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The Director
Operations 2
GPO Box 1632
Melbourne VIC 3001
Australia

Dumping and Subsidisation Investigation ADC 341 –
A4 Copy Paper exported from Brazil, China, Indonesia and Thailand.

Dear Director,

Central National Australia is sales company that has worked with several exporters over many years in selling paper (including A4 copy paper) to Australia and New Zealand. For the period under investigation, we worked with a Thailand paper producer, Phoenix Pulp & Paper Public Corporation Ltd, in promoting and selling their grades into distributors in the Australian market.

In response to the Application put forward by Paper Australia Pty Ltd, we provide the following comments:

Part A-2 Company Information

6. As disclosed in the group chart reference in the URL provided, Nippon Paper Industries Co Ltd (NPI) – the parent company of Paper Australia Pty Ltd – owns 22.13% of Phoenix Pulp & Paper Public Corporation Ltd., Central National Australia's principal supplier of A4 copy paper for the Australian market. Presumably NPI has no interest in having one of its subsidiaries allegedly dumping in the Australian market at the expense of another of its subsidiaries.

Part A-3 The imported and locally produced goods

1. The tariff code of 4802.56.10/03 specifically states that the fibre source for said products should be "not containing fibres obtained by a mechanical or chemi-mechanical process or of which not more than 10% by weight of the total fibre content consists of such fibres", yet this application mentions "and/or from pulp obtained by a mechanical or chemi-mechanical process and/or recycled pulp", hence does not match with the customs tariff code. 90 and 100gsm papers also fall outside of this tariff code classification.

4. b. The statement "Australian Paper has previously supplied several of the purchaser's brand products now sourced from imports" does not consider that Australian Paper has taken away business from imports where the purchaser's branded products were developed in partnership with the imported supplier then lost to Australian Paper due to attractive pricing offers they put forward – arguably causing their own injury by their actions.

7. The installation of the Maryvale de-inked pulp plant has arguably increased Australian Paper's cost structure (which then arguably could be at least part of the cause of injury claimed) and may not be entirely diverting wastepaper from landfill but likely taking it away from export to other world markets where high quality wastepaper is required. The decision to go ahead with the installation of

the de-inking plant with understanding that recycled fibres have higher costs than virgin fibres and hence would impact their cost of production and competitiveness in such a highly competitive market should be considered as potentially contributing to their own non-competitive position.

Part A-4 The Australian market

2. The quality differences between grades and brands can be quite substantial and whilst the market is competitive, the quality of the paper, quality of the packaging, logistics issues and environmental certifications all are important criteria along with price. Australian Paper's statement of "little discernible difference other than price" may well be a reflection of Australian Paper's product offerings to the market but is not necessarily applicable to all imported grades offered.

   Whilst Australian Paper's REFLEX is one paper brand known in the market, other paper brands like [redacted] and distributor brands like [redacted] also have significant "Brand recognition" effects and often have also undergone heavy media advertising at significant cost.

   Whilst national key contract resellers may be the primary target of Australian Paper, this is not the case for all importers who often look to alternative supply options (eg. [redacted]) for sales.

   The paper machine started by Shandong Sun Paper at its plant in Yanzhou city is NOT AT ALL planned to produce cut-sheet paper. There has been no A4-size sheeting equipment installed for the output from this machine. [redacted]. *(Comment on Sun Paper sales to Australia)*

   The statement "The threat of continued growth in import volumes to the domestic market is likely to continue..." could well be true for some suppliers from Brazil, China and Indonesia but it is INCORRECT that Thailand was affected by the antidumping action in the US and hence any Thai producers would not have the same motivation in finding alternative markets as other producers from Brazil, China or Indonesia may have. Thailand does NOT represent AT ALL the same type of threat as the other countries in this situation. The same argument of excluding Thailand from these claims applies to the statement "are seeking opportunities on export markets at almost any price to sell the capacity" – this is simply not true as Thailand producers are also facing increasing competition in their home market as a result of the actions of Chinese and Indonesian producers who have been impacted by the US anti-dumping measures. Due to this substantial difference, we suggest imports from Thailand should be de-cumulated from imports from other countries for the purpose of assessing injury or potential injury in this case. Refer WTO Article 3 Determination of Injury – Section 3.3
   (https://www.wto.org/english/res_e/booksp_e/analytic_index_e/anti_dumping_02_e.htm)

   Whilst some mills may take the decision to sell down to marginal cost levels, this is not a "must" as claimed in this document but instead a choice that may or may not be made by individual mills in varying different financial circumstances. Many mills will choose to take downtime or look to making alternative products rather than producing more copy paper at marginal costs.

   Australian Paper's claim it "must follow the price of lower priced imports" is a CHOICE the mill makes – they also could take downtime or look to produce alternative grades like other mills choose to do, but it seems they do not.

