Exporter Briefing – Double A Public Co. Ltd

Introduction

Double A Public Co. Ltd ("Double A") is headquartered in Thailand, but also has operations in France producing the goods and a tissue mill under construction in China.

Headquarter Ownership:

1.99% owned by Other Private investors
62.51% owned by Double A Holdings Limited
16.13% owned by Double A (1991) Public Co., Ltd.
14.48% owned by Always Rich Holdings
4.89% owned by Wiseley Managment Private

Double A (otherwise known as Advance Agro) is a fully integrated pulp and paper mill. Located in the province of Prachinburi, the mill began operation in 1995 and has annual pulp capacity of 580,000 tonnes and 600,000 tonnes of paper. The plant is located 140km from Bangkok and 130km from Laem Chabang Seaport (inland freight costs for export sales), the mill is located close to a wood source and sufficient water supplies.

Double A manufactures a range of products from short fibre large paper sheets to stationary products and copy paper. The source of fibre is the locally grown 'paper tree' supplied by local Thai farmers (known as Paper from Farmed trees or PFFT).

In Double A's Preliminary Submission, Norton Rose Fulbright (Law firm acting on behalf of Exporter) submitted that "the products sold under its Double A brand should be differentiated from other products on the market Australia.." (pricing, product and marketing information redacted from public file).

AP requests that at very least the product information be released as we believe there is no major physical difference in the Double A branded product, nor any other imported white A4 copy paper product covered by the investigation that should exclude it from the investigation.

Australian Paper has demonstrated in its application, verification visit and exporter briefings that there is no discernable difference in physical, commercial or functional likeness of goods under investigation.

Paper

Double A claims to offer a "premium product of unmatched quality and brand awareness" and exports to many South-Asian countries including Australia.

On Double A's Australian website it claims that the company's A4 copy paper is *"Smoother, cleaner, brighter, whiter, and* ***thicker*** *to provide an overall superior result helping your business run smoother."* (bold added for emphasis). This is despite the fact that the paper has the same GSM as the vast majority of copy paper in the Australian market.

The main products manufactured at its integrated facility include:

- Cut size paper – paper used for writing and printing. Product range in different grammages from 70-80gm in standard sizes A4, A3, F4, B5,and A11;
- Folio paper – used for writing and printing. Products are in different grammages ranging from 60-120gm, such as text books, magazines, business newspapers, general printing, handbooks, computer continuous printing form, and photo copy, etc. Sold in rolls and sheets;
- Stationery – includes products such as notebooks, coloured stickers, note paper, envelopes.

Pulp mills

Double A operates two pulp mills, with a combined annual capacity of 580,000 tonnes. The fibre source is a hybrid species of eucalypt hardwood grown by local Thai farmers. The paper trees are planted along the ridges of Thailand's rice paddies. At Double A's nursery at Prachinburi province, 100 million saplings are propagated each year. After 4 weeks in the nursery, the saplings are distributed to farmers under the PFFT program. The trees are fast growing and ready for harvesting in three to five years. The trees can regenerate three times.

The first pulp mill commenced production in early 1996 (330,000 tonnes capacity), with the second operational in 1998 (252,000 tonnes capacity).

Double A produces three grades of pulp:

- Slurry pulp – sent to two paper machines connected via pipes;
- Wet lap pulp – contains approx. 50 per cent moisture. All wet lap pulp is sold on the domestic market and sold to Hi-Tech Paper Company Limited for the manufacture of paper;
- Dry pulp – contains approx. 10 per cent moisture. Sold domestically and for export.

Actual production of Group companies (tons)

Actual production volume (per year)	2014	2013	2012
Production volume			
Short fiber pulp			
Pulp Mill 1 ("Pulp 1")	242,636	227,979	242,102
Pulp Mill 2 ("Pulp 2")	264,799	262,010	266,807
Total	507,435	489,989	508,909
Paper			
Paper Mill 1 ("Paper Mill 1")	173,271	223,224	242,087
Paper Mill 2 ("Paper Mill 2")	199,757	242,810	268,662
Paper Mill 3 ("Paper Mill 3")	183,566	66,253	-
Paper Mill (transferred in ownership from HTP)	35,187	42,914	45,675
Alizay Paper mill	156,664	77,623	-
Total	748,445	652,824	556,424

The Company has a project to encourage farmers to grow seedlings on paddy field boundary ridge, vacant area on paddy field, to generate extra income. In addition, the Company buys wood directly from farmers, middlemen, factories and related companies.

Double A participates in some fibre verification for its raw materials (i.e. logs). The wood used in pulp by Double A consists of 94 per cent eucalyptus hardwood pulp (short fibre) and 6 per cent pine and spruce i.e. softwood pulp or long fibre.

Australian Paper notes that Double A has never been certified to either the FSC or the PEFC forestry standards for its short fibre content which makes up the majority of the fibre input for copy paper.

Double A claims that its long fibre is sourced from FSC-certified suppliers and therefore the logs undergo a wood chip verification process, with physical characteristics, size and species, subject to standard requirements.

Tree bark, oversized woodchip, lignin and black liquor from the pulp and paper manufacturing process are used as fuel to generate electricity for the mill. Excess electricity is sold to the Electricity generating Authority of Thailand (EGAT), for the supply of power into the local community.

