



CUSTOMS ACT 1901 - PART XVB

STATEMENT OF ESSENTIAL FACTS NO. 225

**WHITE UNCOATED A4 AND A3 CUT SHEET PAPER
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

14 March 2014

SEF 225 Copy paper – The People's Republic of China

CONTENTS

CONTENTS.....	2
ABBREVIATIONS.....	3
1 SUMMARY AND RECOMMENDATIONS	4
1.1 INTRODUCTION	4
1.2 FINDINGS.....	4
1.3 APPLICATION OF LAW TO FACTS.....	4
1.4 PRELIMINARY FINDINGS AND CONCLUSIONS	5
2 BACKGROUND.....	7
2.1 INITIATION	7
2.2 RESPONDING TO THIS SEF.....	7
3 THE GOODS AND LIKE GOODS.....	9
3.1 PRELIMINARY FINDING	9
3.2 LEGISLATIVE FRAMEWORK	9
3.3 THE GOODS	9
3.4 TARIFF CLASSIFICATION.....	10
3.5 AUSTRALIAN PAPER'S CLAIMS	10
3.6 THE COMMISSION'S ASSESSMENT	11
4 THE AUSTRALIAN INDUSTRY	13
4.1 PRELIMINARY FINDING	13
4.2 LEGISLATIVE FRAMEWORK	13
4.3 PRODUCTION PROCESS	13
5 AUSTRALIAN MARKET	15
5.1 PRELIMINARY FINDING	15
5.2 BACKGROUND.....	15
5.3 IMPORTERS	15
6 DUMPING INVESTIGATION.....	17
6.1 PRELIMINARY FINDINGS.....	17
6.2 INTRODUCTION	17
6.3 EXPORTERS	18
7 ECONOMIC CONDITION OF THE INDUSTRY	25
7.1 PRELIMINARY FINDING	25
7.2 INJURY CLAIMS	25
7.3 COMMENCEMENT OF INJURY	25
7.4 APPROACH TO INJURY ANALYSIS.....	25
7.5 VOLUME EFFECTS.....	25
7.6 PRICE SUPPRESSION AND DEPRESSION	27
7.7 REVENUE	28
7.8 PROFITS AND PROFITABILITY	29
7.9 SUMMARY OF MAJOR INJURY INDICATORS	30
7.10 OTHER ECONOMIC FACTORS	30
8 OTHER FACTORS CAUSING INJURY.....	32
8.1 PRELIMINARY FINDINGS.....	32
8.2 NON-INJURIOUS PRICE.....	33
9 APPENDICES AND ATTACHMENTS.....	34

ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Ant-Dumping Notice
The applicant	Australian Paper Pty Ltd
CFR	Cost and freight
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
Commissioner	Commissioner of the Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
CY	Calendar year
FOB	Free On Board
FY	Financial year
GAAP	Generally accepted accounting principles
NIP	Non-Injurious Price
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) – white uncoated A4 and A3 cut sheet paper (copy paper).
the Minister	the Minister for Industry
The Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
USP	Unsuppressed Selling Price

1 SUMMARY AND RECOMMENDATIONS

1.1 Introduction

Investigation No. 225 is in response to an application lodged by Paper Australia Pty Ltd (Australian Paper) in relation to the allegation that dumped white uncoated A4 and A3 cut sheet paper (copy paper) exported to Australia from the People's Republic of China (China) caused material injury to the Australian industry producing like goods.

This statement of essential facts (SEF) sets out the preliminary findings of the Commissioner of the Anti-Dumping Commission (the Commissioner) subject to any submissions received in response to this SEF.

1.2 Findings

The Commissioner has preliminarily found that:

- goods exported from China during the investigation period by exporters that provided a response to the exporter questionnaire were not dumped or were dumped by a negligible margin¹; and
- the volume of goods exported by all other exporters from China, even if dumped, is a negligible volume pursuant to s. 269TDA(4) of the *Customs Act 1901* (the Act).

Based on these preliminary findings, and subject to any submissions received in response to this SEF, the Commissioner proposes to terminate the investigation.

1.3 Application of law to facts

1.3.1 Authority to make decision

Division 2 of Part XVB of the Act sets out, among other matters, the procedures to be followed and the matters to be considered by the Commissioner in conducting investigations in relation to the goods covered by an application.

1.3.2 Application

On 17 September 2013, an application was lodged by Australian Paper requesting that the relevant Minister publish a dumping duty notice in relation to copy paper exported to Australia from China.

The Commissioner was satisfied that the application was made in the prescribed manner by a person entitled to make the application.

¹ As defined by s. 269TDA(1) of the *Customs Act 1901*.

1.3.3 Statement of essential facts

The Commissioner must, within 110 days after the initiation of an investigation, or such longer period as the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) allows, place on the public record a statement of the facts on which the Commissioner proposes to base a recommendation in relation to the application.

In formulating the SEF the Commissioner must have regard to the application concerned, any submissions concerning publication of the notice that are received by the Commission within 40 days after the date of initiation of the investigation and any other matters considered relevant.

The initiation notice advised that the SEF for the investigation would be placed on the public record by 28 January 2014. Anti-Dumping Notice (AND) 2014/06 advised of the decision by the Parliamentary Secretary to extend the deadline for publication of the SEF until 14 March 2014.

1.4 Preliminary findings and conclusions

The Commission has made the following preliminary findings and conclusions based on available information at this stage of the investigation.

1.4.1 The goods and like goods (Chapter 3 of this report)

Locally produced copy paper is like to the goods the subject of the application.

1.4.2 Australian industry (Chapter 4 of this report)

There is an Australian industry producing like goods, comprising of one Australian producer of copy paper, Australian Paper.

1.4.3 Market (Chapter 5 of this report)

The Australian market for copy paper is supplied by locally produced copy paper, imports from China and imports from other countries.

1.4.4 Dumping (Chapter 6 of this report)

The Commission has preliminarily assessed that copy paper exported to Australia from China during the investigation period was not dumped or in the case of one exporter, was dumped by a negligible margin.

The Commission has found the following preliminary dumping margins for exporters that provided questionnaire responses:

Manufacturer / exporter²	Dumping margin
UPM (China) Co., Ltd	-0.95%

² The manufacturers / exporters listed in figure 1 may supply the goods directly or indirectly through traders.

PUBLIC RECORD

April Fine Paper Trading Pte Ltd	-5.51%
Zhanjiang Chenming Pulp and Paper Co., Ltd	-6.95%
Sun Paper Industry Joint Stock Co., Ltd	-1.05%
Gold Huasheng Paper (Suzhou Industrial Park) Co Ltd, Gold East Trading (HK) Co., Ltd	0.91%

Figure 1: Preliminary dumping margins

The volume of imports of copy paper from all other exporters that did not provide a questionnaire response represents 2.6% of the total import volume to Australia during the investigation period. Even if these goods were dumped it would represent a negligible volume of dumped exports pursuant to s. 269TDA(4).

1.4.5 Injury Assessment (Chapter 7 of this report)

The Commission has found that the Australian industry suffered injury in the form of:

- loss of sales volume;
- price depression;
- loss of profits;
- reduced profitability;
- reduced revenue;
- reduced return on investment; and
- reduced employment.

1.4.6 Other causes of injury (Chapter 8 of this report)

Due to the preliminary finding that the goods exported from China were not dumped, dumping has not caused injury to the Australian industry. The undumped competitive prices of imports from China combined with pricing strategies employed by retailers in the Australian market have contributed to the injury found.

2 BACKGROUND

2.1 Initiation

Following consideration of the application, the Commissioner decided not to reject the application and initiated the dumping investigation. Public notification of initiation of the investigation was made in *The Australian* newspaper on 10 October 2013. Consideration report CON 225 was placed on the public record for the investigation and sets out the Commissioner's consideration of the application.

In respect of this investigation:

- the investigation period³ for the purpose of assessing dumping is 1 July 2012 to 30 June 2013; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from 1 January 2010.

2.2 Responding to this SEF

This SEF sets out the facts gathered by the Commission during the course of the investigation.

This SEF represents an important stage in the investigation. It informs interested parties of the facts established and allows them to make submissions in response to the SEF.

It is important to note that the SEF may not represent the final views of the Commissioner.

Interested parties have 20 days to respond to the SEF. The Commissioner will consider these responses in determining whether the investigation should be terminated or whether a report should be provided to the Parliamentary Secretary.

Responses to this SEF should be received by the Commission no later than **3 April 2014**. The Commissioner is not obliged to have regard to any submission made in response to the SEF received after this date if to do so would, in the opinion of the Commissioner, prevent the timely preparation of the report to the Parliamentary Secretary.

If the investigation is not terminated the Commissioner must report to the Parliamentary Secretary by **28 April 2014**.

Submissions should preferably be emailed to operations2@adcommission.gov.au

Alternatively, they may be sent to fax number +61 2 6275 6990, or posted to:

³ As defined by s. 269T(1).

PUBLIC RECORD

Director Operations 2
Anti-Dumping Commission
Level 5 Customs House
5 Constitution Ave
CANBERRA ACT 2601
AUSTRALIA

Confidential submissions must be clearly marked accordingly and a non-confidential version of any submission is required for inclusion on the Public Record.

