has relied upon the cost model for uncoated production paper used by the US applicant industry in the Certain Uncoated Paper case that was based upon a constructed cost methodology.

The model relies upon the "*direct consumption of raw material inputs, labor usage, and energy consumption"* as an estimate of the Indonesian producers' factors of production. Cost of production estimates are based upon Indonesian input values (where available) or market prices (e.g. for woodchip a "World Price" of US$170 per metric tonne was derived. Labour rates in Indonesia from

the International Labour Organisation's Labour Statistics Database were used. Publicly available information for electricity, natural gas, fuel and water in Indonesia were also used. To calculate factory overheads, S,G&A and profit, the US industry applicants used financial rations sourced from the 2013 Financial Statements of the Indonesian industry producer, PT Indah Kiat Pulp and Paper Tbk.

The constructed Indonesian normal value in 2014 for Certain Uncoated Paper has been summarized in the following Table ("Table B-4.1.1). As domestic selling prices have not significantly altered year-on-year in the paper industry (refer to Section B-3.1 above for shifts in Thai domestic prices for A4 cut paper from 2014 to 2015 of 1 baht per ream), Australian Paper considers that in the absence or alternative cost data, the 2014 constructed cost model relied upon the U.S. industry is the most relevant and reliable information available for normal value purposes.

Table B-4.1.1 – Cost to Make and Sell ("CTM&S") A4 cut paper - Indonesia

Cost Category	**Value (US$/MT)**
Raw Materials and Labour	384.00
Energy & Other utilities	48.00
Paper Making Process	642.00
Cost of Production (incl Overheads)	**768**
Depreciation (12.90%)	134
Selling & General Administration (13.52%)	162
Profit (8.28%)	107.91
Total CTM&S	**1305.91**

Notes:

5. Cost of production is <u>not</u> the sum of raw materials, labour, energy and paper making process.
6. CTM&S is that based upon constructed methodology in US Industry application for certain woodfree paper produced in Indonesia.
7. Depreciation, S,G&A and Profit based upon Indonesian producer PT Indah Kiat Pulp and Paper Tbk 2013 financial statements using percentage amounts.

Supporting documentation to the constructed normal value for A4 copy paper manufactured in Indonesia is included at Non-Confidential Attachment B-4.1.2.

B-5 Adjustments.

A fair comparison must be made between the export price and the normal value. Adjustments should be made for differences in the terms and circumstances of the sales such as the level of trade, physical characteristics, taxes or other factors that affect price comparability.

1. Provide details of any known differences between the export price and the normal value. Include supporting information, including the basis of estimates.

The export price is determined at the FOB point in the country of export and will likely include inland freight and FOB port of export costs (including handling). The normal value has been determined at the ex-factory level for China and Indonesia, and delivered to customer in Brazil and Thailand.

Australian Paper has not made any upward adjustments to constructed normal values for China and Indonesia, as it does not have access to local freight and FOB charges in the country of export. It is

considered that local freight charges in Brazil and Thailand are likely to be similar to inland freight charges, and hence no adjustments to normal value have been made (for the differing domestic and inland freight charge differentials).

2. State the amount of adjustment required for each and apply the adjustments to the domestic prices to calculate normal values. Include supporting information, including the basis of estimates.

As per Section B-5.1 no adjustments to normal value have been made by the applicant.

B-6 Dumping margin.

1. Subtract the export price from the normal value for each grade, model or type of the goods (after adjusting for any differences affecting price comparability).

Australian Paper has calculated dumping margins for A4 copy paper exported to Australia from Brazil, China, Indonesia and Thailand during 2015, on a monthly basis. Please refer to Confidential Attachment B-6.1 for dumping margin calculations utilising normal value information and export price details referred to in Sections B-3.1 and B-4.1 above.

Please refer to Table B-6.1 for a summary of monthly dumping margins determined.

Table B-6.1 – Monthly dumping margins – A4 cut paper exported from Brazil, China, Indonesia and Thailand (A$ per metric tonne)

Month	**Brazil**	**China**	**Indonesia**	**Thailand**
	A$/MT	A$/MT	**A$/MT**	**A$/MT**
Jan 15	412	207	463	205
Feb 15	363	259	609	247
Mar 15	223	249	582	302
Apr 15	267	292	649	280
May 15	206	140	528	94
Jun 15	210	233	648	119
Jul 15	191	260	752	174
Aug 15	51	264	722	83
Sep 15	-5	287	720	125
Oct 15	19	194	730	95
Nov 15	110	250	836	125
Dec 15	187	251	761	79

The weighted average dumping margins (on a A$ per metric tonne) for each country in 2015 were as follows:

- Brazil – $196 per tonne;
- China – $237 per tonne;
- Indonesia – $675 per tonne; and
- Thailand – $169 per tonne.

2. Show dumping margins as a percentage of the export price.

Dumping margins as a percentage of export prices are shown in Table B-6.2 below.

Table B-6.2 - Dumping margins expressed as a percentage of monthly export prices

Month	Brazil	China	Indonesia	Thailand
	%	%	%	**%**
Jan 15	42	19	41	21
Feb 15	36	23	57	24
Mar 15	22	22	52	31
Apr 15	26	26	61	28
May 15	21	12	49	9
Jun 15	20	20	62	11
Jul 15	18	22	74	16
Aug 15	5	22	69	7
Sep 15	0	24	64	11
Oct 15	2	15	68	8
Nov 15	10	20	84	11
Dec 15	19	20	72	7

The weighted average dumping margins as a percentage of weighted-average export prices for each country in 2015 were as follows:

- Brazil – 19 per cent;
- China – 20 per cent.
- Indonesia – 64 per cent.
- Thailand – 16 per cent.

PART C

SUPPLEMENTARY SECTION

IMPORTANT

Replies to questions in Part C are not mandatory in all instances, but may be essential for certain applications.

For advice about completing this part please contact the Commission's client support section on:

Phone: 1300 884 159
Fax: 1300 882 506
Email: clientsupport@adcommission.gov.au

C-1 Subsidy

This section must be completed where countervailing duties are sought to offset foreign government assistance through subsidies to exporters or producers.

If the application is for countervailing duty alone, the domestic price information required by Part B of the application need not be supplied.

