



INVESTIGATION 225

ALLEGED DUMPING OF WHITE UNCOATED A4 AND A3 CUT SHEET PAPER (COPY PAPER) EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

VISIT REPORT – IMPORTER

Lyreco Pty Ltd

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

December 2013

Copy Paper – Importer Visit Report – Lyreco Pty Ltd

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ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Australian Paper	Paper Australia Pty Ltd
CFR	Cost and freight
Commission	Anti-Dumping Commission
FOB	Free On Board
Lyreco	Lyreco Pty Ltd
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry

1 BACKGROUND AND PURPOSE

1.1 Background

On 17 September 2013, Paper Australia Pty Ltd (Australian Paper) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the Minister for Industry (Minister) publish a dumping duty notice in relation to white uncoated A4 and A3 cut sheet paper (copy paper) exported to Australia from the People's Republic of China (China).

Australian Paper alleges that the Australian industry has suffered material injury caused by copy paper exported to Australia from China at dumped prices.

Australian Paper claims that, although imports of copy paper from China have been present (and their prices steadily declining) since 2009, in 2011 the volume of these imports began to rapidly escalate and injury to Australia Paper has occurred as a result (estimated to have begun in mid-2011).

The application identified the injurious effects from dumping as including:

- loss of sales volumes;
- loss of market share;
- price depression;
- reduced revenue;
- reduced return on investment; and
- reduced employment.

Public notification of the initiation of the investigation was made on 10 October 2013 in *The Australian* newspaper and Anti-Dumping Notice No. 2013/79.

1.2 Purpose of visit

The purpose of the visit was to:

- inquire into whether Lyreco Pty Ltd (Lyreco) is an importer of copy paper;
- verify information on imports of copy paper to assist in the determination of export prices;
- establish whether the purchases of copy paper were arms-length transactions;
- obtain general information about the Australian market for copy paper; and
- provide the company with an opportunity to discuss any issues relevant to the investigation.

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1.3 Meeting details

Company	Lyreco Pty Ltd Unit 12, 2-8 South Street Rydalmere NSW 2116
Dates of visit	5 December 2013

The following were present at the meeting.

Lyreco Pty Ltd	Stuart Poignand – Marketing Director Magdalen Zurawski – Product Manager
Anti-Dumping Commission	Nicole Platt – Manager – Operations 2 Mick Kenna – Manager – Operations 2

1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 July 2012 to 30 June 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the impact of any dumping on the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (9 December 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD unless it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 28 January 2014, or such later date as the Minister allows under s.269ZH of the Customs Act 1901 (the Act).
- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

This final report is due no later than 14 March 2014, unless an extension to the SEF is approved by the Minister.

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1.5 Visit report

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

2 THE GOODS

2.1 Description

The goods the subject of the application (the goods) 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) and A3 (297mm x 420mm) (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 chemical process and/or from recycled pulp.

2.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 4802.56.10, statistical codes 03 and 09; and
- 4802.56.90, statistical code 19

Tariff subheading 4802.56.10 refers to A4 copy paper and 4802.56.90 relates to A3 copy paper. These goods are subject to 5% Customs duty.

3 COMPANY DETAILS

3.1 Commercial Operations

Lyreco is a privately owned subsidiary of the French-based Lyreco Group, a worldwide distributor of office products. Lyreco established a presence in Australia in 2004 when it acquired the operations of office products supplier, National 1.

Lyreco's principal business is supplying approximately 5,000 lines of office supplies (such as stationery, printers, toners and kitchen needs) directly to corporations and government departments. Its largest competitors are [REDACTED] and [REDACTED], which are [REDACTED] Lyreco in terms of turnover.

Lyreco specialises in fast, reliable delivery of a broad range of office requirements, a service which [REDACTED] in the market. Its product range is sourced from numerous local distributors and importers. Lyreco operates distribution centres in Melbourne, Perth, Launceston, Brisbane and Sydney. The company has approximately [REDACTED] staff.