A guide for making submissions is available at the Commission's web site www.adcommission.gov.au.

The Public Record contains non-confidential submissions by interested parties, the non-confidential versions of the Commission's visit reports and other publicly available documents. It is available by request in hard copy in Canberra (phone 1300 884 159 to make an appointment), or online at www.adcommission.gov.au

Documents on the Public Record should be read in conjunction with this SEF.

3 THE GOODS AND LIKE GOODS

3.1 Preliminary finding

The Commission considers that locally produced copy paper is like to the goods the subject of the application (the goods).

3.2 Legislative framework

Subsection 269TC(1) of the Act requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

In making this assessment, the Commissioner must firstly determine that the goods produced by the Australian industry are “like” to the imported goods. Subsection 269T(1) defines like goods as:

“Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration”.

An Australian industry can apply for relief from injury caused by dumped or subsidised imports even if the goods it produces are not identical to those imported. The industry must however, produce goods that are “like” to the imported goods.

Where the locally produced goods and the imported goods are not alike in all respects, the Commission assesses whether they have characteristics closely resembling each other against the following considerations:

- i. physical likeness;
- ii. commercial likeness;
- iii. functional likeness; and
- iv. production likeness.

The Commissioner must also be satisfied that the “like” goods are in fact produced in Australia. Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

3.3 The goods

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 chemi-mechanical process and/or from recycled pulp.

3.4 Tariff classification

The goods are classified to the following tariff subheadings:

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

The application observes that tariff subheading 4802.56.10 refers to A4 copy paper, while 4802.56.90 relates to A3 copy paper.

The Australian Customs and Border Protection Service (ACBPS) has provided tariff advice that in order for the goods to be correctly classified to the above tariff subheadings, they also must comply with the requirements of Note 5 of tariff Chapter 48 (which relates to paper and paperboard; articles of paper pulp, of paper or of paperboard).

The Australian industry is aware of this advice, and has advised that the goods that are the subject of its application should be effectively targeted by the nominated tariff classifications.

3.5 Australian Paper's claims

Australian Paper provided the following information to explain how the imported goods are like to the goods produced by Australian paper:

a. Physical Likeness:

Both the imported goods and the goods produced by the Australian industry are white paper cut in rectangular sheets and generally wrapped in reams of 500 sheets, but also sold in packs containing different numbers of sheets. Both are what the Australian consumer would recognise as white copy paper. Unless placed side by side, the average consumer would be unlikely to notice any difference between them.

In the Australian market, the predominant sheet size and basis weight is A4, 80 gsm but with some A3 and a very small quantity of US sizes. The old imperial sheet sizes have fallen out of use. As well as the 80gsm weight which dominates the Australian market, some 70gsm, 75 gsm, 90 gsm and 100gsm is used together with small amounts of heavier weights used for special purposes.

The imported goods and the goods produced by the Australian industry are physically alike in all practical aspects.

b. Commercial Likeness:

The imported goods and the goods produced by the Australian industry compete for the same market. In particular, a significant portion of the Australian market is goods wrapped and sold as the purchaser's own brand e.g. *Fuji Xerox*. In this portion of the market, together with the 'plain wrap' and generic products, there is direct head-to-head competition between imported goods and the goods produced by the Australian industry. At different times in the past, Australian Paper has provided several of the purchaser's brand products now sourced from China.

Where the goods are wrapped and sold in the manufacturer's brand and are heavily promoted, e.g. Australian Paper's '*REFLEX*[®]' brand, there is some short term decoupling of price, but ultimately the end consumer will switch based on the trade off between price, service and reputation.

c. Functional Likeness:

Both the imported goods and the goods produced by the Australian industry are used in the same range of applications, including high speed and low speed copying, printing (both on computer printers and small offset printers), and general use in business, education and home offices as well as in small offset printers.

The imported goods and the goods produced by the Australian industry are functionally alike in all practical aspects.

In the Chinese domestic market, as well as 'export grade' goods which are generally comparable with the goods sold in the Australian domestic market, there are also lower priced goods which have significantly inferior appearance (e.g. lower brightness, lower whiteness, poor surface finish, specks, inconsistency etc.) and, at times, functionality (e.g. unsuited to high speed duplex copying or printing) when compared with the 'export grade' goods.

d. Production Likeness:

The paper production and finishing processes are substantially identical across the large scale industry. Some mills, such as UPM-Kymmene China, use paper pulp purchased from bleached pulp mills located elsewhere while others, such as Australian Paper, have their own bleached pulp mills on site.

The imported goods and the goods produced by the Australian industry are manufactured using equipment and processes which are alike in all significant practical aspects.

Australian Paper submitted that paper is a commoditised product which is generally made by the same process and variables in the product such whiteness and brightness do not significantly impact the cost to manufacture.

3.6 The Commission's assessment

The Commission examined the evidence presented during a verification visit to the applicant and considers the Australian industry produces like goods to the goods the subject of the application, as defined in s. 269T(1) of the Act.

Based on the information verified by the Commission, it is satisfied that the applicant has demonstrated that:

PUBLIC RECORD

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common end users;
- the imported and locally produced goods are functionally alike as they have a similar end-use; and
- the imported and locally produced goods are manufactured in a similar manner.

4 THE AUSTRALIAN INDUSTRY

4.1 Preliminary finding

The Commission has preliminarily found that:

- there is an Australian industry producing like goods;
- the like goods were wholly manufactured in Australia; and
- there is an Australian industry consisting of Australian Paper that produce like goods in Australia.

4.2 Legislative framework

The Commission must be satisfied that the “like” goods are in fact produced in Australia. Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

4.3 Production process

Australian Paper’s manufacturing process is described in the application, and is summarised below.

- Wood pulp (either made on site or purchased (imported)) is blended with filler, starch, sizing agents, dyes and minor chemicals which are then, in very dilute form (less than 1% solids), pumped to a ‘headbox’.
- The headbox’s horizontal nozzle forms the paper sheet through spraying the mixture on a horizontal rapidly moving mesh belt or ‘wire’ from which some of the water is drained by gravity and by suction. The width of the headbox’s nozzle determines the grammage of the paper and speed of the process. At the end of the wire, the paper sheet is still only around 20% solids (80% water).
- The sheet then passes through a series of felt-lined press rolls and more water is removed by pressure, leaving the sheet about 40% solids (60% water).
- The remainder of the water is removed by evaporation as the sheet passes around a series of steam heated drying cylinders.
- The sheet then has a layer of starch applied to each surface at the ‘size press’ and is again dried using steam heated cylinders and calendared between smooth rolls at high pressures to give a smooth surface.
- The sheet is then rolled into parent rolls or ‘Jumbos’ several metres long and over 2 meters in diameter, weighing several tonnes.
- The Jumbos are then rewound into smaller reels, generally 1.5 metres in diameter and around 2.5 metres long for use in the sheeting process.
- These smaller reels are cut directly into A4, A3 or other cut sheet sizes, usually but not always wrapped as reams (generally, but not exclusively of 500 sheets), packed into boxes and the boxes palletised on highly automated ‘finishing’

PUBLIC RECORD

equipment (the 'Cut Size Lines'). At this point the cut sheet paper is ready for loading for shipment.

The Commission undertook an inspection of Australian Paper's manufacturing facility and verified that at least one substantial process in the manufacture of the goods is carried out in Australia.

5 AUSTRALIAN MARKET

5.1 Preliminary Finding

The Commission estimates that in the investigation period the size of the Australian market for copy paper was approximately 226,000 tonnes (T). The market share of Australian copy paper has declined in 2011/12 and 2012/13 with sales of Chinese imports steadily increasing over the same period.

5.2 Background

The Australian copy paper market consists predominately of A4 size copy paper with a smaller quantity of A3 copy paper and a small amount of copy paper of other sizes. The Australian market consists of copy paper with a range of recycled content from 0% to 80% recycled content.

There are three categories of copy paper sold in the Australian market:

- Manufacturer's brands (e.g *REFLEX*[®]);
- Private label products; and
- Plain label or generic products.

Private label and generic products are sourced from alternative manufacturers (Australian and overseas) and are treated as more of a commoditised product.

5.3 Importers

The Commission performed a search of the ACBPS import database and identified importers of copy paper.

The Commission undertook visits to the following importers⁴ and prepared reports following the visits:

- Fuji Xerox Australia Pty Ltd (Fuji);
- Lyreco Pty Ltd (Lyreco);
- Complete Office Supplies Pty Ltd; and
- UPM-Kymmene Pty Ltd.

These importers (and import agent) account for approximately 97% of copy paper imported from China in the investigation period.

Visit reports for the entities can be found on the electronic public record available on the Commission website at <http://www.adcommission.gov.au/>

⁴ and UPM Kymmene Pty Ltd as the import agent for parent company UPM-Kymmene Corporation.

5.3.1 Marketing and distribution

Copy paper is primarily sold through a number of key contract dealers, commercial dealers, large retailers and specialist office paper retailers (including Officemax, Staples, Fuji Xerox, Wesfarmers, Woolworths and Australia Post).