Responses to questions A-9 will need to identify the link between subsidisation and injury.

1. Identify the subsidy paid in the country of export or origin. Provide supporting evidence including details of:

(i) the nature and title of the subsidy;
(ii) the government agency responsible for administering the subsidy;
(iii) the recipients of the subsidy; and
(iv) the amount of the subsidy.

C-1 Countervailing

Australian Paper understands that producers/exporters of the goods the subject of this application (i.e. A4 copy paper) in China and Indonesia benefit from a range of subsidies that are provided to pulp and paper manufacturers in both countries.

The subsidy programs known to Australian Paper are identified below. There may be a range of additional programs in either country that Australian Paper has not identified and the Commission is requested to seek further details in Exporter Questionnaires forwarded to the companies.

C-1.1 China

Introduction

At Section B-1.4 above. Six manufacturers/exporters of A4 copy paper in China have been identified, including:

(i) Chenming Paper;
(ii) Sun Paper;
(iii) Yueyang Paper;
(iv) UPM (China) Co;
(v) Asia Pulp and Paper; and
(vi) Asia Pacific Resources International Limited ("APRIL").

Australian Paper has obtained a copy of Chenming Holdings 2015 Interim Annual Report ("Chenming Report") for the period 1 January to 30 June 2015[14]. The Chenming 2015 Interim Report identifies a range of subsidy programs that producers in the Chinese pulp and paper industry have received benefits from the government of China (including all levels of government – state, regional and provincial). Australian Paper has also obtained a copy of Shandong Chenming Paper Holding's 2015 third quarter report[15] that confirms the receipt of government subsidies.

The following list of subsidy programs identified in the Chenming Report is not considered exhaustive, and further subsidy programs are likely to apply. Australian Paper further considers that the identified Chinese A4 copy paper producers are likely to also benefit from the subsidies that Chenming Paper has received, and continues to receive, during the investigation period.

[14] See Shandong Chenming Paper Holdings Limited 2015 Annual Report – Confidential Attachment C-1.1.1 (Full version supplied electronically)
[15] Shandong Chenming Paper Holdings Limited 2015 Third Quarter Report – Confidential Attachment C-1-1-2.

The provision of subsidies by the government of China ("GOC") assists the manufacturer in reducing production costs and selling prices in China. The benefits conferred by the GOC to the recipient companies are considered to be countervailable subsidy programs. The Chenming Report confirms a broad range of programs exist for participants in the Chinese pulp and paper industry that fall into the following broad categories:

(i) Taxation exemptions/reductions;
(ii) Grants; and
(iii) Raw materials at less than adequate remuneration.

Australian Paper has reviewed the Chenming Report and identified the following subsidy programs.

C-1.1.1 Chenming Paper

The company and its subsidiaries are engaged in the processing and sale of paper products (including machine made paper and paper board), paper making raw materials and machinery, generation and sale of electric power and thermal power; forestry, growth of saplings, processing and sale of timber; the manufacturing, processing and sale of wood products; and the manufacturing and sale of laminated boards and fortified wooden floorboards, equipment financial operating and leasing.

The company is a State Owned Enterprise ("SOE") with a history involving relevant State-approved mergers and acquisitions detailed at Section IX Financial Report, Sub-Section III[16]. The Chenming Report evidences the receipt of government grants and tax concessions received by the group of companies during the reporting period.

(i) Taxation

Program 1 – Preferential Tax Policies for High and New Technology Enterprises

Is there a benefit?

Shandong Chenming Paper Holdings Limited is subject to a concessional rate of income tax of 15 per cent as the company is recognised as a high and new technology enterprise that has the support of the state. The reduced rate of taxation involves the GOC foregoing collection of the full rate of taxation (i.e. 25 per cent). Where received, the reduction in the tax liability is considered to confer a benefit because of the tax savings realised.

Legal Basis

Provisions exist for reductions in income tax under the *Enterprise Income Tax Law* 2008 ("EITL"). The Chenming Report confirms that the benefit is approved by State Taxation Administration of Shougang, Shandong.

WTO Notification

The Commission indicated in Report No. 198 that it was not aware of any WTO notification of this program.

Eligibility Criteria

It is understood that pulp and paper producers in the local Chinese industry are considered high and new technology enterprises and are eligible under this program.

Benefits under Program 1 to other Chenming Group companies

There are a number of companies within the Chandong Chenming Group that also received reduced taxation benefits (or full exemptions). These include:

[16] Refer Shandong Chenming Paper Holdings Limited 2015 Interim Report, P.55.

(i) Jiangxi Chenming Paper Co., Ltd (15 per cent rate);
(ii) Chenming (HK) Limited (16.5 per cent rate);
(iii) Huanggang Chenming Arboriculture Co., Ltd (exempted);
(iv) Zhanjiang Chenming Arboriculture Co., Ltd (exempted);
(v) Yangjiang Chenming Arboriculture Co., Ltd (exempted);
(vi) Nanchang Chenming Arboriculture Co., Ltd (exempted);

The transfer of raw materials from one of the related subsidiary companies involved in the provision of supply of logs used in pulp making (i.e. one of the Arboriculture companies) would cause a further subsidy program to be considered – i.e. raw materials used in pulp manufacture.

Program 2 – Value-Added Tax ("VAT") Incentives

Is there a benefit?

For certain raw material inputs used in the production of pulp and paper, the GOC provides a VAT exemption. Where there is a reduction in the tax liability, a benefit is conferred in the form of the tax saving generated.

Legal Basis

Provided pursuant to Cai Shui [1995] No. 44 *"Circular on VAT Exemption for Certain Products Applying Integrated Use of Resources"* issued by the State Administration of Taxation.

WTO Notification

The applicant is not aware of any WTO notification of this program.

Eligibility Criteria

It is understood that companies utilising certain raw materials above 30 per cent coal ash in production benefit from the VAT exemption. It is likely that companies within the Chenming Group would utilise raw materials such as ash in the utilisation of waste production and gain therefore gain eligibility.

