

FLOR Timothy

From: Garry Jones <Garry.Jones@australianpaper.com.au>
Sent: Monday, 16 December 2013 8:58 AM
To: GIBSON Michelle
Cc: Anti-Dumping Commission Operations 2
Subject: Copy Paper Dumping

Categories: Tim

Hi Michelle,

A few comments on the visit report for UPM-Kymmene Australia:

- P10 – *“The document shows that at the merchant/distributor level, the Australian Paper owned companies, Australian Office and Staples supplied approximately”*
There is a clear misconception here: Australian Office is Australian Paper’s copy paper sales and distribution division, selling copy paper to resellers in the Australian and NZ markets. It is not a paper merchant. Staples is in no way related to Australian paper (other than as a customer) and was previously known as Corporate Express. It is US-owned.
- P10 – *“UPM Australia advised that, other than a minor gain in volumes as import customers switched away from Indonesian sourced paper, its customer base remained very stable”*
While the number and identity of UPM Australia’s customers may have remained stable, this statement is not correct in terms of volume as import statistics clearly show with the major ramp-up in import volume from China from 2011. Fuji Xerox Australia moved the majority of its purchases from Indonesia to UPM China (through UPM Australia) around 2 years ago and, on the base of low, apparently dumped import prices from UPM have grown their volumes. They are now most likely UPM Australia’s largest single copy paper customer.
- P10 – we are unable to identify the *“long term customer”* UPM Australia said it had lost to AP. We are, however, able to identify customers which have wholly or partly switched from AP/AO to UPM due to UPM’s low, apparently dumped prices.
- P11 – with the Singapore-based UPM Asia Pacific Pte Ltd being the invoicing entity, it appears that its operating costs would, in addition to those of UPM Australia, need to be covered by the exporter, with this coming to account in costs prior to FOB. Singapore also would therefore need to be recompensed by UPM China to cover the cost of sales terms (credit), risk of bad debt and currency hedging for sales in AUD.
- P11 – Rebates – with invoicing of Australian customers by UPM Singapore, and the regional head office of Fuji Xerox also being in Singapore, it may be that rebates flow at that level without explicitly being shown in accounts ion either Australia or China. There certainly seems to be a case for both UPM Singapore and Fuji Xerox Singapore to be included in the Commission’s investigations by way of questionnaires and possibly a visit.
- P11 – The question arises *When does UPM Singapore take ownership of the goods?*
We have been alerted to a practice in another industry where ownership transfers ‘on the water’ with the result that the FOB declared by the exporter in the country of export can be quite different to the FOB declared by the importer in the country of import (C&F less freight). We have no direct knowledge of this practice in the paper industry, but if this were to occur, it is one possible explanation of the export FOB/import FOB mismatch we have seen.

Thanks

Garry