The difference between contract dealers and commercial dealers is the size of their customers – contract dealers sell mainly to government and large corporate customers whereas commercial dealers sell to smaller businesses in their own area.

Specialist office paper retailers sell to smaller end users such as households and small businesses.

Brand recognition in the Australian copy paper market relates primarily to Australian Paper's REFLEX[®] brand which is strongly marketed by Australian Paper.

5.3.2 Market Size

The Commission considers the data in ACBPS' import data base, which was cross checked during the importer and exporter verification visits, provides a reasonable estimate of import volumes.

The following graph depicts the Commission's estimate of the Australian market size for copy paper using data from ACBPS import database and Australian Paper's sales data by financial year. The Commission estimates that in the 2013 financial year, being the investigation period, the size of the Australian market for copy paper was approximately 226,00 tonnes.

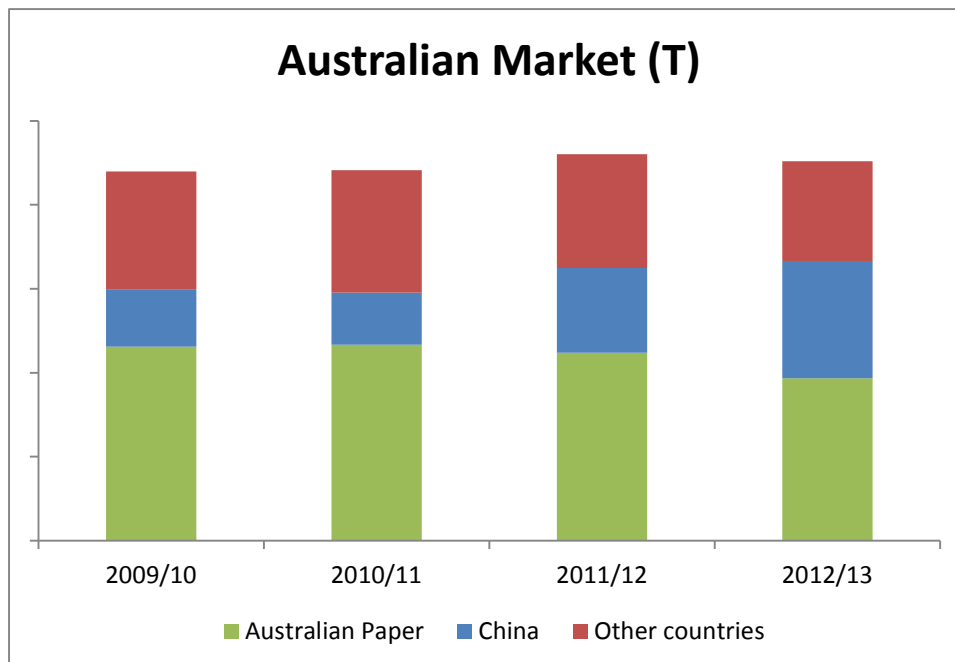


Figure 2: Australian market size

6 DUMPING INVESTIGATION

6.1 Preliminary Findings

Preliminary dumping margins for the investigation period were calculated by comparing weighted average export prices with the corresponding weighted average normal values. Preliminary dumping margins for exporters that provided a questionnaire response are summarised in the following table:

Manufacturer / exporter ⁵	Dumping margin
UPM (China) Co., Ltd	-0.95%
April Fine Paper Trading Pte Ltd	-5.51%
Zhanjiang Chenming Pulp and Paper Co., Ltd	-6.95%
Sun Paper Industry Joint Stock Co., Ltd	-1.05%
Gold Huasheng Paper (Suzhou Industrial Park) Co Ltd, Gold East Trading (HK) Co., Ltd	0.91%

Figure 3: Dumping margins

The volume of imports from all other exporters that did not cooperate with the investigation represents 2.6% of the total import volume to Australia during the investigation period.

The Commissioner is required to terminate an investigation of a particular exporter if the dumping margin is less than 2%⁶ and terminate the investigation as it relates to a country if the total volume of goods that are dumped and exported to Australia is negligible⁷, that is, less than 3% of total Australian import volume⁸. Pending any submissions that require further investigation, the Commissioner proposes to terminate the investigation as it relates to UPM (China) Co., Ltd (UPM), April Fine Paper Pte Ltd (April), Zhanjiang Chenming Pulp and Paper Co., Ltd (Zhanjiang), Sun Paper Industry Joint Stock Co., Ltd (Sun Paper) and Gold Huasheng Paper (Suzhou Industrial Park) Co Ltd, Gold East Trading (HK) Co., Ltd (Gold Huasheng) due to negligible dumping margins and terminate the remainder of the investigation due to negligible dumped volumes exported by the remaining exporters.

6.2 Introduction

Dumping occurs when a product from one country is exported to another country at a price less than its normal value. The export price and normal value of goods are determined under s. 269TAB and 269TAC of the Act respectively.

⁵ The manufacturers / exporters listed in figure 3 may supply the goods directly or indirectly through traders.

⁶ s. 269TDA(1)(ii)

⁷ s. 269TDA(3)

⁸ s. 269TDA(4)(a)

This chapter explains the preliminary results of investigations by the Commission into whether copy paper was exported from China at dumped prices during the investigation period.

6.3 Exporters

At the commencement of the investigation, a number of potential exporters of copy paper from China were identified. The Commission wrote to all exporters advising them of the investigation and inviting them to participate in the investigation through completion of an exporter questionnaire. Exports to Australia by UPM represent the majority of the volume of Chinese copy paper exported to Australia during the investigation period.

The Commission received questionnaire responses, from the following entities:

- UPM;
- April;
- Zhanjiang;
- Sun Paper; and
- Gold Huasheng.

Due to the relative import volumes of the above listed entities, an exporter verification visit was only conducted to UPM. The verification visit report is available at the Commission's website <http://www.adcommission.gov.au/> and provides additional detail to what is discussed below.

Dumping margin calculations were conducted for the remaining entities based on the information provided in the questionnaire responses and benchmarked against verified export price and normal value data.

6.3.1 UPM

The comparison of export price and normal value was done on the basis of cash, free on board (FOB) (at mill jetty) terms due to the multiple credit and delivery terms that applied to both export and domestic sales.

Export Prices

Export prices for UPM were determined under s. 269TAB(1)(a) of the Act being the price paid by the importer less any charges incurred after exportation.

Normal Value

Normal values for UPM were determined under s. 269TAC(1) of the Act using UPM's domestic selling prices of the most comparable models that were sold in the ordinary course of trade.

The following adjustments were made to the normal value in accordance with s 269TAC(8) of the Act:

- Credit terms – a downwards adjustment was made for domestic credit;

PUBLIC RECORD

- Inland freight – a downwards adjustment was made for domestic inland freight and an upwards adjustment was made for export inland freight to the mill jetty;
- selling expenses – a downwards adjustment was made for domestic selling expenses and an upwards adjustment was made for export selling expenses (including export commissions);
- non-deductible value-added tax (VAT) – an upwards adjustment was made for non-deductible VAT on exported goods.

The dumping margin was determined by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of the investigation period. The dumping margin for UPM is negative 0.95%.

Arms' length analysis

Fuji

The Commission undertook a verification visit to Fuji where the Commission verified Fuji's importation volumes and values of copy paper against the ACBPS import database and Fuji's sales of imported copy paper.

During the exporter verification visit to UPM, the Commission verified UPM's exportations of copy paper, including sales to Fuji. At both the importer and exporter visits the Commission was able to verify the importation data back to the ACBPS import database.

The Commission cross checked the data provided by Fuji in relation to its purchases from UPM with the export sales data provided by UPM. The Commission was able to reconcile the two sets of data.

Following the Commission's visit to Fuji, the Commission noticed several instances where Fuji branded copy paper was sold by retailers at heavily discounted prices. The Commission met with Fuji to conduct further enquiries into the profitability of Fuji's sales and the low retail price of Fuji branded copy paper.

The Commission's visit report for Fuji noted "of the 8 selected sales only 2 were sold at a profit". Following the publication of the visit report, a review of the Fuji data uncovered a computational error, which resulted in the profitability of sales being understated. Due to the payment structure of the rebates from UPM to Fuji, the net invoice price used in the profitability calculations needed to be adjusted to take into account rebates received in relation to Fuji's purchases from UPM.

The original Fuji visit report was amended to note that of the 9 selected sales, 7 were sold at a profit. Further details are contained in Note for File of meeting between the Commission and Fuji, dated 20 February 2014 (document number 31 on the electronic public record).

The Fuji visit report recommended that the case team consider whether imports by Fuji sold at a loss should be treated as non arms length transactions.

PUBLIC RECORD

Pursuant to s. 269TAA of the Act, having regard to all the circumstances of Fuji's importations, the Commission considers that the export sales can be treated as arms length transactions.

Lyreco

The Commission has considered the Lyreco visit report and pursuant to s. 269TAA of the Act, having regard to all the circumstances of Lyreco's importations, the Commission considers that the export sales can be treated as arms length transactions.