Program 3 – Raw materials at less than adequate remuneration

Australian Paper understands that Chinese pulp and paper manufacturers receive low priced input chemicals from GOC entities at less than adequate remuneration. These raw material chemicals include:

- papermaking grade precipitated and ground calcium carbonate (PCC and GCC) used as a filler in uncoated papers;
- diaphragm-grade and membrane-grade caustic soda; and
- untreated rutile paper slurry-grade and anatase-grade titanium dioxide.

The calcium carbonate is used to produce base paper, and accounts for a major proportion of the uncoated paper. Titanium dioxide is used to enhance the opacity and brightness of uncoated papers. Caustic soda is used in the pulping and bleaching process and to treat waste water following paper manufacture.

Paper-making chemicals are provided by GOC entities at artificially low prices due to the predominance of SOEs in the basic chemicals sector in China. SOEs operate in the basic chemicals sector, with limited participation from non-state enterprises. The control and influence of SOEs on Chinese domestic prices for the three identified chemicals supports claims that the prevailing raw material prices for the identified inputs in paper-making are artificially low when contrasted with market prices (external to China) for the goods. The comparison is reflected in the following Table C-1.1.

Table C-1.1 – Chinese domestic prices versus market prices for key inputs

Product	Chinese Market Price (USD per metric tonne)	Estimated Market Price (external to China)	Difference US$/MT
Calcium Carbonate	$121 - $146	$344	$198-223
Caustic Soda	$350-366	$442	$76-92
Titanium Dioxide	$1846	$3137	$1291

Notes:

1. Quoted prices are 2015 prices.
2. Calcium carbonate Chinese domestic price unable to be obtained. Price based upon figure used in US application (i.e. 2013 price). Paper industry is largest industry in which calcium carbonate sold (refer Non-Confidential Attachment C-1.1.3).
3. Caustic soda price ex *entity* Issue No. xxxx of xx March 2015 – See Confidential Attachment C-1-1-4..
4. Titanium Dioxide domestic price ex *entity* article of 3 March 2015 – See Non-Confidential Attachment C-1.1.5.
5. Market prices are Japan Trade Statistics prices in 2015 – see Confidential Attachment C-1.1.6.

Table C-1.1 demonstrates that basic chemical prices in China are artificially low when contrasted with market prices for the raw material inputs calcium carbonate (minimum 160 per cent lower), caustic soda (minimum 20 per cent lower) and titanium dioxide (minimum 70 per cent lower). The Chinese domestic prices are influenced by the SOEs[17] that operate in the basic chemicals sector that are directed under guidance for domestic consumption as opposed to export sales (where higher price yields could be achieved).

Is there a benefit?

The nominated products in Table C-1.1 are provided at artificially low prices that represent a financial contribution from the GOC to the recipient companies. The manufacturers of the goods the subject of this application have received a benefit in the form of the price paid for the raw material chemical from SOEs at prices less than adequate remuneration (as evidenced by an external benchmark price to China).

Legal Basis

Australian Paper is not aware of the applicable legislative provisions for this program.

WTO Notification

The applicant is not aware of any WTO notification of this program.

Eligibility Criteria

Uncoated paper manufacturers in China are eligible to purchase the subject raw material inputs at artificially low prices on the Chinese domestic market.

[17] For example, Jiangxi Taihua Calcium Carbonate Co., Ltd is reportedly a High Tech SOE that produces calcium carbonate and located in a zone where reduced taxation benefits apply. Further large SOEs include Guangxin Guilin Jinshan Chemical Industry Co., Ltd (60 per cent SOE), and Hebei Lude Fine Chemical Industry Co., Ltd, both of which are large Chinese producers.

Program 4 - Coal at less than adequate remuneration

Coal is used as the predominant input for energy production in China and is supplied to the pulp and paper industry at less than adequate remuneration. It is understood that copy paper producers including Shandong Chenming, UPM and Sun Paper have coal fired electricity generation plants that are the source of electricity for pulp and paper manufacture. The Chinese coal industry is a "strategic" industry to the Chinese economy and, as such, the GOC maintains absolute control over coal pricing. As the majority of coal producers in China are owned or controlled by the GOC (maintaining at least a 50 per cent equity state in each company), the GOC is able to exercise control and influence pricing via the National Reform and Development Commission ("NDRC").

Coal prices are negotiated between the coal producers and the customers under the guidance of NDRC that recommends changes in pricing to the State.

As evidenced in Report No. 198 the GOC is able to maintain low domestic prices for coal via export constraints, quotas and taxes. This enables consumers in key industries to secure coal for energy production at artificially low prices.

Is there a benefit?

The impact of export controls and taxes on domestically-sourced coal in China aids lower selling prices for coal in China. The domestic price for coal in China when contrasted with externally benchmarked prices confirms that coal is sold at less than adequate remuneration in China.

Legal Basis

The artificially low prices for domestic coal in China are due to the policies and objectives of the GOC as detailed in the *11th Five-Year Plan for Coal*.

WTO Notification

The applicant is not aware of any WTO notification of this program.

Eligibility Criteria

Key industries within China that are considered "strategic" are afforded low priced coal for energy generation. The pulp and paper industry is a key industry to the Chinese national economy.

ii. Grants

The Chenming Report identifies the receipt of grants (P.118) during the period of Chinese RMB 58,824,671. The Chenming Report refers to the government grants as:

> "*transfer of monetary assets from the government to the Group at no consideration, excluding capital considerations from the government as owner of the Group. Government grants are classified into government grants related to assets and government grants related to income. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants as classified as related to revenue*[18]."

It is evident that the Chenming Group has received grants from the GOC for the construction of new paper producing assets, along with certain additional grants that relate to the day-to-day operating activities of a paper manufacturing company. Australian Paper notes that Zhanjiang Chenming is in the process of constructing a 450 tonne per day mechanical pulp project that has attracted a financial contribution from the GOC. Other relevant projects that are likely top generate benefits and ultimately consumed in the manufacture of goods exported to Australia include the "Forestry pulp integration project" for Huanggang Chenming.

[18] Refer Chenming Report, P. 83.

Certain grants identified in Chenming's accounts include:

- *Special subsidy funds for environmental protection;*
- *Project fund for for National technological support scheme;*
- *Special subsidy fund for Songhuajiang environmental protection project;*
- *Modification of alkaline recycling system;*
- *Sewerage treatment and water conservation reconfiguration project;*
- *Financial grants for technological modification project;*
- *Zhanjiang integrated forestry, pulp and paper project;*
- *Interest subsidy;*
- *Railway line change compensation.*

The Chenming Group is in receipt of a range of grants that provide benefits under State-nominated programs to the organisation that are considered countervailable programs.

