

PUBLIC RECORD



Australian Paper

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The Director, Operations 2
Anti-Dumping Commission
5th Floor, Customs House
5 Constitution Avenue
CANBERRA ACT 2601

**Re: Dumping investigation ADC 225
Copy paper exported from China
Response to ADC Visit Report – Fuji Xerox Australia**

The following submission comments on an raises questions arising from the Importer Visit Report prepared by the Anti-dumping Commission in respect of Fuji Xerox Australia Pty Ltd.

We have used the section numbers and headings of that report throughout..

1.3 Meeting Details

We draw to the Commission's attention that Fuji Xerox has at least 3 operations in Australia:

1. Fuji Xerox Australia Pty. Ltd.
Craig Flavell, Executive GM, Document Supplies Division
101 Waterloo Road
North Ryde NSW 2113
(ABN 63 000 341 819)

This includes the 'document supplies division', which distributes paper and consumables' to all market segments including retailers, end users, printers, Government departments and resellers and which, through Fuji Xerox Australia reports to Fuji Xerox Singapore.

2. Fuji Xerox Asia Pacific Pte Ltd
14 Rodborough Rd
Frenchs Forest NSW 2086
(ABN 26 103 964 629)

This is known in Australia as 'Fuji Xerox Printers' and supplies printers, toner and papers to retailers and resellers (channels business). It reports directly to Fuji Xerox Singapore (not through Fuji Xerox Australia)

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3. Fuji Xerox Document Management Solutions
Building 4, 1 Moorebank Ave
Moorebank NSW 2107
Australia
(ABN 74 000 553 284)

In October 2012, Fuji Xerox purchased the Business Process Outsourcing division of Salmat and has incorporated it as Fuji Xerox Document Management Solutions Pty. Limited.

The first two are believed to be importers of Chinese copy paper to Australia. The third, which is understood to be a subsidiary of Fuji Xerox Asia Pacific Pte Ltd is a major user of copy paper for billing and other direct mail purposes may import in its own right or alternatively may be a customer of its parent.

3.1 Commercial Operations

Fuji Xerox's model to market in Australia

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Australian Paper's understanding of the FX model to market and the apparent viability of that model]

3.3 Relationship with Suppliers and Customers

The report records that Fuji Xerox Australia state they are not related to any entity for their sales.

In October 2012, Fuji Xerox purchased the Business Process Outsourcing division of Salmat and has incorporated it as Fuji Xerox Document Management Solutions Pty. Limited.

Fuji Xerox Document Management Solutions Pty. Limited (FXDMS), which, when part of Salmat, employed 1,200 people, provides multi-channel direct marketing, direct customer communication, and workflow management. In addition, it offers printing and mailing paper-based direct mails, digitalizing invoices for automatic processing and their e-distribution, compiling database by scanning paper documents; automatic invoicing system for insurance companies, customer communications for credit companies, and digitalizing and archiving documents for banks.

A major paper-consuming part of FXDMS' business is printing and mailing of invoices, credit card and account statements and the like for major utilities, banks, insurance companies and other businesses.

As such, FXDMS would be a major user of copy paper and may either import in its own right or alternatively may be a customer of its parent. There is almost certainly a related entity supplier/customer relationship.

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3.4 Like Goods:

Fuji Xerox Australia list three types of copy paper which make are the majority of their volume; *Performer, Laserprint and Business*.

The Fuji Xerox *Professional* brand which Australian Paper once provided for Fuji Xerox, and which is now imported from China is known to have an annual volume close to 10,000 tonnes per annum, which we believe is the single largest type/brand sold by Fuji Xerox in Australia to any one customer. It was one of the Fuji Xerox brands sampled and tested by Australian Paper to determine its properties and origin.

4.1 General

Fuji Xerox Australia stated that the copy paper market environment in Australia is very difficult at the moment. Fuji Australia noted that the market was in decline. It stated in previous years a decrease of 2-3% each year was normal, however in recent times it has observed declines of around 7%.