Submission by UPM Asia Pacific Pte., Ltd (UPM AP)

Following publication of the UPM exporter visit report, UPM AP provided a submission to the Commission addressing the below points:

Normal value - Adjustment for export selling expenses

UPM AP submit that the upward adjustment to the normal value for export selling expenses is overstated due to it including the entire value of the selling commission paid to UPM-Kymmene Pty Ltd (UPM-Kymmene). It refers to the Commission's visit to UPM-Kymmene, and submits that the visit report notes that a proportion of the selling commission is attributable to post exportation expenses and a further proportion constitutes a profit achieved by UPM-Kymmene. UPM AP submit that as the amounts attributable to profit and post exportation activities relate to matters arising after exportation, they are specifically excluded by s.269TAB(1)(a) of the Customs Act 1901 from the export price and should not be added to the normal value.

The purpose of normal value adjustments is to enable a fair comparison with the corresponding export price. The export price of copy paper to Australia includes the full amount of the export selling expense and as such, the normal value must be so adjusted to enable fair comparison with the export price.

The Commission's visit team to UPM-Kymmene did not find that UPM-Kymmene's commission was in relation to post exportation expenses.

The visit report notes that UPM-Kymmene's role in the transaction is: consulting with UPM colleagues in China regarding prices, issuing price offers to each customer (customised to the customer's preferences such as purchase currency) and receiving customer orders.

For the purposes of calculating a dumping margin, ocean freight, marine insurance, customs duty and cartage (where applicable) have been deducted from the invoiced export price (net of rebates), to calculate a FOB export price.

The Commission considers that any revenue (and profit) achieved by UPM-Kymmene is in relation to its activities in facilitating the sales transaction, thus activities occurring prior to exportation of the goods.

Normal value - adjustment for VAT on domestic inland transport

The UPM AP submission also refers to the Commission's visit report to UPM where the visit team reduced the downwards adjustment for domestic inland transport by an amount equal to the VAT component of these costs. UPM submit that VAT on domestic inland transport is a cost UPM incur for domestic sales of copy paper and that the adjustment should not be reduced by an amount for VAT.

The domestic sales prices utilised for normal value calculations, and the cost to make and sell figures used for OCOT purposes are all exclusive of VAT. The Commission understands that the usual practice of accounting for VAT paid on purchases is as a balance sheet item, recognising that credits for VAT paid can be offset against VAT charged on domestic sales. It is therefore not a true expense incurred by UPM and it is appropriate to remove VAT from domestic transport costs for adjustment purposes.

Treatment of related UPM entities as one entity for the purpose of calculating a dumping margin

UPM dispute the legal basis for the visit team's decision to consider UPM and UPM AP as a single entity, submitting that any precedence set by the WTO Panel would have no application in Australia. UPM submit that the Commission does not treat separate legal entities as one for the purposes of ascertaining arms-length normal value transactions. UPM further submit that "if the act of 'collapsing' two or more legal entities was lawful the Commission's practice in ascertaining normal value would be unnecessary...".

The Commission wishes to draw UPM's attention to the fact that if the visit team had not 'collapsed' UPM and UPM AP, it could have determined UPM AP to be the exporter, and utilised UPM's domestic sales for normal value purposes under s. 269TAC(1) other seller provision. The resulting dumping margin would remain unchanged.

Importer

UPM AP submits that it is the importer of the goods due to the payment and title transfer arrangements. UPM AP is submitting that it is both the exporter and the importer for importations of copy paper into Australia. Were this proposition to be accepted by the Commission, it would look to the first arm's length sale of the goods by the importer, that is, UPM AP's sales price to its customers in Australia, to determine an export price.

The Commission has taken the view that the 'collapsed' entity of UPM and UPM AP are the exporter, and that the Australian customers shown on commercial invoices are the importers. The visit team has thus used the sales price from the exporter (UPM AP) to the importer (the Australian customers) as the export price.

Should the Commission accept UPM AP's submission that it is the importer and use the sales price to the Australian customers as the export price, there would be no change to the export prices currently used in calculating a dumping margin.

Submissions by Australian Paper

On 7 March 2014, Australian Paper provided a submission in response to the UPM visit report and a submission in response to the note for file of the Commission's meeting with

Fuji. Due to the detail contained in these submissions, they have been addressed by the Commission at **attachment 1**.

6.3.2 April

Export Prices

Export prices for April were determined under s. 269TAB(1)(a) of the Act being the price paid by the importer less any charges incurred after exportation.

Normal Value

Normal values for April were determined under s. 269TAC(1) of the Act using April's domestic selling prices of the most comparable models that were sold in the ordinary course of trade.

The following adjustments were made to the normal value in accordance with s. 269TAC(8) of the Act:

- Packing – a downwards adjustment for domestic packing costs and an upwards adjustment for export packing costs (overall net upwards adjustment);
- Credit terms – a downwards adjustment was made for domestic credit and an upwards adjustment for export credit (overall net upwards adjustment);
- Inland freight – a downwards adjustment was made for domestic inland freight and an upwards adjustment was made for export inland freight (overall net downwards adjustment);
- Warehouse expense – warehouse expenses were incurred in relation to domestic sales and not for export sales. To ensure fair comparison a downwards adjustment has been made for domestic warehouse expenses;
- selling expenses – a downwards adjustment was made for domestic selling expenses (including commissions) and an upwards adjustment was made for export selling expenses (net downwards adjustment);
- Export handling and other – an upwards adjustment has been made for export handling and other expenses;
- Export bank charges – export bank charges have been incurred for export sales and not for domestic sales. To ensure fair comparison an upwards adjustment has been made for export bank charges.

The dumping margin was determined by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of the investigation period. The dumping margin for April is negative 5.51%.

6.3.3 Zhanjiang

Export Prices

Export prices for Zhanjiang were determined under s. 269TAB(1)(a) of the Act being the price paid by the importer less any charges incurred after exportation.

Normal Value

Normal values were determined under s. 269TAC(1) of the Act using Zhanjiang's domestic selling prices of the most comparable models that were sold in the ordinary course of trade.

The following adjustment was made to the normal value in accordance with s. 269TAC(8) of the Act:

- Inland freight – a downwards adjustment was made for domestic inland freight and an upwards adjustment was made for export inland freight.

The dumping margin was determined by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of the investigation period. The dumping margin for Zhanjiang is negative 6.95%.

6.3.4 Sun Paper

Export Prices

Export prices for Sun Paper were determined under s. 269TAB(1)(a) of the Act being the price paid by the importer less any charges incurred after exportation.

Normal Value

Normal values for Sun Paper were determined under s. 269TAC(1) of the Act using Sun Paper's domestic selling prices of the most comparable models that were sold in the ordinary course of trade.

The following adjustment was made to the normal value in accordance with s. 269TAC(8) of the Act:

- Inland freight – a downwards adjustment was made for domestic inland freight and an upwards adjustment was made for export inland freight.

The dumping margin was determined by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of the investigation period. The dumping margin for Sun Paper is negative 1.05%.

6.3.5 Gold Huasheng Paper

Export Prices

Export prices for Gold Huasheng were determined under s. 269TAB(1)(a) of the Act being the price paid by the importer less any charges incurred after exportation.

Normal Value

As Gold Huasheng did not have any domestic sales of like goods during the investigation period, normal values for Gold were determined under s. 269TAC(1) of the Act using the

PUBLIC RECORD

weighted average of sales sold in the ordinary course of trade by all other exporters who provided a response to the exporter questionnaire.

The dumping margin was determined by comparing the weighted average of export prices over the whole of the investigation period with the corresponding normal values over the whole of the investigation period. The dumping margin for Gold Huasheng is 0.91%.

6.3.6 All other exporters

The volume of copy paper exported to Australia from China by all other exporters during the investigation period was less than 3% of the total volume imported to Australia. In this case, even if all other exporters were exporting copy paper to Australia at dumped prices, the total volume is negligible (as defined in s. 269TDA(4) of the Act).

7 ECONOMIC CONDITION OF THE INDUSTRY

7.1 Preliminary finding

The Commission has preliminarily assessed that, based on verified information and data, the Australian industry (Australian Paper) appears to have experienced injury in respect of its sales of copy paper, however the findings do not support all injury claims by the applicant.

7.2 Injury claims

Australian paper alleges it has suffered material injury caused by copy paper exported to Australia from China at dumped prices.

Australian Paper claims it has been injured through:

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

7.3 Commencement of injury

Australian Paper submitted that material injury caused by importation of copy paper has occurred from mid-2011, though imports of Chinese copy paper have been present before this time at decreasing export prices.

7.4 Approach to injury analysis

The preliminary injury analysis detailed in this section is based on the verified financial information submitted by Australian Paper and import data from the ACBPS import database.

Australian Paper provided production, cost and sales data for copy paper (as covered by the goods description).

7.5 Volume effects

7.5.1 Sales Volume

The following graph shows Australian Paper's quarterly domestic sales volumes for copy paper (all product aggregate) from 1 January 2010 to 30 June 2013.