The Commission is requested to seek information in Exporter Questionnaires as to the full details of each GOC sponsored grant furnished to the Chenming Group of companies, and other Chinese A4 copy producers/exporters in China that export the goods the subject of this application to Australia.

iii Loans

The Chenming Report also indicates that the Chenming Group has received interest subsidies and an "interest free loan" from the government of China to Jiangxi Chenming[19]. The amount for the loan in 2014 was RMB 68,000,000.

It is also evident to the applicant that the Chenming Report lists certain State-owned "policy" banks as shareholders in the Chenming Group notably:

- Industrial and Commercial Bank of China Limited (1.19% shareholding);
- Agricultural Bank of China Limited (1.08%); and
- China Construction Bank Corporation (0.89%)

It is not clear how the policy banks have secured ownership in Chenming, however, it is likely that at some earlier date, there were debt for equity swaps that transferred shareholdings to the policy banks.

The Commission has previously investigated loans from the policy banks and found these to be countervailable (Toilet Paper exported from China). The loans were provided to participants in 'encouraged' industries of which the pulp and paper industry is recognised by the GOC (as with Toilet Paper).

Australian Paper submits that the Chenming Report confirms that the Group has received interest free loans from the GOC and also confirmed that the policy banks are shareholders in the Group that would like provide reduced interest loans (i.e. lower than the rate available to other companies in the normal course of business).

It is requested that the Commission fully investigate the extent of interest-free and reduced interest loans to Chenming and other pulp and paper producers/exporters of the goods the subject of the application exported to Australia.

C-1.1.2 Yueyang Paper Co

Australian Paper has obtained the Yueyang Paper Co ("Yueyang") 2014 Annual Report[20]. Yueyang is an integrated forest and paper company, with access to raw material fibre for pulp making. Approximately one-third of the revenue generated for Yueyang is derived from paper making. The Report confirms that the Chinese paper industry is experiencing overcapacity and is subject to GOC

[19] Refer Chenming Report, P.121.
[20] Refer Confidential Attachment C-1.1.7 (complete version supplied electronically)..

influence through the "elimination of production capacity". Whilst the influence of the GOC on the operation of the industry is significant, it has not slowed the benefits that have been provided to companies in the industry.

Similar with the countervailable benefits received by Chenming, Yueyang has allocated the receipt of government subsidies as asset-related government subsidies or revenue subsidies related to income[21]. In respect of the latter, Yueyang's 2014 annual report identifies the following categories of government grants received:

- *industry economic subsidies;*
- *new industrialisation guide funds;*
- *financial discounts;*
- *unemployment subsidies;*
- *VAT refund;*
- *Agricultural insurance premium subsidies;*
- *Technological innovation support funds;*
- *Financial assistance demonstration project funds;*
- *Comprehensive utilisation of resources of special funds;*
- *Special funds for energy conservation;*
- *Scientific and technological achievements into special funds;*
- *Other.*

Of the RMB 29,865,800 received in the period, approximately 25 per cent related to VAT refunds.

In 2014, Yueyang made a loss, and it is therefore difficult to assess whether the company is receiving any taxation benefits (other than VAT refunds) from the GOC (although the forestry operation may have received taxation benefits not fully disclosed in the parent company annual report). Hence the identifiable benefits received by Yueyang relate to grants as detailed above.

C-1.1.3 Shandong Sun Paper Co

Australian Paper has obtained a copy of the 2014 Annual Report for Shandong Sun Paper Co., Ltd ("Sun Paper"). Similar to the Yueyang Report, Sun Paper has disclosed that the domestic market for paper is in oversupply and declining demand[22]. Sun Paper is the largest local supplier of pulp, having recently expanded its pulp production facilities.

Sun Paper lists the applicable rate of tax payable for all affiliated companies within the Sun Group. Yanzhou Wing Yue Paper Co., Ltd pays a concessional rate of tax of 15 per cent[23]. All remaining entities appear to be tax at the 25 per cent corporate rate. Any A4 copy paper produced by Yanzhou Wing Yue Paper Co Ltd and exported top Australia will likely attract countervailable subsidies on the basis of the entity receiving a benefit in the form of foregone tax payments.

Section 25 of the Sun Paper Report indicates the treatment of government subsidies received by the Sun Paper Group. The notes indicate government grants relate to income and are directly included in the company income statement. In the 2014 reporting period, Sun Paper received RMB 33,077,915, an increase from the previous period by approximately 10 per cent.

Government grants received in the period (or earlier periods) were for:

- waste water treatment;
- power line construction;
- paper packaging and handling robot production;
- sewage treatment plant relocation;
- alkaline hydrogen peroxide mechanical process grant;
- financial subsidies; and

[21] Ibid, Pages 11, 38, 48, 96, 110, 114 and 118.
[22] Shandong Sun Paper Co. Ltd, Annual Report, 2014, P.23 (Refer Confidential Attachment C-1.1.8).
[23] Ibid, P.110.

- sewage treatment funds.

The sewage treatment grants were funded by the Yanzhou District Jining City Environmental protection Bureau, with previous benefits received in the earlier financial period of RMB 8,420,000.

It is also noted that Sun Paper has declared at Section 50 "Other cash received relating to operating activities" an amount declared as received from "Government" for RMB 31,292,300, which was a decrease on the earlier reporting period of RMB 35,904,380.

It is also noted that the China Construction Bank and Industrial and Commercial Bank of China are shareholders in Shandong Sun Paper Co., Ltd. It is unclear whether these banks have secured shareholdings on the basis of debt for equity swaps.

The Sun Paper 2014 Annual Report discloses government grants received by the entity in the same manner and treatment as recorded by Chenming Group and Yueyang Group. The Commission is requested to seek information from Sun Paper as to the legal names of the grant programs so that a complete understanding of the countervailable benefit received by Sun Paper may be determined.