Copy paper represents between [REDACTED] and [REDACTED] per cent of Lyreco's turnover. The majority of paper sold is cut paper (the subject of the anti-dumping investigation).

3.2 Relationship with suppliers and customers

Lyreco purchases copy paper manufactured in China from the Singapore registered sales company, UPM Asia Pacific Pte Ltd. Lyreco deals only with the UPM Group's Australian sales agent, UPM-Kymmene Pty Ltd. Lyreco has no association (other than as a buyer or seller) with any entity in the UPM Group or with its copy paper customers in Australia.

3.3 Like goods

Lyreco imported the following three types of copy paper from China during the investigation period:

- [REDACTED]; [type of paper]
- Lyreco – A3 and A4 – 80gsm - CIE 155; and
- Lyreco Premium – A3 and A4 – 80gsm – CIE 167.

Lyreco did not raise any reason to suggest that copy paper manufactured by the Australian industry are not like goods to copy paper it imports from China.

4 COPY PAPER

4.1 Australian market

Lyreco explained that copy paper is supplied to the Australian market through office suppliers such as itself and Staples, or through retailers such as OfficeWorks. Lyreco's corporate customers typically purchase through a tender process where they specify a basket of goods. Quotes are provided on the required items and competition between potential suppliers is intense. Lyreco often [REDACTED]

[REDACTED] [tendering process]

Lyreco stated that [REDACTED] is the price leader for copy paper in the Australian market.

4.2 Sales

Lyreco supplies virgin white, recycled and tinted copy paper to its customers. White copy paper represents approximately [REDACTED] to [REDACTED] per cent of its paper turnover. Along with imported copy paper, Lyreco purchases Reflex, Australian and Optics brands from Australian Paper to offer to its customers. Lyreco commented that [REDACTED] [profitability of other brands]

Lyreco stated that [REDACTED] customers receive a rebate [REDACTED]. [rebate details]

4.3 Sourcing of copy paper

Lyreco explained that, from time to time, it issues tenders for the supply of various office products. In [REDACTED], it issued a tender to purchase [REDACTED] copy paper. Lyreco advised that [REDACTED]. [tender process information]

Lyreco advised that [REDACTED]. [tender participation] Lyreco explained that the terms of the tender [REDACTED]. Lyreco is of the view that the [REDACTED]. [tender details] An email train relating to the tender process is at **confidential attachment 1**.

Lyreco commented that its preference is to source copy paper [REDACTED]. [supply details] UPM was successful in winning the [REDACTED] tender. Lyreco commented that UPM was a very reliable and professional organisation to deal with.

Lyreco purchases a range of branded copy paper, including Reflex and recycled copy papers, from Australian paper.

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Lyreco stated that environmental credentials are important for the copy paper market. Lyreco branded copy paper sold by Lyreco has Forest Stewardship Council (FSC) accreditation. All copy paper sold by Lyreco carries a green certification of at least PEFC or AFS. Lyreco mentioned that some suppliers are blacklisted by the company because of uncertainty over the source of pulp.

4.4 Imports

Lyreco imported approximately [REDACTED] MT of copy paper from China in the investigation period. All was purchased from UPM Asia Pacific Pte Ltd. The copy paper is purchased on [REDACTED] terms.

The Commission visited the Australia based agent for UPM, UPM Kymmene Pty Ltd, and obtained information on pricing to Lyreco and importation expenses. The report of the visit to UPM Kymmene Pty Ltd is available on the public record.

4.5 Identity of importer and exporter

We consider that Lyreco is the beneficial owner of copy paper imported from China and is therefore the importer of the goods.

Subject to further inquiries, we consider that the party we understand to be the manufacturer of the copy paper exported from China, UPM (China) Co., Ltd, to be the exporter of the goods (see UPM-Kymmene Pty Ltd visit report).