We know this statement to be is incorrect from the combination of Australian import statistics with our own sales figures.

There are contradictory comments re *"mills do not provide a source of price relief, any increase in mill prices are passed onto the importer immediately, with exchange rate fluctuation adding further pressure to supplies"*..... followed in the next paragraph by *"It is able to stabilise its prices through the large quantities it purchases for the Asia Pacific Region, not just Australia"*.

The two statements are incongruous.

The second statement also indicates that deals may be done or coordinated on an international basis, covering the Asia Pacific Region rather than just Australia, suggesting that rebates from suppliers, since they have not been mentioned in the Fuji Xerox Australia visit report but are mentioned in the UPM-Kymmene Exporter Questionnaire response, may be flowing to head office.

Fuji Xerox Australia is also recorded as stating that Reflex brand of Australian Paper is often setting the lowest price point.

This assertion cannot not be supported. The *Reflex* copy paper everyday price is between \$4.96/ream and \$6.99/ream in major retailers, while the Fuji Xerox branded copy paper is between \$3.99/ream and \$4.99/ream. Fuji Xerox has set a new low benchmark at \$2.50 per ream retail recently at OfficeWorks.

4.3.1 Ordering & Sales process

Fuji Xerox Australia is recorded as claiming to maintain warehouses its own products in all States except the Northern Territory and Tasmania.

Our understanding is that Fuji Xerox Australia document supplies division now uses Shenker for their logistics and warehousing, while their own warehouses are for machine sales.

Fuji Xerox Australia are recorded as commenting that *"the higher the whiteness of the paper, higher the cost of manufacture"*. For an individual manufacturer and paper machine, such as UPM-Kymmene, this is not a significant effect. All inputs other than dye and optical brightening agents remain the same. Pulp, filler, starch, energy, labour, chemicals and general machine costs as well as maintenance, management and overheads all remain unchanged.

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4.3.2 Rebates

The report covers rebates given to customers of Fuji Xerox Australia, but does not seem to address the question of rebates given by suppliers directly or indirectly to Fuji Xerox Australia or their customers or 'sales support' or similar by manufacturers or Fuji Xerox head office [REDACTED]

The UPM-Kymmene exporter questionnaire response alludes to rebates on sales to their Australian customers.

4.3.4 Profitability of Sales

We were somewhat bemused by the observation that only two of the nine(?) selected shipments were sold at a profit.

If the shipments sampled are representative of the whole of Fuji Xerox Australia's volume of imports from China (2/9 or 22% of sales profitable), then, for what is effectively a paper trading company with little in the way of fixed assets, this is most strange.

It would, under most rational circumstances, lead to closure of Fuji Xerox Australia's paper sales operations. The International Fuji Xerox Corporation has elsewhere shown no patience with low profitability of paper sales and has sold its paper sales businesses in Europe and North America.

This issue certainly appears worthy of further investigation. If the shipments are not representative, then a larger sample should be examined.

7. Arm's Length

We appreciate the acknowledgement of this issue, which we believe needs more investigation, possibly involving the head offices of the parent companies.

We recently have seen Fuji Xerox branded, China manufactured 80gsm A4 copy paper (UPM-Kymmene) being offered retail at A\$2.50/ream or A\$ 1,000/tonne retail including GST.

This is A\$ 909/tonne ex GST, well below the ABS reported FOB price and much further below the landed price which includes ocean freight of A\$ 90/tonne (CIF less FOB) and 5% (\$51/tonne) duty.

If we back ocean freight and duty out, the implied FOB (without allowing any local distribution costs or retail margin) is A\$ 768/tonne, 25% below the ABS reported FOB and 17% below the Chinese Government reported FOB.

Allowing a minimal A\$ 50/t from port to retail store, and no importer or retail margin, the implied FOB falls further to A\$ 718/t.

The accuracy of export and import declarations and the existence and size of rebates are an issue of major importance.

[REDACTED]

Garry Jones

Planning & Development
Manager