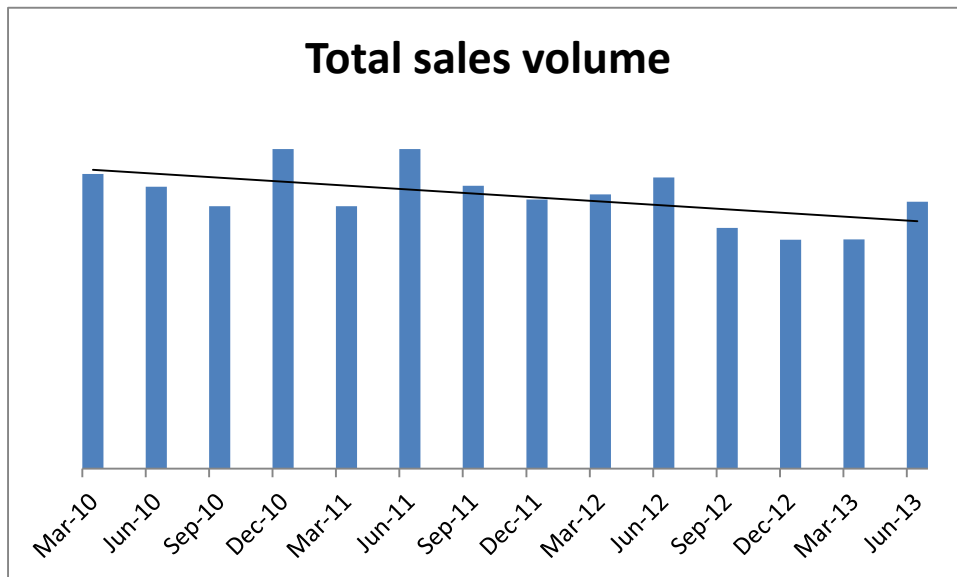


Figure 4: Australian Paper sales volume

Figure 4 shows that Australian Paper's domestic sales volume of copy paper has fluctuated over the period, but has generally trended downwards and ended lower than the levels seen towards the beginning of the period.

7.5.2 Market Share

The following graph shows movements in market shares, including Australian Paper's market share, in the Australian market for copy paper from 1 July 2009 to 30 June 2013.

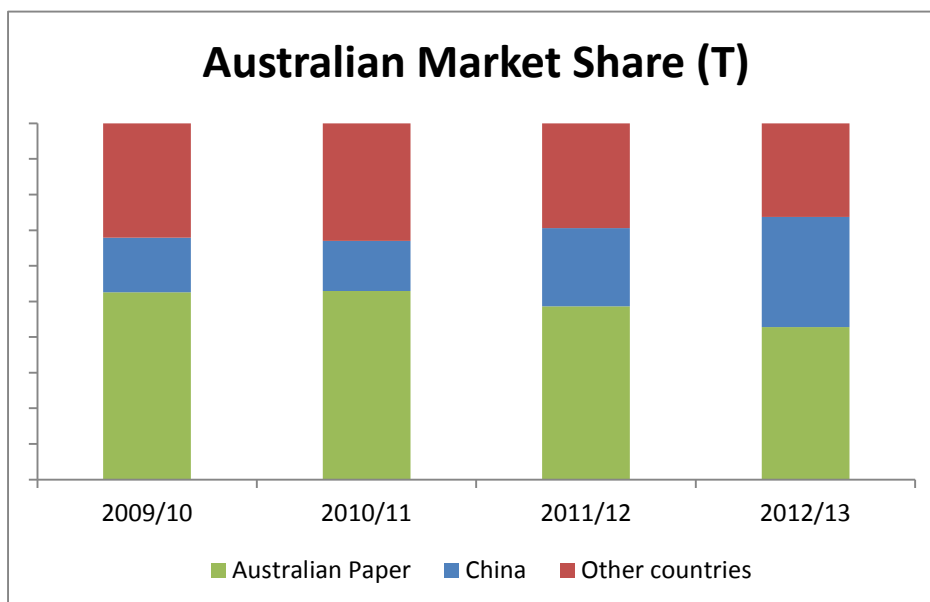


Figure 5: Australian Market Share (T) for the period 2010-2013 financial years

* Australian Paper data for 2009/10 has been pro-rated using data from the period January to June 2010

Figure 5 demonstrates that Australian Paper's market share decreased in 2011/12 and 2012/13, as exports from China increased over the same period.

7.5.3 Market size

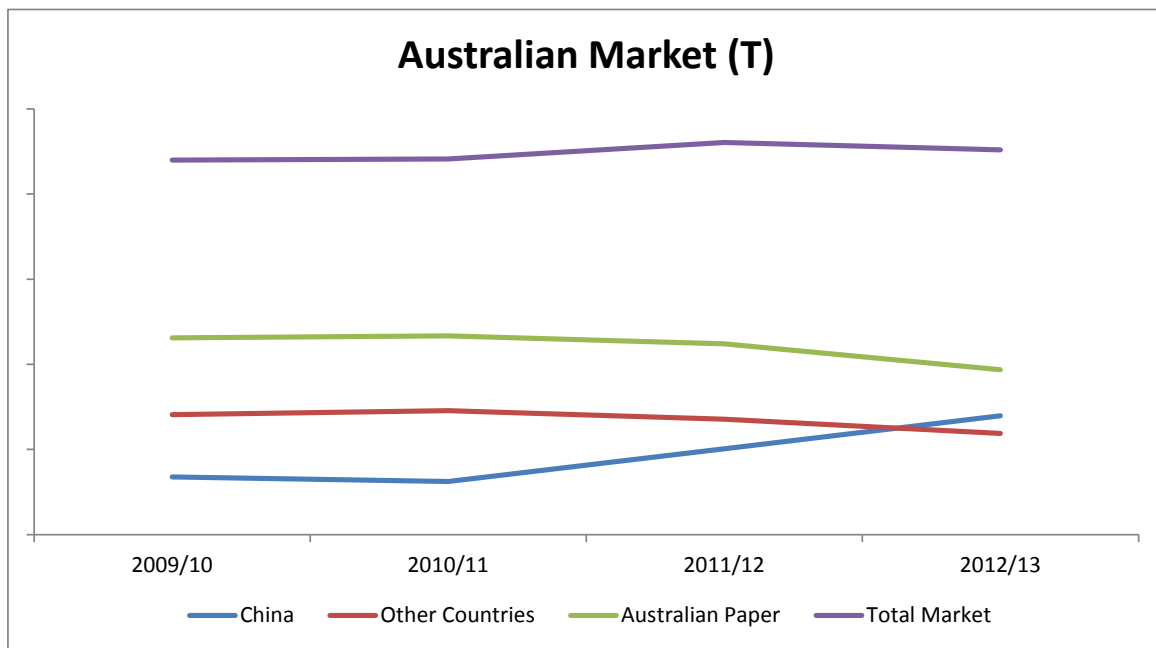


Figure 6: Australian market for copy paper: 2010-2013 financial years

* Australian Paper data for 2009/10 has been pro-rated using data from the period January to June 2010

Figure 6 shows that the total Australian market size for copy paper remained relatively steady over the period, experiencing a small increase in 2011/12 and a smaller decrease in 2012/13.

Figure 6 also reflects Australian Paper's share of the market declining in 2011/12 and 2012/13 and China's share of the market increasing over the same period.

Prior to 2012/13 imports from other countries outnumbered imports from China. In 2011/12 and 2012/13 imports from other countries decreased to a point in 2012/13 where they were overtaken by imports from China.

The Commission's estimate of the Australian market for copy paper is at **Confidential Appendix 1**.

7.6 Price suppression and depression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

The below graph (figure 7) shows the movements and relationships of Australian Paper's unit price and unit cost to make and sell (CTMS) for copy paper (aggregate level) from 1 January 2010 to 30 June 2013.

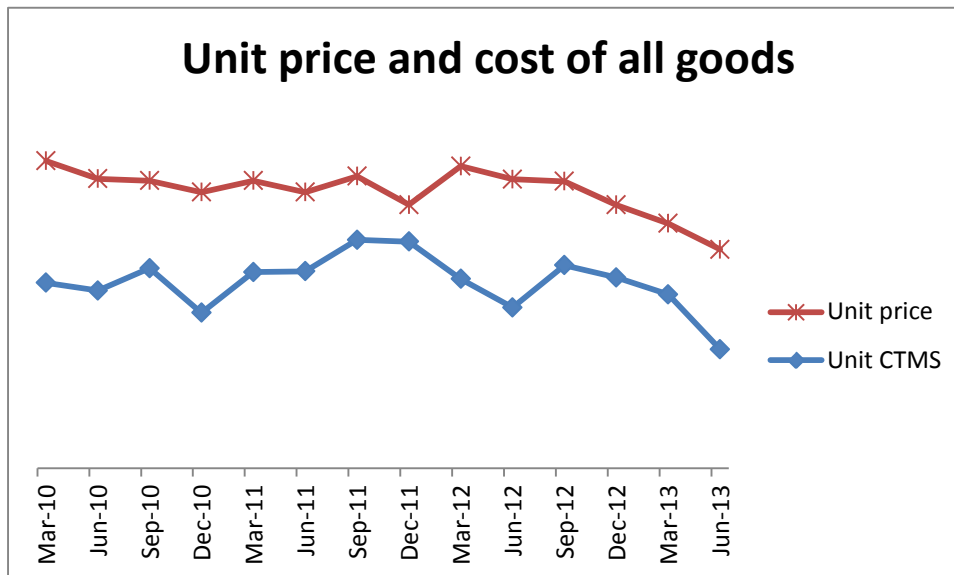


Figure 7: Australian Paper's unit price and cost to make and sell

Figure 7 shows that unit prices have fallen over the three-and-a-half year period, while unit costs have also decreased but at a slower rate than costs. An increase in unit costs in September 2012 coupled with a less pronounced decrease in selling prices (i.e. a narrowing of Australian Paper's margin between price and CTMS) is observed. The gap between Australian Paper's unit price and unit CTMS narrowed over the period with a reduced annual margin between price and costs at the end of the period.