Double A states that the mill sources 100% of its water requirements from a 36 million cubic metre rainwater reservoir i.e. it does not source water from public water sources.

Double A uses Elementary Chlorine Free (ECF) bleaching process that is free of chlorine gas.

<u>Domestic and International Growth Strategy</u>

Article in The Nation: Thailand's Independent Newspaper –

Kwanchai Rungfapaisarn - The Nation July 23, 2014 12:00 am

> *"Double A (1991), the leading Thai paper-maker, plans to penetrate additional foreign markets in a global branded strategy aimed at maintaining growth amid an overall paper-market decline both at home and abroad.*

> *Charnvit Jarusombathi, senior executive vice president of the listed company, yesterday said Double A's goal was to increase the sales contribution from foreign markets from 80 per cent currently to more than 90 per cent in the next three to five years.*
> *The company currently exports its Double A-branded paper to 140 markets around the world. It plans to penetrate more markets in the Middle East this year, after successfully entering Asia and Europe."*

Of relevant interest is the recent commencement that Pakistan has initiated an Anti-Dumping Investigation into printing and writing papers on all countries investigated in the Australian investigation for copy paper including Thailand, over an investigation period ending Sept 2015.

It is further reported in The Nation:

> *"…… annual growth of the paper market in Thailand, for instance, had dropped from about 10 per cent five years ago to 5-6 per cent this year, with demand falling in line with the country's economic and political problems.*
>
> *Double A posted sales of Baht 5.3 billion in the first quarter - up 20 per cent from the same period last year - driven by the company's penetration of new emerging markets. It exported to four new markets during the quarter.*
>
> *The company expects to achieve Baht 20 billion in sales over the full course of the year.*
>
> *On the domestic front, the company now has a network of about 700 franchised Double A Copy Centre shops around the Kingdom.*
>
> *Two months ago, it introduced a new retail format - Double A Member - allowing copier shops to become members and enjoy Double A paper purchases at a special price.*
>
> *There are 700 member shops currently, with the number expected to reach 1,000 by the end of this year, he said.*

Australian Market

Australian Paper understands that Double A imports copy paper and other stationery products through its affiliated party Advance Agro Lane Cove.

The below graph shows Export volumes from Thailand to Australia during the investigation period. Given that Thailand imports are [*availability of data*]. As such As such we have surrogated data commissioned by AP from [*source of data*]. AP anticipates that this investigation will result in the correct classification of goods that is critical to domestic manufacturers and forms the basis of data used to assess the domestic market in which AP operates.

[*Graph of export volumes and price ex Thailand*[1]]

It is evidenced above that import volumes from Thailand have increased over the most recent four-year period. At the same time, the FOB US $/T price has decreased consistently (certainly by greater amounts than the stated 15 per cent reduction in the Thai Baht v A$). This highlights the commoditization of the goods in the

[1] Sourced from an independent third party import and export data and analysis specialist. Australian Paper commission's quarterly reports detailing export data and analysis from several countries. This cannot be disclosed in order to maintain the source integrity.

domestic market, further evidencing AP's assertion that purchasing behavior is directly linked to pricing as opposed to perceived quality.

Australian Paper's market intelligence suggests that approximate xx% of the Thai imports into the Australian copy paper market are produced by Double A.

Sales Channels

Double A supplies the following resellers in the Australian Market:

[*Channels and customers*[2]]

[*Supplier/customer*] , who sells AA copy paper. Australian Paper has reason to believe the Double A provides [*customer*] with a [*price support*] on copy paper in the domestic market.

Other Marketing & Funding

Double A copy paper has been sold in Australia since the early 2000s through its sales and marketing office in Sydney and has been supported with extensive marketing spend over the past 12 years. This has included several national TV advertising campaigns with the most recent being the Transformers ad which aired in 2010. In the past 5 years Double A has refocused on below the line marketing including a range of consumer bonuses free with paper purchases such as Tim Tams, and linked with the National Breast Cancer Foundation sponsorship, a giveaway Recipe Book and prize hampers. Other recent incentives have included gift cards, movie tickets, lollies, and pre-paid visa cards and Double A seems to have become reliant on these incentives to generate sales. Double A Paper has also employed a full-time Global Brand strategy Director in Sydney with extensive marketing experience to coordinate these trade and consumer promotional activities.

Early 2016:

[2] Based on Australian market intelligence gathered by AP sales and marketing teams from their respective sales channels. This information cannot be disclosed in order to protect the interests of the customers.

Late 2013:

Mid 2015:

Mid 2016 (Current)

Australian Paper encourages the commission to establish the origin and nature of all marketing spend in relation to copy paper sales in Australia.

Rebate programs and funding supports might also be found in various forms including but not limited to:

[*Forms of discount*[3]]

Reconciliation of [*discounts*] can be managed numerous ways depending on the type of [*discount*], including;

[*Forms of discount*[4]]

[3] This information cannot be disclosed as it relates to the forms of discount that Australian Paper has experienced in the domestic market. The integrity of AP's customer relationships and commercially sensitive agreements must be maintained and therefore this information is redacted. However, AP's market intelligence suggests that similar forms of discount are widespread across the industry, hence the comment "Rebate programs and funding supports **might** also be found" (emphasis added).

[4] As above.