C-1.1.4 UPM China

UPM China operates three paper-making machines at its Changshu, China site. The 360,000 tpa third machine commenced operation in 2014 and produces uncoated woodfree grades and high quality label paper, freeing up capacity on the other paper machines to increase production of copy paper. The estimated cost of the new machine was Euro 390 million.

On the basis that the GOC has provided subsidies to assist new investments in the paper industry (see Chenming above) and that certain grants apply for new investments/upgrades, Australian Paper submits that it is not unreasonable to anticipate that UPM China has received similar government assistance in the form of tax breaks and/or grants from the GOC.

The availability of taxation reductions/exemptions and/or grants to paper industry manufacturers in China appears widespread from the disclosures evident in the financial reports for Chenming, Yueyang and Sun Paper.

Australian Paper has examined the UPM annual report for 2014. As UPM is a global paper supplier, the consolidated report does not disclose sufficient information at the segment level to permit an assessment as to whether UPM China has received subsidies from the GOC. Australian Paper is therefore reliant upon the disclosures contained in annual reports for Chenming, Yueyang and Sun Paper to conclude that it is probable that UPM China has similarly benefited from subsidies provided by the GOC.

C-1.1.5 Remaining Chinese exporters

Australian Paper has identified that Chinese manufacturers of pulp and paper are the recipients of subsidies in the form of taxation reductions/exemptions, grants and reduced interest loans, along with certain raw materials at less than adequate remuneration, from the GOC. The subsidies are targeted to secure increased investment in the industry as it is an encouraged and strategic industry that is important to the Chinese national economy.

Australian Paper submits that all producers in the Chinese pulp and paper industry are eligible for the subsidy programs identified as applicable to the Chinese pulp and paper manufacturers above. Additionally, the Chenming Report further evidences that integrated producers (i.e. from forest to paper manufacturers) benefit from tax exemptions for entities involved in the harvest of wood products ultimately consumed in pulp manufacture.

It is requested that the Commission requested details information from each of the Chinese exporters of A4 copy paper to Australia to identify ownership, related company suppliers and benefits received from the GOC to fully identify the applicable countervailable subsidies for each exporter.

C-1.2 Indonesia

In 2008, the Indonesian Ministry of Industry identified strategic industries for long-term and medium term development. The Indonesian paper and pulp industry was one of the selected strategic industries. The selection of the industry as a strategic sector in its National Industrial Policy paves the way for government-backed benefits to industry participants. The plan is referred to in an Asia Pulp and Paper ("APP") press statement of 3 October 2013 announcing financial support for Indonesia's largest pulp mill:

> "*The Government of Indonesia has declared Pulp and Paper as one of the priority industries in its National Industry Policy. It hopes that Indonesia will grow to be the fifth largest producing country by 2025, in line with the Indonesian Economy Acceleration and Development Expansion Masterplan*[24]."

Indonesia's Ministry of Forestry published "Indonesia's Forestry Long Term Development Plan 2006 – 2025[25]" in May 2006 that identifies improved competitiveness in Indonesia's pulp and paper industries (along with sawn timber, panels, moulding, furniture and plywood) as a priority for improving performance.

The pulp and paper industry in Indonesia has benefited from significant subsidies from the Government of Indonesia. A World Bank source confirmed[26]:

> "*The growth of Indonesia's pulp and paper industries has involved an aggregate capital investment of at least US$16billion by 2010 (Ministry Industry 2011). The fact that Indonesian companies have made investments on this scale without first securing a legal and sustainable raw material supply, however, suggests that many of these projects carry a substantial degree of financial risk. To a significant degree, Indonesian pulp and paper companies have been motivated to invest such large sums in high-risk projects because their owners have been able to avoid much of the financial risk involved. The Indonesian government has provided substantial capital subsidies to pulp and paper producers, including the provision of pulpwood fiber (sic) at costs well below its stumpage value. The government's weak regulation of the nation's financial system has enabled pulp and paper companies to employ a variety of illegal practices to obtain discounted finance*."

On the back of subsidies, the Indonesian pulp and paper industry has expanded rapidly between 1988 and 2010, with pulp capacity increasing from 606,000 to 7.9 million tonnes per year. Over the same time, Indonesia's paper production capacity increased from 1.2 million to 12.2 million tons[27].

The U.S. Department of Commerce has previously confirmed that the Indonesia paper industry has received countervailable subsidies. In Coated Free Sheet ("CFS") exported from Indonesia[28], the US Department of Commerce (Import Administration Branch) published on 17 October 2007 a list of countervailable programs applicable to Indonesian exporters of CFS paper. Australian Paper contends that the Indonesia producers of A4 copy paper are continuing to benefit from three of the five same countervailable subsidies as CFS paper manufacturers (identified in 2007). The following three programs identified by Australian Paper were found to be countervailable by the US DOC in the CFS paper countervailing investigation:

(i) Government of Indonesia ("GoI") Provision of Standing Timber for Less Than Adequate Remuneration;

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[24] Refer APP Press release, 3 October 2013, Non-Confidential Attachment C-1.2.1.
[25] Indonesia's Forestry Long Term Development Plan 2006-2-25, P.33 (Non-Confidential Attachment C-1.2.2).
[26] Krystof Obidzinski and Ahmed Dermawan, CIFOR and World Bank, New Round of pulp and paper expansion in Indonesia: What do we know and what do we need to know? (May 11, 2012), available at www.cifor.org/ard/documents/background/day5.pdf (Non-Confidential Attachment C-1.2.3)
[27] Ibid, P.1.
[28] Federal Register, Volume 72, No. 206, 25 October 2007, Coated Free Sheet Paper from Indonesia, Final Affirmative Countervailing Duty Determination – refer Non-Confidential Attachment C-1.2.4.

(ii) GoI's Log Export ban; and
(iii) Debt Forgiveness through SMG/APP's the Buyback of its Own Debt from the GoI.