7.7 Revenue

The following graph shows the movements and relationships of Australian Paper's total revenue and total CTMS for copy paper (aggregate level) from 1 January 2010 to 30 June 2013.

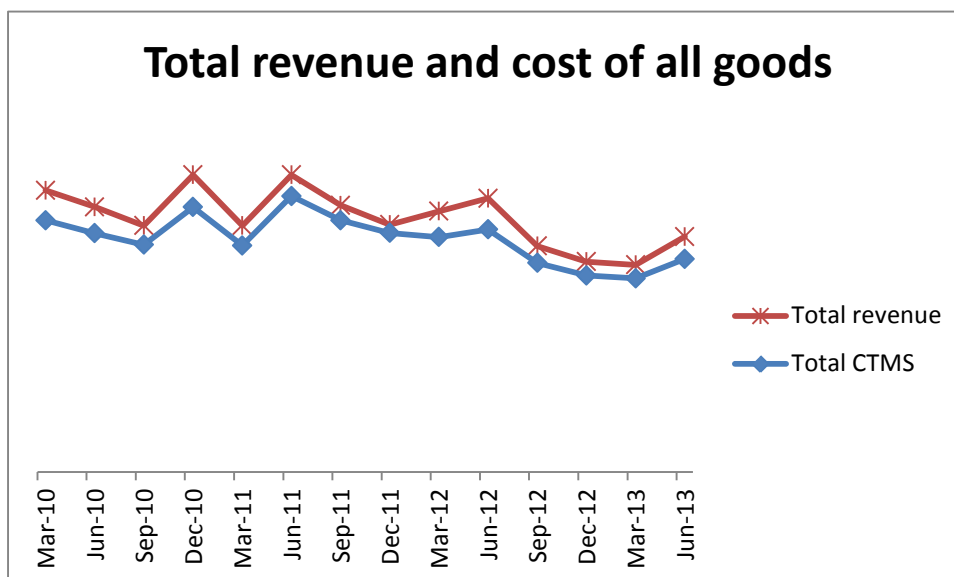


Figure 8: Australian Paper's total revenue and cost to make and sell

Figure 8 shows that total CTMS and total revenue have fluctuated over the three and a half year period but have both experienced a downward trend. Total revenue has experienced a greater reduction than total CTMS.

7.8 Profits and profitability

The following graph show movements in Australian Paper's unit profits for copy paper from 1 January 2010 to 30 June 2013, at the aggregate product level.

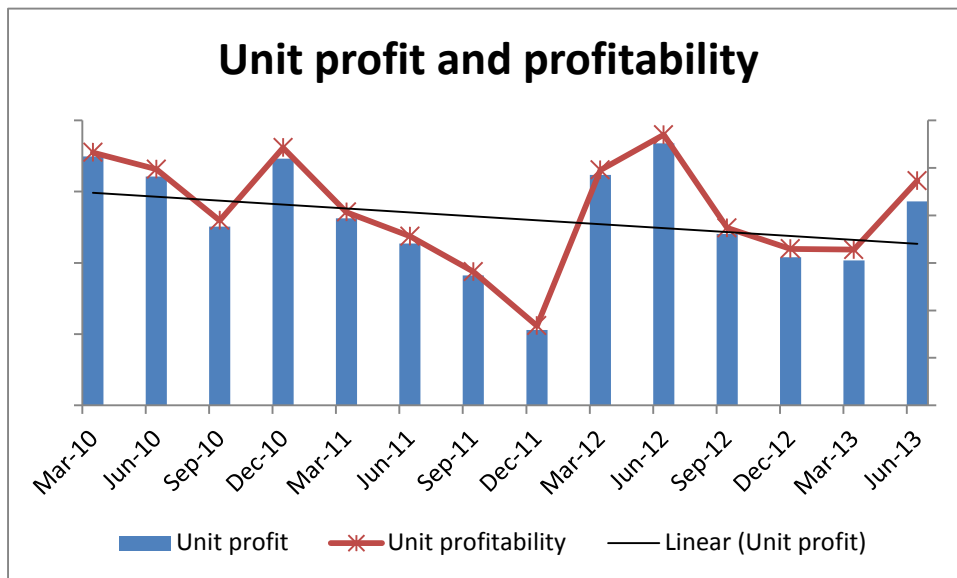


Figure 9: Australian Paper's unit profit

Figure 9 shows that Australian Paper's unit profit for all products experienced a downward trend over the period, improving in the first half of 2012 and in the second quarter of 2013. Unit profitability followed the same trend.

The following graph (figure 10) shows movements in Australian Paper's total profit and profitability for copy paper on a quarterly basis from 1 January 2010 to 30 June 2013, at the aggregate product level.

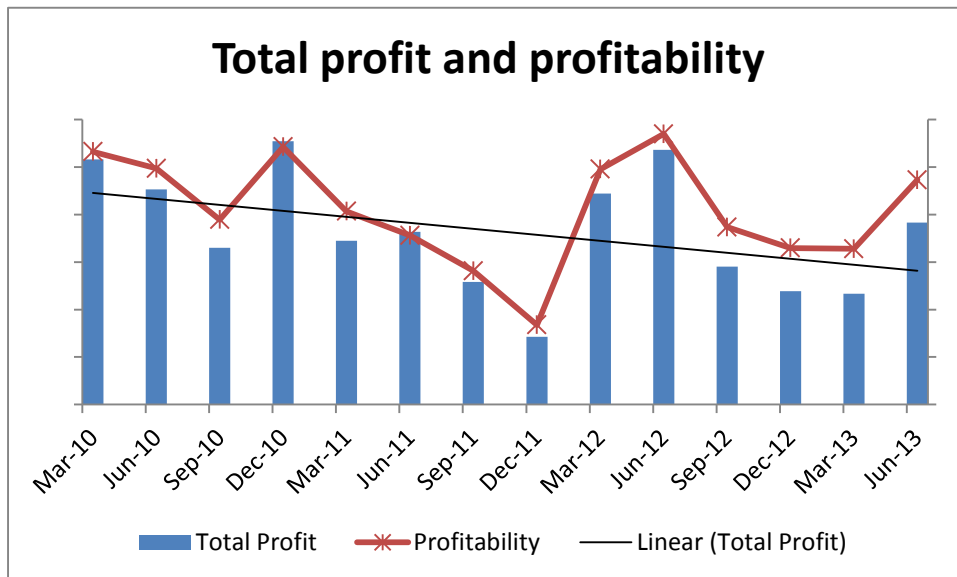


Figure 10: Australian Paper's total profit and profitability

Figure 10 mirrors the trend in unit profit, with profit trending downwards over the period but recovering in the second quarter of 2013.

7.9 Summary of major injury indicators

Based on the preliminary analysis detailed above, there appear to be reasonable grounds to support the claim that Australian Paper has experienced injury (in respect of the major indicators) in the form of:

- loss of sales volume;
- loss of market share;
- price depression;
- loss of profit; and
- reduced profitability.

7.10 Other economic factors

Australian Paper claims that it has experienced injury in respect of the following other injury factors:

- reduced revenue;
- reduced return on investment; and
- reduced employment.

Australian Paper completed a Confidential Appendix A7 for copy paper for the period January 2011 to June 2013 to support these claims.

The Commission has reviewed the data contained in Confidential Appendix A7 and identified, in respect of copy paper, the following trends for other injury factors.

PUBLIC RECORD

- Assets: the value of assets used in the production of copy paper showed a minor decrease over the period (Australian Paper has submitted this is likely due to the changing product mix made on common machines).
- Capital investment: the level of capital investment in relation to the production of copy paper showed a minor decrease over the period.
- Return on investment: the return on investment associated with copy paper fell significantly over the period.
- Capacity: the production capacity in relation to copy paper fell significantly over the period, being displaced by other production capacity.
- Capacity utilisation: capacity utilisation in relation to production of copy paper fell significantly over the period, being displaced by other production capacity utilisation.
- Employment: the numbers of employees used in the production of copy paper showed a significant decrease over the period. Although Australian Paper has not forced redundancies due the downturn in the copy paper business, it claims that it has not replaced staff that have departed via natural attrition

7.10.1 Conclusion – other economic factors

Based on the information contained in the application and verified at the visit, there appears to be reasonable grounds to support the claim that Australian Paper has experienced injury in the form of:

- reduced capacity and capacity utilisation;
- reduced employment; and
- reduced return on investment.

