Australian Paper

a member of the Nippon Paper Group

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22 August 2016

Mr Tim King
Case Manager
Dumping Operations
Anti-Dumping Authority
Level 35, 55 Collins Street
Melbourne Victoria 3000

Public File

Dear Mr King

Investigation No. 341 – A4 Copy Paper from Brazil, P R China, Indonesia and Thailand – Submission re Exporter Verification Reports – PT Indah Kiat Pulp and Paper TBK, PT Pindo Deli Pulp and Paper Mills, and PT Pabrik Kertas Tjiwi Kimia TBK

Executive Summary

Australian Paper Pty Ltd ("AP") has reviewed the "Verification Report - Exporter" for each of the following Sinar Mas Group companies:

- PT Indah Kiat Pulp and Paper TBK ("Indah Kiat");
- PT Pindo Deli Pulp and Paper Mills ("Pindo Deli"); and
- PT Pabrik Kertas Tjiwi Kimia TBK ('Pabrik Kertas").

The reports confirm that preliminary dumping margins determined are as follows:

- Indah Kiat – negative 1.4 per cent;
- Pindo Deli – (positive) 14.0 per cent; and
- Pabrik Kertas – negative 8.6 per cent.

The Anti-Dumping Commission ("the Commission") has afforded the three Sinar Mas companies an adjustment for a 'distributor margin'. AP submits that the Commission has erred in affording the exporters' a distribution margin when the related seller of the goods – Cakrawala Mega Indah (CMI) – is no more than a selling company that is designated to undertake the sales and marketing of products manufactured by Sinar Mas companies including goods produced by Indah Kiat, Pindo Deli, and Pabrik Kertas.

The adjustment for a distribution margin must be rescinded as the costs associated with the performance of the sales and marketing functions on the domestic market are the same (or similar) as for costs and allowances as export sales to Australia. The so-called "domestic sales" to CMI represent nothing more than a transfer price between the manufacturer and the associated CMI.

The Commission therefore has erred in allowing an adjustment to the normal values for Indah Kiat, Pindo Deli and Pabrik Kertas for an alleged distribution margin for functions performed on the domestic market by the related distributor CMI.

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AP is also concerned that the Commission has not made upward adjustments for 'export inland freight' for Indah Kiat, nor an upward adjustment for export credit for the three exporters.

Distributor margin adjustment

The Dumping and Subsidy manual confirms that adjustments for selling activities "*are not regarded as conclusive*"[1]. The Commission must examine the "*real sales functions of the customer*" and the what is the level of trade of the customer. Additionally, the Commission will consider the "*pricing structure at these marketing stages*". In the circumstances of Indah Kiat, Pindo Deli and Pabrik Kertas all domestic sales are via CMI. The producers do not perform a domestic sales function in Indonesia. The pricing structures therefore are not relevant in these circumstances as CMI is nothing more than the domestic sales division of the producer/exporters.

In the "Preliminary Dumping Report" on certain toilet paper exported from Indonesia by PT Pindo Deli Pulp and Paper Mills in Investigation No. 138 the then Customs and Border Protection addressed this same issue concerning an adjustment for CMI's margin[2]:

> "*Pindo Deli claimed that the involvement of the intermediary (CMI) in domestic sales, when export sales are direct from Pindo Deli to its Australian customer is a circumstance which affects the comparability of domestic and export prices.*
>
> *This margin was claimed to be xx percent of CMI's sales revenuce for January to May 2007 and xx percent for the remainder of the year. The margin was used to offset expenses incurred by CMI for a sales force, maintaining regional sales offices, warehousing, promotions and advertising. Pindo Deli calculated the average margin for the year as xxxxx percent of the gross invoiced amount. Pindo Deli also provided a non-confidential submission of its claim for an adjustment for level of trade and intermediary margin.*

Customs and Border Protection did not agree with Pindo Deli's assessment. Rather, Customs and Border Protection considered the sale from Pindo Deli to CMI to be a "transfer price" that was non-arms length (due to the association of the two entities). Customs and Border Protection correctly identified CMI as just an "Other Seller" of like goods on the domestic market and not as an intermediary selling agent. It further stated that "*sales on the domestic market [in Indonesia] are likely to incur the same sort of costs and allowances as sales to Australia*".

In a subsequent memorandum (i.e. a Supplementary Note to Visit Report PT Pindo Deli Pulp & Paper Mills – Post Visit Adjustments) placed on the public file in Investigation No. 138, Customs and Border Protection confirmed the level of the distribution margin claimed for the adjustment to Pindo Deli's normal value for alleged expenses incurred by CMI for a "sales force, maintaining regional sales offices, warehousing, promotions and advertising". The memorandum states[3]:

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[1] Dumping and Subsidy Manual, P. 66.
[2] PT Pindo Deli Pulp and Paper Mills – Preliminary Report on Dumping, Investigation No. 138, July 2008, P.31 (refer Non-Confidential Attachment 1).
[3] Refer Non-Confidential Attachment 2.

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> *"Pindo Deli claimed that the involvement of the related intermediary PT Cakrawala Mega Indah (CMI) in domestic sales, when export sales are direct from Pindo Deli to its Australian customer is a circumstance which affects the comparability of domestic and export prices. A margin for this difference was claimed to be 20 percent of CMI's sales revenue for January to May 2007 and 10 percent for the remainder of the year."*

Pindo Deli continues to operate the same arrangement with CMI in this copy paper investigation. The transfer price between Pindo Deli and its related selling arm is a transfer price for copy paper from manufacturer to distributor as the former does not conduct any sales, marketing, warehousing, promotions or advertising functions associated with the copy paper sold on the Indonesian domestic market. The cost of the sales, marketing, warehousing, promotions and advertising functions for goods sold domestically in Indonesia are borne by CMI. The normal value for goods exported by Pindo Deli must reflect the transfer price plus the sales and associated costs borne by CMI. As these costs (sales, marketing, warehousing, promotions and advertising) are also included in the export price to Paper Force (Oceania) Pty Ltd, no distribution margin is warranted for alleged differences between domestic and export sales.