Program 1 – GoI Provision of Standing Timber at Less Than Adequate Remuneration

In the US DOC CFS Paper inquiry the GoI confirmed that "virtually all harvestable forest land in Indonesia is owned by the National Government". Of the 57 million hectares of public harvestable land, there was 233,811 hectares of private forest land (or 0.4 per cent of total harvestable forest land in Indonesia). It was further determined[29]:

> "*The GoI allows timber to be harvested from the government-owned land under two main types of licenses: 'HPH' licenses to harvest timber in the natural forest; and 'HTI' licenses to establish and harvest timber from plantations. HTI license holders pay "cash stumpage fees" known as PSDH royalty fees which are paid per unit of timber harvested. In addition to paying PSDH fees, HPH license holders pay a per-unit Rehabilitation Fee ('dana reboisasi" or "DR") for timber harvested from the natural forest. License holders in Jambi province also pay a PDSA fee for harvest from plantations*."

The USDOC determined in its preliminary determination that the "provision of standing timber" (which is also referred to as 'stumpage') by the GOI was a countervailable subsidy as it was:

(i) specific;
(ii) provided a financial contribution; and
(iii) provided a benefit.

The Indonesian pulp and paper industry continues to receive benefits under this program in 2015.

Specificity

In CFS paper, US DOC concluded that the provision of standing timber was found to be specific as it was "available to a limited group of industries". It noted that the GoI confirmed that the provision of standing timber was to five industries during the then period of investigation. The DOC contrasted these five industries with the 23 industries at "*same level of industrial classification (large and medium manufacturing activities) where the GoI classified the industries that harvest or consume timber*".

For this reason (that the benefit was only available to five industries – i.e. wood processing industries) the provision of standing timber was considered by USDOC to be specific.

Is there a benefit?

In examining whether a benefit has been provided, USDOC at the appropriate basis for deriving a market-based stumpage benchmark. This involved the following potential bases:

(i) market prices from actual transactions within the country under investigation;
(ii) world market prices that would be available to purchasers in the country under investigation; and
(iii) an assessment of whether the government price is consistent with market principles.

In the absence of the availability of prices by a sufficient number of private purchasers of standing timber, market prices in Indonesia could not be considered by USDOC. Similarly, world market prices by purchasers in Indonesia could not be evidenced in the inquiry. The USDOC therefore determined a suitable benchmark under the third category relying upon Malaysian export prices "resulting from

[29] DOC Memorandum "Issues and Decision Memorandum for the Final Affirmative Countervailing Duty Determination: Coated Free Sheet Paper from Indonesia, Investigation C-560-821, 17 October 2007, P. 18 (Refer Non-Confidential Attachment C-1.2.5).

private transactions between Malaysian pulp log sellers and pulp log exports from Malaysia" during the period of investigation. The prices were sourced from 'World Trade Atlas" to establish that the GoI was providing standing timber at less than adequate remuneration.

Legal basis

Australian Paper is not aware of the applicable legislative provisions for this program.

WTO Notification

The applicant is not aware of any WTO notification of this program.

Eligibility

Eligibility for the program standing timber at less than adequate remuneration is available to Indonesian pulp producers, including integrated pulp and paper manufacturers.

Program 2 – GoI's log export ban

The GoI prohibits the export of logs for further processing. The export ban has the effect of suppressing domestic prices and affording log processors (and hence pulp manufacturers that use logs as raw material input) a benefit that they otherwise would not receive in the absence of a ban on the export of logs.

IN CFS Paper, the USDOC preliminarily determined that log processors that were affiliated with pulp and paper manufacturers would not receive a benefit from the log export ban as the benefit was already included in Program 1. However, during verification it was noted that APP and the Sinar Mas Group ("SMG") were also purchasing from three unrelated log suppliers. USDOC therefore determined a benefit to the producers for the GoI's ban on the export of logs for the companies purchasing from domestic unrelated log processors.

Specificity

The USDOC determined from independent studies in the CFS Paper case that the GoI "*imposed or maintained the log export ban in order to provide lower priced inputs (i.e. logs and chipwood) to the industries that consume those inputs, which led to increased deforestation and greater illegal logging. Furthermore, these studies show that the pulp and paper industries are among the few beneficiaries of this indirect subsidy*".

It was determined that the GoI used its authority (via the above quoted decrees) to impose the export log ban that directed log suppliers to provide logs and chipwood for less than adequate remuneration to downstream wood processing industries.

It is therefore considered that the export ban of logs was specific to downstream wood processing industries (including pulp and paper).

Is there a benefit?

In assessing the benefit afforded to the wood suppliers, the USDOC again referenced the Malaysian export prices (for certain types of wood) sourced from World Trade Atlas as a benchmark for comparison with the selling prices of the non-related log suppliers to wood processors in Malaysia.

Australian Paper submits that a benefit is received by the wood processors in the purchase of artificially low wood supplies. This benefit passes through to the pulp manufacturers in Indonesia via artificially low pulp prices.

Legal basis

The log export ban was reimposed by the GoI in October 2001 (after being lifted for three years) when the Ministry of Forestry and Ministry of Industry and Trade issued Joint Decree No 1132/Kpts-II/2001 and No. N292/MPP/Kep/10/2001 (Refer Confidential Attachment C-1.2.6). The export bans (that apply to eight categories of products logs and chipwood) are implemented via bans preventing the issuance of export permits that are required for all exported goods from Indonesia.

WTO Notification

The applicant is not aware of any WTO notification of this program.
Eligibility

Program 3 – Debt Forgiveness – Buyback of debt from GoI

Australian Paper understands from the USDOC investigation into CFS Paper that SMG/APP were involved in the buy-back of debt through an affiliated party – Orleans Offshore Investment Limited ("Orleans"). It was alleged by the U.S. industry that that GoI provided debt forgiveness when IBRA sold US$880 million of SMG/APP debt for US$214 million to Orleans. It was alleged that Orleans was an agent of SMG/APP and that the sale of the debt was at a "steep" discount.

The GoI could not provide any documentation to USDOC concerning the registration of Orleans. Under Indonesian law it is "illegal under Indonesian law for original debt holders to buy back their own debt through affiliated parties". Under the GoI's Regulation SK-7/BPPN/0101, "IBRA is prohibited from selling assets that were under its control back to the original owner, or to a company affiliated with the original owner".

Specificity

The program is specific as it relates to the individual entity SMG/APP and to no other companies in Indonesia.

Is there a benefit?

The benefit derived is a reduction in the debt levels payable by the SMG/APP group of companies.

Legal basis

Australian Paper is not aware of the applicable legislative provisions for this program.