8 OTHER FACTORS CAUSING INJURY

8.1 Preliminary Findings

Given the Commission's preliminary finding of no dumping, injury to the Australian industry is not caused by dumping.

The Commission found that there are a range of factors that might be affecting the economic performance of the Australian industry for copy paper.

Loss leading by retailers

The Commission has considered the evidence contained in the importer visit reports and the negative dumping margins calculated for all exporters that submitted a response to the exporter questionnaire.

The Commission has noted instances where imported copy paper (and Australian manufactured copy paper) is sold at special promotional prices by retailers. The Commission has conducted inquiries into specific instances of a large retailer selling paper purchased from one importer at discounted prices. The Commission examined sales documentation from the importer to the retailer and considered this in conjunction with the profitability of the importer.

From the information available to the Commission at the time of writing this report it appears that retailers are engaging in loss leadership – offering copy paper at discounted prices with the aim of increasing foot traffic into the store and boosting overall store sales. Whilst the retailers may sell copy paper at a loss, it is expected that increased overall store sales revenue would more than compensate for this loss.

Instances of imported and Australian manufactured paper sold by retailers at discounted prices is likely to injure the Australian industry and importers as other customers see the discounted prices and seek similar prices from their suppliers.

Imports of copy paper from other sources

Whilst Chinese imports have displaced imports from other countries since 2011/12, imports from other countries still represent a not insignificant proportion of the Australian market for copy paper. In particular imports of copy paper from Thailand have increased steadily over the investigation period and account for a substantial proportion of imports. Analysis of the price of imported copy paper from Thailand⁹ over the injury analysis period reveals that export prices were marginally higher than the export price of copy paper imported from China. It is likely that competition from competitively priced imports from Thailand during the investigation period has contributed to injury suffered by the Australian Industry.

⁹ Utilising data in the ACBPS import database

8.2 Non-injurious price

Australian Paper provided a submission (dated 18 November 2013) proposing a method of calculating the non-injurious price. The submission is available on the public record.

Given the finding of no dumping by all exporters that provided a response to the exporter questionnaire and a negligible volume of exports (even if dumped) by all remaining exporters, the Commission has not calculated a non-injurious price for the purpose of this SEF.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian market calculations
Confidential Appendix 2	Australian Paper injury data
Attachment 1	Summary of Australian Paper's submissions and the Commission's response

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

On 7 March 2014, Australian Paper provided a submission in response to the UPM visit report and Minter Ellison's submission dated 21 February 2014 on behalf of UPM Asia Pacific Pte Ltd. The main points in the submission are summarised below, with the Commission's response alongside each claim/query.

No.	Australian Paper submission	Commission response
1	Australian Paper asked: <i>"Where are the rebates brought to book in UPM AP accounts?"</i>	Rebates paid by UPM were included in its detailed export sales listing, which the visit team was able to verify upwards to UPM AP's financial statements. In addition the visit team verified a sample of export sales downwards to source documents, which included rebate settlement reports. Section 4.3.10 of the UPM visit report discusses additional verification of rebates by the visit team. The visit team reviewed and verified all transactions between UPM AP and a large Australian customer. The visit team was satisfied that the rebate payment amounts were consistent with rebate rates recorded by UPM in its detailed export sales listing.
2	Australian Paper asked: <i>"Where are the costs of UPM's logistics department for exports to Australia?"</i>	The logistics costs for both domestic and export sales are captured in SGA expenses of UPM. The visit team considered that there are some SGA expenses that are shared across both domestic and export sales in equal proportion to sales volumes made in each market. Where the visit team identified a difference in unit SGA costs for domestic and export sales, the difference has been adjusted for in the normal value calculations.
3	Australian Paper asked: <i>"Could alternative rebates be provided to fund the losses Fuji Xerox Australia appear to be incurring?"</i>	The revised Fuji Xerox Australia Pty Ltd (Fuji) visit report and the note for file of the Commission's meeting with Fuji (documents number 13 and 31 on the public record) notes that two of the nine selected sales were unprofitable. They further explain the circumstances for one of the unprofitable sales, the product being sold under a clearance strategy before it was removed from UPM's product range. During the verification visit to UPM, the Commission's visit team collected and reviewed the following documentation in respect of all

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

		<p>of UPM's sales to a major Australian customer during the investigation period:</p> <ul style="list-style-type: none"> ▪ rebate settlement reports; ▪ settlements of rebate agreements in SAP; ▪ open item statements in SAP; ▪ overview statements of rebate credit memos issued; ▪ 12 month invoice list; and ▪ copies of banking transactions. <p>The visit team did not find any evidence to suggest that additional rebates are being paid in respect of the major Australian customers sales of copy paper purchased from UPM.</p>
4	<p>Australian Paper submitted:</p> <p><i>"We expect that exports to Australia are from Shanghai rather than Changshu and that the adjustments to the Normal Value calculations would reflect the transport, port charges etc costs associated with this."</i></p>	<p>Section 9.1 of the UPM visit report notes that <i>"We adjusted those domestic selling prices to ensure the normal values were properly comparable with export prices, which were expressed as cash, FOB (at mill jetty)."</i></p> <p>Both the export price and normal value have been compared at the level of FOB at mill jetty to ensure fair comparison.</p> <p>If the Commission were to move the FOB comparison point to FOB Shanghai, the additional costs incurred would be added to both the export price and normal value, thus resulting in no change to the dumping margin.</p>
5	<p>Australian Paper asked:</p> <p><i>"Would not marine insurance be a charge which is post FOB?"</i></p>	<p>Marine insurance has been excluded from the export price for the purposes of calculating a dumping margin. Likewise, no adjustment has been made to normal value for marine insurance incurred for export sales.</p>
6	<p>Australian Paper asked:</p> <p><i>"Direct rebates would be subject to rebate agreements with customers. Were any of these rebate agreements sighted?"</i></p>	<p>Australian Paper is assuming that rebates are always subject to formalised rebate agreements, which is not always the case.</p> <p>Section 6.3.1 of this SEF notes that the Commission undertook a verification visit to Fuji and verified Fuji's importation volumes and values against the ACBPS database.</p> <p>The Commission cross checked Fuji's data for its purchases from UPM</p>

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

		with UPM's data for its sales to Fuji. The Commission was able to reconcile the data sets, including rebate amounts. See relevant Commission comments for point 1.
7	Australian Paper submitted that UPM source its major raw material - bleached eucalypt pulp – from another UPM-Kymmene mill in Uruguay at a very low price. It submitted that this could render the whole transaction train from supplier to customer as non-arms-length.	Section 5.3.3 of the UPM visit report discusses the detailed verification of raw materials, including pulp. The visit report notes that the visit team were provided with a full listing of UPM's pulp purchases, which identified pulp purchased from other UPM companies. The visit team found "that the volume of pulp purchased from related companies was small in comparison to the volumes purchased from non-related companies." The visit report also discussed how the visit team analysed the purchase price of pulp from related and non-related parties and found that "The unit price of pulp from related parties was higher than the unit price of pulp from unrelated companies".
8	Australian Paper submitted: <i>"if the domestic distributors have a long-standing relationship in which they only handle UPM copy paper and no other brand, the question does need to be asked whether they are truly arms-length of whether they are effectively under the control of UPM despite there being no ownership."</i>	It is unclear to the Commission on what basis Australian Paper assumes domestic distributors only handle UPM copy paper and no other brand. The Commission found no evidence to suggest that UPM's domestic sales are not arms length transactions.
9	Australian Paper asked: <i>"Were only rebates directly given by the exporter to the importer identified, or were indirect rebates flowing via affiliates also identified?"</i>	The Commission only identified rebates given by the exporter to the importers.
10	Australian Paper submitted, in relation to section 5.3.1. of the UPM visit report, that it was unclear whether all costs had been captured in the CTMS verification.	The visit team was able to verify the CTMS provided by UPM in its response to the exporter questionnaire, upwards to the audited financial statements. The visit team also performed a downwards verification for major cost elements. As part of the visit team's cost verification exercise, it was able to view the many cost elements comprising the total CTMS. The Commission is satisfied that all costs relevant to the manufacture and sale of the goods under investigation have been included in the

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

		CTMS figure provided by UPM.
11	<p>Australian Paper referred to section 5.3.1 of the UPM visit report and the comment: <i>"We noticed that two line items in the CS MA spreadsheet had not been included in the appendix G4 data."</i></p> <p>Australian Paper questioned whether these items were associated with domestic or export sales and whether the allocation method was appropriate.</p>	<p>The Commission notes the full paragraph surrounding the sentence that Australian Paper refer to is as follows:</p> <p><i>"We noticed that two line items in the CS MA spreadsheet had not been included in the appendix G4 data. We queried why these items had not been included. UPM advised that the first line item [REDACTED] had been included in the appendix G4 under selling costs – not CTM. It advised that the second line item [REDACTED] had not been included because we had requested the CTM data as opposed to the cost of goods sold (COGS) data. We were satisfied with these explanations. We could see that all other cost elements in the CS MA spreadsheet had been included in the appendix G4 data. [Line item details]"</i>.</p> <p>The first line item was a domestic selling cost. The second item was not relevant because the Commission had requested CTM data rather than cost of goods sold data.</p> <p>The Commission is satisfied that the allocation of the first line item is appropriate.</p>
12	Australian Paper further submitted that UPM was sourcing its pulp from a related mill in Uruguay.	See relevant Commission comments for point 7.
13	Australian Paper submitted that the burning of coal results in quantities of unburned ash that require disposing. It asked <i>"have the quite significant ash disposal costs for UPM (China) been accounted for?"</i>	<p>The Commission's visit team to UPM verified CTMS based on audited financial statements and selected major cost elements for detailed verification. On the basis of the verification, the Commission is satisfied that all costs have been included.</p> <p>Australian Paper is assuming that ash disposal costs in China would be "quite significant", as they may well be in Australia. Coal ash is not always disposed of but can be used to make bricks, concrete and road base, which would incur little or no disposal costs.</p>
14	Australian Paper referred to a statement in the UPM visit report under the verification of labour and depreciation costs and questioned whether additional items had been included in these costs.	The Commission wishes to clarify that the below comment in the UPM visit report was not an exhaustive list of all costs included under this heading.

