

## PUBLIC RECORD



**Australian Paper**

a member of the Nippon Paper Group

307 Ferntree Gully Road Locked Bag 87

Mt Waverley Victoria 3149 Australia

Telephone +61 3 8540 2300

Facsimile +61 3 8540 2280

ABN 63 061 583 533

6 March 2014

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 – UPM (China) Co. Ltd.**

The following brief submission comments on and raises questions arising from the Record of Meeting dated 20 February 2014, prepared by the Anti-dumping Commission in respect of Fuji Xerox Australia Pty Ltd.

#### **1. Rebates received by Fuji Xerox in relation to imports of copy paper from China**

- *"It (Fuji) advised that xx x provide a \$xxxx rebate off all products except for three products which receive a \$xxxx rebate. The rebates are not linked to a set purchase volume and are paid by x xx on a quarterly basis."*

On the assumption that this refers to UPM, this does not seem consistent with the UPM (China) visit report which states that rebates are paid annually, in March for the previous year and that the system of rebates is linked to volume targets.

- *"Fuji advised that it did not receive rebates from any other Chinese suppliers".*  
Given that Fuji have apparently been selling copy paper from Yueyang Forest & Paper Co.Ltd. at exceptionally low prices and such low prices are not appearing in either the Chinese export trade data or the Australian import trade data, it seems very likely that rebates or some other consideration is being received directly or indirectly from that source.

#### **2. Sales prices of Fuji branded paper in the Australia market**

- *"In response to the Commission's queries about the low selling price of Fuji paper by a major retailer in early 2014, Fuji provided the Commission with copies of purchase orders and invoices to the major retailer. The price at which the retailer purchased the paper from Fuji was higher than the price at which it sold the paper as an advertised special. Fuji cited this as an example of a retailer decision to provide a 'loss leader' to increase store traffic and overall sales".*

## PUBLIC RECORD

[REDACTED]

[REDACTED] *[Industry Practice]* Such a deal would not appear in the purchase orders or invoices, which would record the regular price. [REDACTED] have been participants in 'case deals' with Australian Paper in the past and would be likely to have a similar type of deal with Fuji Xerox. It could readily explain how a retailer would 'purchase' paper at a price higher than the price it sold the paper, but would later be reimbursed so the sales end up profitable for the retailer.

- *"Fuji explained that sometimes after a customer request (for the purposes of a promotion) it would sell paper at a lower price in order to retain the customer's business or reduce excess stock".*

In the case of the low priced Fuji Xerox branded sales we have identified, it appears that the paper provided was not from stock, but imported specially for the promotion.

- *"Fuji explained that the product was sold under a clearance strategy to utilise excess packaging materials before the particular product was cancelled".*

Given the quite low cost of branded packing materials (ream wraps and boxes) at Chinese mills, amounting to less than 5% of cost of manufacture, a strategy of drastically discounting the product to run out packaging materials stocks seems unlikely. This may not be the case if referring to already packaged paper in stock in an outdated wrapper.

### 3. Fuji's profitability

- *"Fuji does not fund customers' marketing of its copy paper"*

A 'catalogue fee' is not unusual in the industry and with the named retailers. Again, this does not appear on purchase orders or invoices, but more often in the agreed trading terms.

- We note the revised calculations from the updated "cost to import and sell" spreadsheet and observe that only 7 out of 9 transactions profitable remains most unusual for a trading company. There was no information revealed on the volume relativity between the profitable and loss-making transactions.

Yours sincerely,

**Garry Jones**

Planning & Development Manager

Australian Paper