3. 90gsm and 100gsm papers sold in the Australia market are sold at a significantly higher cost than A4 80gsm papers due as much to yield issues associated with the heavier weight / gsm and the substantially higher costs associated with generally higher quality grade and smaller volume productions of these weights / gsm. It is unreasonable to believe that the import of 90 and 100gsm could have caused injury at all to Australian Paper in relation to A4 80gsm copy paper production and hence 90gsm and 100gsm papers should be excluded from the investigation on that basis.

Part A-5 Applicant's sales

2. As mentioned already, Australian Paper's decision to continue running their cutting equipment to achieve high utilisation rates is a CHOICE they make – not ALL mill's make this choice when faced with the same decision, many deciding that in fact downtime or production of alternative products is better than creating over-supply situation that forces them to sell into less lucrative export markets. Australian Paper's need to sell to less lucrative import markets (even at significantly dumped prices as was proven in the US anti-dumping investigation) is potentially as much due to their decision on utilisation of equipment as it may be due to increased imports since expecting to supply an entire domestic market is not a realistic expectation for any local manufacturer in a modern market. The market demand for choice and products with characteristics (including a preference for certain environmental certifications) that Australian Paper does not or will not supply will always create demand for alternative imported product. The sustained marketing associated with their brand of REFLEX is Australian Paper's choice – when over 70% of the market is supplied by private and distributor brands, the continued investment in a paper brand which is not necessarily recognised by all in the market as a premium quality (even though it may be a premium "brand") could be questioned.

Part A-8 Injury

The strong AUD throughout 2011-2013 was the main reason behind import growth during this period and likely a significant contributor also to the local mill's increase in costs. Whilst the introduction of reduction initiatives in 2013 by Australian Paper may have coincided with increased imports, it also coincided with the strong currency that was likely impacting their cost structures.

The Index of Return on Investment indicating a substantial reduction in 2014 and reaching an "inadequate" level in 2015 may be due just as much to an increase in Fixed Assets following a new investment, not necessarily a result of reduced profitability.

The reduction in the Index of Capacity Utilisation in 2015 is just as likely due to decline in Australian Paper's sales volumes associated with the US anti-dumping case and not due only or necessarily to a decline in their domestic share associated with imported products.

Part A-9 Link between injury and dumped imports

1. The statement "The Australian 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." is incorrect – there was no investigation or action taken against Thailand in the US anti-dumping determinations. Hence, **Thailand can NOT be considered a threat to the Australian market in the same way described here as these other countries may be considered**.

2. The sale price determined by resellers is NOT evidence that exporters are providing rebates to wholesalers and distributors – these may be simply retail sales programs put in place by the resellers at their cost or supported by the distributors at their cost for their own purposes / targets.

   The lost sales / profits to the applicant from the US anti-dumping determination would likely have impacted the applicant in 2015 and contributed significantly to their reported reduced profit and profitability.

4. Australian Paper's injury suffered on "other" economic factors of reduced return on investment, reduced capacity utilisation in 2015, reduced revenues and reduced attractiveness to re-invest must be evaluated based also on the decisions they made in respect of their investment decisions over the period. For example, an increase in fixed assets may have contributed significantly for reported decrease in ROI, choices over capacity utilisation rates and reduced revenues was likely significantly impacted by business lost from US anti-dumping determination and the overall performance of the business based on previous investment and marketing decisions combined with a questionable future outlook for the paper industry in general may be just as much reasons behind the reduced

attractiveness for re-investment as anything to do with the prices of imported papers. This last point is being seen in many modernised markets the world over where several mills are closing capacity to align with the reduction in overall demand.

5. The change of market share of the applicant from 2010 (where the AUD started the year at 90c to the USD) until late 2013 (during which time the AUD averaged nearly 10% higher at 98.9c to the USD) may well have been impacted by imports but the exchange rate factor would potentially have been even more significant to the applicant during this period than price discounting by imported suppliers.

6. Imports in 2015 according to ABS official statistics showed a reduction of 11.5% from 2014 to 2015, representing a decline in market share for imported goods. This is in contradiction to statements made by the applicant.

   [redacted]. *(comment on 2015 pricing)*

Part B-2 Export price

2. The exports from Phoenix Pulp and Paper Thailand [redacted] and may be impacting their estimations of export pricing.

3. Phoenix Pulp and Paper Thailand and Central National Australia [redacted] as per the applicant's statement and this may also be impacting their estimations of export pricing.

4. As per Point 3 above, Phoenix Pulp and Paper Thailand and Central National Australia [redacted] as per the applicant's statement and this may also be impacting their estimations of export pricing.

We hope the commission may consider the above points in their evaluation of the case put forward by the applicant.

Yours sincerely,

Scott Hordern
Managing Director
Central National Australia