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

		<p><i>"We noted that direct labour cost included elements for basic salary, overtime, pensions, social security, bonuses, accident insurance."</i></p> <p>On the basis of the verification visit, the Commission is satisfied that UPM have reasonably allocated all costs to the goods.</p>
15	<p>Australian Paper submitted that:</p> <p><i>"There are selling costs associated with both domestic and export sales which are incurred at the mill rather than in regional offices."</i></p> <p>Australian Paper submit that certain selling costs would be higher for export sales than for domestic sales.</p>	<p>The visit team considered that there are some SGA expenses that are shared across both domestic and export sales. Where the visit team identified a difference in SGA costs for domestic and export sales, these have been adjusted for in the normal value calculations.</p>
16	<p>Australian Paper submitted that:</p> <p><i>"s. 8.4 suggests that in the domestic market, UPM Kymmene sells almost all UPM branded copy paper and that exports to Australia are all or almost all customer brand"</i>.</p>	<p>There is no statement in the visit report that UPM sells almost all UPM branded copy paper on the domestic market. Section 8.4 does note that export sales are almost all customer brand copy paper. Section 6.3 of the confidential version of the visit report discusses the price structure of copy paper sold by UPM on the domestic market.</p>
17	<p>Australian Paper submitted that in relation to customer branded copy paper:</p> <p><i>"Warehousing, marketing and regional sales office expenses would not apply."</i></p>	<p>The Commission's visit team to UPM found that marketing expenses are not incurred by UPM for export sales of customer brand copy paper, but are incurred for domestic sales of UPM branded copy paper. On this basis, for the purposes of fair comparison the visit team made an adjustment to normal value for additional expenses incurred in relation to UPM branded copy paper sales.</p>
18	<p>Australian Paper submitted that:</p> <p><i>"There is no evidence that UPM (China) extract a premium for their brand over a well established customer brand on the same delivered terms as provided for UPM branded product."</i></p>	<p>Confidential text at Section 6.3 of the visit report discusses the price hierarchy of the different brands of copy paper sold by UPM on the domestic market. This section of the report provides the analysis to support the adjustment to normal value to account for domestic selling expenses, specifically marketing expenses, associated with domestic sales transactions relating to UPM brand product. The Commission was satisfied that the evidence supported an adjustment for fair comparison.</p>
19	<p>Australian Paper submitted that:</p> <p><i>"Also, both FSC and non-FSC paper is sold by UPM in the Chinese domestic market whilst all exports are certified FSC (s.2.5). The Normal Value</i></p>	<p>The Commission would like to clarify that only domestic sales of FSC certified paper were used for the purposes of calculating a normal value.</p>

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

	<i>calculation should be based on the equivalent export product, i.e. FSC certified, which attracts a price premium over uncertified product in the domestic market."</i>	
20	Australian Paper asked: <i>"s.6.7.3. Were rebate agreements between UPM and its Australian customers sighted?"</i>	See relevant Commission comments for points 1 and 6.
21	Australian Paper submitted that: <i>"s. 6.7.4 Extended payment terms in the Chinese domestic market would seem quite unusual and for UPM's insurer to accept these terms at a common price with more developed markets seems unusual unless the relationship between buyer and seller was sufficiently close that it should not be considered arms-length."</i>	There is no mention in the visit report about extended payment terms for UPM's domestic sales. The visit team verified the credit terms applying to export and domestic sales and made an appropriate adjustment for the differences.
22	Australian Paper submitted that: <i>"s.6.7.6. If selling cost was included under 'commissions' in spreadsheet D-4, what was included under 'selling cost'?"</i>	In the detailed domestic sales listing (D-4) UPM inserted a column called "commissions" under which UPM provided amounts for domestic selling expenses. There is no column in the detailed sales listing for selling costs.
23	Australian Paper submitted that: <i>"UPM was invited to "make a submission on the matter of selling expenses" was such a submission made, and if so, could a 'public record' version be released?"</i>	Section 6.7.6 of the UPM visit report notes that on 13 January 2014 UPM representatives met with the Commission to discuss the potential adjustment for domestic selling expenses. The Commission's verification of the evidence provided by UPM to support the domestic selling expense adjustment is discussed at section 5.4.2 of the visit report.
24	Australian Paper submitted that: <i>"s.6.7.8. As we have stated elsewhere, for a proper comparison of like for like between domestic and export sales, warehousing and cartage should be ignored since customer brand product would go directly from mill to customer warehouse. Because of reduced handling and no warehousing for customer brands, transport insurance should also reduce. These would serve to reduce the negative adjustments in the normal value calculation.</i> <i>Not covered here is inland transport mill to export port and container</i>	The visit team is satisfied that warehousing expenses were incurred in respect of domestic sales and not in respect of export sales. As such a downwards adjustment to normal value has been made for domestic transport insurance and warehousing (these items are included together in the one calculation).

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

	<i>storage (warehousing) at the export port for exports to Australia. These are positive adjustments to the normal value calculation."</i>	
25	Australian Paper submitted that: <i>"There are selling expenses at the mill associated with order taking, planning, tracking, paperwork and shipment of export orders. These are a positive adjustment to normal value."</i>	See relevant Commission comments for point 2.
26	Australian Paper submitted that: <i>"Domestic sales are generally of UPM brand product, supported by warehousing and sales offices in major centres in China and by marketing of the UPM brand. None of these apply to customer branded product which, if sold in China, would be negotiated at mill/head office level and delivered direct to customer warehouses. These costs, associated with the UPM brand and UPM branded copy paper must be excluded from downward adjustments in the normal value calculation."</i>	See relevant Commission comments for point 16.
27	Australian Paper submitted that: <i>"s.8.7. refers to sighting product for Australian customers in the mill warehouse. This suggests an associated cost which would be a positive adjustment to the normal value."</i>	Section 8.7 of the UPM visit report refers to sighting: <i>"goods destined for domestic customers, Australian customs and third country customers"...</i> The visit team was viewing stock that had recently finished the manufacturing process.
28	Australian Paper submitted that: <i>"s.9.1. appears to nominate the FOB point as the mill jetty. This is not appropriate. FOB should be the point at which the goods are on board the vessel which will take them out of the exporting country. There are, therefore, freight to export port, storage at export port, port handling charges etc. which are positive adjustments to the normal value"</i> .	See relevant Commission comments for point 4.
29	Pages 7 and 8 of Australian Paper's submission refers to observed low retail prices of Fuji branded copy paper in the Australian market. Australian Paper has used the low retail prices to calculate back to an FOB export price. It submits that if UPM's declared export prices and Fuji's purchase prices are not close to this calculated export price:	The Commission has published a record of meeting of its meeting with Fuji in February 2014 (document number 31 on the electronic public record). The record of meeting discusses how the Commission requested Fuji provide evidence of its sale of a specific Fuji branded paper to a major

Attachment 1- Summary of Australian Paper's submissions and the Commission's response

	<p>"this provides clear evidence of non-arms-length transactions".</p>	<p>retailer. From the supporting documentation provided by Fuji, the Commission could see that the retailer was selling the paper at a lower price than it purchased the paper from Fuji.</p> <p>This example disproves Australian Paper's assumption that retailers do not sell below cost.</p>
--	--	--

On 7 March 2014, Australian Paper provided a submission in response to the record of the Commission's meeting with Fuji Xerox Pty Ltd (Fuji). The main points in the submission are summarised below, with the Commission's response alongside each claim.

1	<p>Australian Paper referred to the comment in the note for file that:</p> <p><i>"rebates are not linked to a set purchase volume and are paid by [REDACTED] on a quarterly basis."</i></p> <p>Australian Paper submitted that:</p> <p><i>"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".</i></p>	<p>The section of the UPM visit report that Australian Paper are referring to relates to UPM's rebates in relation to domestic sales of copy paper, not UPM's rebates in relation to export sales.</p>
---	--	--