WTO Notification

The applicant is not aware of any WTO notification of this program.

Impact of programs

The US DOC quantified the countervailable benefits of the above three programs as having derived benefits of the following amounts to the recipient companies:

(i) Program 1 – 14.21 per cent;
(ii) Program 2 – 3.11 Per cent; and
(iii) Program 3 – 4.40 per cent.

Australia Paper submits that the programs identified as providing a benefit to Indonesian exporters of CFS Paper apply equally to Indonesian exporters of A4 copy paper to Australia. The Commission is requested to investigate the identified programs and the benefits derived for Indonesia A4 copy paper producers that export the goods at dumped and subsidised prices.

C-1.3 US Department of Commerce Final Countervailing Duty Finding

On 16 January 2016, the US Department of Commerce ("USDOC") published final determination findings concerning certain uncoated paper (i.e. like goods to A4 copy paper) exported from Australia, Brazil, China, Indonesia and Portugal. The investigations also included countervailing inquiries in respect of exports from China and Indonesia[30].

In notices published concerning the final countervailing margins, US DOC has determined the following applicable subsidy margins:

Table C-1.3.1 Subsidy margins for certain uncoated paper from China and Indonesia

Country	Exporter/Producer	Subsidy Rates
P R China	Asia Symbol Companies	7.23%
	Sun Paper Companies	176.75%
	UPM	176.75%
	All Others	7.23%
Indonesia	APRIL Fine Paper Macao Commercial Offshore Limited, PT Anugrah Kertas Utama, PT Riau Andalan Kertas, PT Intiguna Primatama, PT Riau Andalan Pulp & Paper, Esensindo Cipta Cemerlang	21.22%
	Great Champ Trading Limited	104.00%
	Indah Kiat Pulp & Paper Tbk, Pabrik Kertas Tiwi Kimia, PT Pindo Deli Pulp and Paper Mills	109.15%
	All Others	21.22%

The US DOC has confirmed that all producers/exporters of certain uncoated paper in China and Indonesia have received countervailable subsidies in 2014. Australian Paper submits that the subsidies received by producers/exporters in China and Indonesia in 2014 – and identified in Sections C-1.1. and C-1.2 of this application - have continued in 2015 (the likely investigation period for the current application).

C-2. Threat of material injury

Address this section if the application relies <u>solely</u> on threat of material injury (ie where material injury to an Australian industry is not yet evident).

1. **Identify the change in circumstances that has created a situation where threat of material injury to an Australian industry from dumping/subsidisation is foreseeable and imminent, for example by having regard to:**
    1. **the rate of increase of dumped/subsidised imports;**
    2. **changes to the available capacity of the exporter(s);**
    3. **the prices of imports that will have a significant depressing or suppressing effect on domestic prices and lead to further imports;**
    4. **inventories of the product to be investigated; or**
    5. **any other relevant factor(s).**

This application for dumping and countervailing measures is not based solely upon a threat of material injury. Australian Paper has experienced material injury from the dumped and subsidised goods throughout 2015.

[30] Refer Non-Confidential Attachments C-1.3.1 and C-1.3.2 respectively.

2. If appropriate, include an analysis of trends (or a projection of trends) and market conditions illustrating that the threat is both foreseeable and imminent.

This question is not applicable as the applicant has sustained material injury from the dumped and subsidised exports in 2015.

C-3. Close processed agricultural goods

Where it is established that the like (processed) goods are closely related to the locally produced (unprocessed) raw agricultural goods, then – for the purposes of injury assessment – the producers of the raw agricultural goods form part of the Australian industry. This section is to be completed only where processed agricultural goods are the subject of the application**. Applicants are advised to contact the Commission's client support section before completing this section**.

1. Fully describe the locally produced raw agricultural goods.

A4 copy paper is not a raw agricultural good.

2. Provide details showing that the raw agricultural goods are devoted substantially or completely to the processed agricultural goods.

This question is not applicable.

3. Provide details showing that the processed agricultural goods are derived substantially or completely from the raw agricultural goods.

This question is not applicable.

4. Provide information to establish either:

- **a close relationship between the price of the raw agricultural goods and the processed agricultural goods; or**
- **that the cost of the raw agricultural goods is a significant part of the production cost of the processed agricultural goods.**

This question is not applicable.

C-4. Exports from a non-market economy

Complete this section only if exports from a non-market economy are covered by the application. The domestic price information required by Part B of the application need not be supplied if this question is answered.

Normal values for non-market economies may be established by reference to selling prices or to costs to make and sell the goods in a comparable market economy country.

1. Provide evidence the country of export is a non-market economy. A non-market economy exists where the government has a monopoly, or a substantial monopoly, of trade in the country of export and determines (or substantially influences) the domestic price of like goods in that country.

The countries the subject of this application are not considered "economy-in-transition" countries for the purposes of Australia's Anti-Dumping and Countervailing System.

2. Nominate a comparable market economy to establish selling prices.

Not applicable.

3. Explain the basis for selection of the comparable market economy country.

Not applicable.

4. Indicate the selling price (or the cost to make and sell) for each grade, model or type of the goods sold in the comparable market economy country. Provide supporting evidence.

Not applicable.

C-5 Exports from an 'economy in transition'

An 'economy in transition' exists where the government of the country of export had a monopoly, or substantial monopoly, on the trade of that country (such as per question C-4) and that situation no longer applies.

Complete this section only if exports from an 'economy in transition' are covered by the application. **Applicants are advised to contact the Commission's client support section before completing this section**

1. Provide information establishing that the country of export is an 'economy in transition'.

The countries the subject of this application are not considered "economy-in-transition" countries for the purposes of Australia's Anti-Dumping and Countervailing System.

2. A price control situation exists where the price of the goods is controlled or substantially controlled by a government in the country of export. Provide evidence that a price control situation exists in the country of export in respect of like goods.

Not applicable.

3. Provide information (reasonably available to you) that raw material inputs used in manufacturing/producing the exported goods are supplied by an enterprise wholly owned by a government, at any level, of the country of export.

Not Applicable

4. Estimate a 'normal value' for the goods in the country of export for comparison with export price. Provide evidence to support your estimate.

Not Applicable.