4.6 Sales verification

Prior to the visit, Lyreco provided a report summarising its monthly sales volumes and values for copy paper sourced from UPM in China (**confidential attachment 2**). The report covers the investigation period (1 July 2012 to 30 June 2013). Lyreco allowed us to view output in its [REDACTED] system that allows reporting of data from the company's SAP accounting system.

We selected the month of December 2012 (the last month in Lyreco's financial year) and asked Lyreco to drill down from total sales value for the company of [REDACTED] as shown in its monthly management report for December 2012 (extract at **confidential attachment 3**) to show the sales value for product purchased from UPM for December 2012.

We viewed Lyreco extracting reports from its [REDACTED] system in real time that showed the sales history for white office paper sourced from UPM that was sold in December 2012. The total sales value for A3 and A4 copy paper for December 2012 in the monthly report summary matched the total shown in the [REDACTED] report (**confidential attachment 4**).

Lyreco was also able to demonstrate that sales revenue shown in its monthly management report extract for December 2012 matched the revenue amount in the company's audited financial statements for 2012 (**confidential attachment 5**).

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We are satisfied that Lyreco has provided a reliable summary of the monthly volume and value of sales of copy paper imported from China.

4.7 Selling, general and administrative expenses

We used financial information in Lyreco's internal management report for October 2013 (**confidential attachment 6**) to estimate the selling, general and administrative expenses incurred by Lyreco in respect of its sales of copy paper imported from China. This ratio was used to test whether Lyreco sold the imported copy paper at a loss during the investigation period.

We calculated that Lyreco's operating costs in the period from January to October 2013 were equivalent to [REDACTED] per cent of its total revenue.

4.8 Arms length

Lyreco advised that it has no association with the UPM Group other than as buyer of their paper products via UPM-Kymmene Pty Ltd. Lyreco receives some rebates on copy paper purchases from UPM but these are transparent and set out in the arrangements between the parties. In respect of its purchases from UPM Asia Pacific Pte Ltd, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Where an importer sells goods at a loss, the Minister may treat the sale of those goods at a loss as indicating that the importer or an associate of the importer will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or a part of the price.

We tested the profitability of Lyreco's sales of copy paper supplied by UPM in Australia by comparing its average monthly selling prices with its average fully absorbed cost of purchasing and selling copy paper (applying selling, general and administrative expenses at the rate discussed at 4.6 above). We assumed that paper imported in a particular month was sold in the subsequent month. We calculated profitability separately for A3 and A4 size paper. Based on the data provided and the methodology described above, we found that Lyreco [REDACTED] [profitability findings] on sales of copy paper. Subsequent to the verification visit Lyreco provided a further spreadsheet of UPM paper sales and margin analysis by month for the period July 2012 to June 2013. This data showed [REDACTED]. The Commission has not verified this data and cannot comment on its accuracy.

Lyreco advised that the company has a business model [REDACTED]
[REDACTED]

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[redacted] . [description of business model] [redacted]

[redacted] , Lyreco operates [redacted]

[redacted] . Lyreco advised that the company [redacted]

[redacted] . [confidential financial information]

4.9 Recommendations

From our investigations, we are of the opinion that, for the goods manufactured by UPM (China) Co., Ltd and exported to Lyreco:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter via the Australian agent UPM-Kymmene Pty Ltd.

As noted above, we have determined that UPM sales of copy paper in Australia have been [redacted] and we recommend that the case team [redacted]

Nicole Platt
Manager – Operations 2

Mick Kenna
Manager – Operations 2

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5 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Profitability calculations
Confidential Attachment 1	Email train relating to purchase tender process
Confidential Attachment 2	Report summary of monthly copy paper sales
Confidential Attachment 3	Monthly management report extract Dec 2012
Confidential Attachment 4	■■■■ report of UPM paper sales – Dec 2012
Confidential Attachment 5	Audited financial statements 2012
Confidential Attachment 6	Monthly management report extract Oct 2012