C-6 Aggregation of Volumes of dumped goods

Only answer this question if required by question B-1.5 of the application and action is sought against countries that individually account for less than 3% of total imports from all countries (or 4% in the case of subsidised goods from developing countries). To be included in an investigation, they must collectively account for more than 7% of the total (or 9% in the case of subsidised goods from developing countries).

	Quantity	**%**	**Value**	**%**
All imports into Australia		100%		100%
Country A*				
Country B*				
etc*				
Total				

* Only include countries that account for less than 3% of all imports (or 4% in the case of subsidised goods from developing countries). Use the data at Appendix A.2 (Australian Market) to complete the table.

The goods the subject of this application exported from the nominated countries exceed the negligible 4 per cent of the total import volume into Australia in 2014/15.

ATTACHMENTS

Confidential Attachment A-2.2	Internal organisation chart for Paper Australia Pty. Ltd.
Confidential Attachment A-2.6	Diagram of the associated or affiliated companies
Confidential Attachment A-2.9.1	Audited Statements 2013 and 2014
Confidential Attachment A-2.9.2	Un-Audited Annual Statement for 2015
Confidential Attachment A-3.3.1	Technical information on Australian Paper's cut sheet papers – Australian Paper brands
Confidential Attachment A-3.3.2	Technical information on Australian Paper's cut sheet papers – Customer Paper brands
Confidential Attachment A-5.6	Typical distributor agreement
Confidential Attachment A-5.7.1	*Category* price list
Confidential Attachment A-5.7.2	*Category* price list
Confidential Attachment A-5.7.3	*Category* price list
Confidential Attachment A-5.8	Underlying principles of AP's discount & rebate system.
Confidential Attachment A-5.9	Complete sets of commercial documentation for two domestic sales in each quarter over the 12 months to December 2015
Confidential Attachment A-6.3.1	Chart of accounts
Confidential Attachment A-6.3.2	AP internal management accounts – September & December 2015
Non-Confidential Attachment A-9.1	U.S. DOC Affirmative Final Determinations Fact Sheet – Uncoated Woodfree Paper, 8 January 2016.
Confidential Attachment A-9.2.1	Customs clearance, handling and local freight supporting documentation
Confidential Attachment A-9.2.2	Pricing offers for A4 copy paper ex Brazil, China, Indonesia and Thailand
Confidential Attachment A-9.3.1	Australian Paper Cost Savings – 2012 to 2014
Confidential Attachment B-1.5	Import Statistics – Sourced from ABS and *entity*
Confidential Attachment B-3.2.1	Domestic pricing information for uncoated woodfree paper (Brazil)
Non-Confidential Attachment B-3.1.1	Catalogue for the Guidance of Foreign Investment Industries (Amended in 2011)
Confidential Attachment B-3.1.4	Market Survey – Copy Paper – Thailand
Confidential Attachment B-4.1.1	Normal value – China – best available information, constructed cost methodology using Indonesia input costs, adjusted for Chines elabour rates, and S,G&A using Shandong Chenming costs
Confidential Attachment B-4.1.2	Normal value – Indonesia – best available information sourced from U.S. Industry application on uncoated woodfree paper for Indonesia (constructed cost methodology)

Confidential Attachment B-6	Dumping Margin Calculations – Brazil, China, Indonesia and Thailand
Confidential Attachment C-1.1.1	Shandong Chenming Paper Holdings Limited 2015 Interim Report
Confidential Attachment C-1.1.2	Shandong Chenming Paper Holdings Limited – 2015 Third Quarter Report
Confidential Attachment C-1.1.3	Chinese domestic price – caustic soda (March 2015)
Confidential Attachment C-1.1.4	Chinese titanium dioxide domestic price (March 2015)
Non-Confidential Attachment C-1.1.5	News article, calcium carbonate demand driven by paper industry in China (May 2012)
Confidential Attachment C-1.1.6	Comparison of market prices (Japan) with Chinese calcium carbonate, caustic soda and titanium dioxide prices (2015)
Confidential Attachment C-1.1.8	Shandong Sun Paper Co., Ltd 2014 Annual Report
Non-Confidential Attachment C-1.2.1	News article – Indonesian pulp and paper industry (Oct 2013)
Non-Confidential Attachment C-1.2.2	Indonesia's Forestry Long Term Development Plan 2006-2025
Non-Confidential Attachment C-1.2.3	New Round of Pulp and Paper Expansion in Indonesia (May 2012)
Non-Confidential Attachment C-1.2.4	US DOC Final Affirmative Countervailing Duty Determination on Coated Free Sheet Paper ex Indonesia (October 2007)
Non-Confidential Attachment C-1.2.5	US DOC Issue and Decision Memorandum for Final Affirmative Countervailing Duty Determination: Coated Free Sheet Paper from Indonesia (Oct 2007)
Non-Confidential Attachment C-1.2.6	Joint Decree of the Ministry of Forestry and the Minister of Industry and Trade – The discontinuation of log/chip raw material exports (8 October 2001)
Non-Confidential Attachment C-1.3.1	US DOC Final Affirmative Countervailing Duty Determination – Certain Uncoated Woodfree Paper from China (20 Jan 2016) and Issues and Decision Memorandum
Non-Confidential Attachment C-1.3.2	US DOC Final Affirmative Countervailing Duty Determination – Certain Uncoated Woodfree Paper from Indonesia (20 Jan 2016) and Issues and Decision Memorandum

SUPPORTING SPREADSHEETS

The following supporting spreadsheets are provided on a confidential basis:

1. **Appendices**
   a. Appendix A1.xlsx - Australian Production
   b. Appendix A2.xlsx - Australian Market (inc. import data, index table & graphs
   c. Appendix A3.xlsx - Sales Turnover (inc. index tables)
   d. Appendix A4.xlsx - Domestic Sales (detail of all sales in YE December 2015)
   e. Appendix A5.xlsx - Sales of Other Production
   f. Appendix A6-1.xlsx - Cost to Make and Sell – Export Sales (inc. index tables)
   g. Appendix A6-2.xlsx - Cost to Make and Sell – Domestic Sales (inc. index tables)
   h. Appendix A7.xlsx - Other Injury Factors (inc. index table)
   i. Appendix A8 – Authority to Represent