This position is well documented in the Dumping and Subsidy Manual (refer Pp 67-68) and the only difference that is likely to exist where the domestic sales are from the associated distributor (i.e. CMI) whereas in the export market the sales are from the producer/exporter (i.e. Indah Kiat, Pindo Deli, Pabrik Kertas) itself, relates to price components that may reflect additional services provided in the domestic sales that are not incurred by the producer/exporter for export sales to Australia.

AP respectfully contends that the Commission has erred in providing Indah Kiat, Pindo Deli and Pabrik Kertas with a downward adjustment to normal value to allow for a distributor's margin for the alleged domestic sales function performed by the related entity CMI. The adjustment is in stark contrast to the recommended procedural policy enunciated in the Dumping and Subsidy manual at Section 14.3 and must be reversed.

CTM&S – Pindo Deli

It is noted that the Commission did not verify Pindo Deli's cost-to-make-and-sell ("CTM&S") copy paper due to "the relatively low volume of export sales to Australia". The Commission relied upon information from "other exporters" and considered Pindo Deli's costs as supplied in its EQR to be "comparable".

AP is concerned that the Commission did not take the opportunity to validate Pindo Deli's CTM&S during the verification visit. The failure to validate Pindo Deli's CTM&S brings into question the reliability of the ordinary course of trade ("OCOT") and the determination of normal values under s.269TAC(1).

Inland export freight – Indah Kiat

The Commission has made an adjustment to Indah Kiat's normal value for domestic inland transport but not for export inland freight. AP questions whether this was an oversight or whether there is some other plausible explanation that has not been disclosed in the verification report.

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Export credit terms

AP has noted that downward adjustments were made to each of Indah Kiat, Pindo Deli and Pabrik Kertas' normal values. No (upward) adjustments were made for export credit terms. AP notes that in Investigation No. 138 an upwards adjustment was made to Pindo Deli's normal value.

AP submits that export sales to Australia by the three exporters would incur an export credit charge. AP requests the Commission to uplift each of the exporter's normal value by the export credit charge.

Containerisation and packaging for export

The producer/exporters would incur costs associated with the packaging and containerization of copy paper for export to Australia. Indah Kiat, Pindo Deli and Pabrik Kertas' normal values do not reflect upward adjustments for these costs incurred for export.

AP requests the Commission to re-examine the costs incurred by each of the exporters to include the relevant adjustment for costs expended on the exported goods.

Conclusions

AP has demonstrated that the Commission has erred in allowing Indah Kiat, Pindo Deli and Pabrik Kertas a downward adjustment for a distributor's margin for goods sold domestically by CMI. The goods are provided to the associated CMI at a transfer price. CMI undertakes the selling function on the domestic market and its domestic selling prices reflect the same sales, marketing, warehousing, promotions and advertising expenses as goods exported to Australia. This adjustment must be disallowed and reversed.

AP highlights that the Commission has not included upwards adjustments for export credit, containerization and packaging expenses (all three exporters), and inland export freight for Indah Kiat. It is requested that the Commission re-examine these adjustments for inclusion in the normal value calculations for the exporters.

If you have any questions concerning this submission please do not hesitate to contact me on (03) 8540 2451 or AP's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

Matt Decarne
Trade Affairs Manager

Australian Government

Australian Customs Service

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FOLIO No: 50

CUSTOMS ACT 1901 - PART XVB

INVESTIGATION INTO THE ALLEGED DUMPING AND SUBSIDISATION OF CERTAIN TOILET PAPER EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND

ALLEGED DUMPING OF CERTAIN TOILET PAPER EXPORTED FROM THE REPUBLIC OF INDONESIA

PRELIMINARY REPORT OF DUMPING

PT Pindo Deli Pulp & Paper Mills

THIS REPORT AND VIEWS OR RECOMMENDATONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT CUSTOMS' FINAL POSITION

July 2008

Table of contents

1 PURPOSE

The purpose of the visit to PT Pindo Deli Pulp & Paper Mills (Pindo Deli) was to verify information contained in the exporter's questionnaire, submitted on 14 May 2008.

The submission comprised background to Pindo Deli's activities, details of exports to Australia, domestic sales, normal values and cost of production. The submission was supported by attachments.

The investigating team will use the verified information to make preliminary assessments of:

- Like goods;
- Who is the exporter and who is the importer;
- Export prices;
- Normal values; and
- Dumping margins

The team will preliminarily assess export price under s. 269TAB of the *Customs Act of 1901*[1] (the Act), normal values under s. 269TAC of the Act, and dumping margins under s. 269TACB of the Act.

At commencement of the visit, the following aspects were explained to the company:

- The process and future key dates for the investigation, statement of essential facts (SEF) and final finding;
- Confidentiality of information, including that information provided by the company would be treated as confidential unless the company agreed that it was non-confidential;
- Preparation of confidential and non-confidential reports on the visit;
- The public record system;
- The opportunity for Pindo Deli to make submissions to address issues arising from the visit report, and later the statement of essential facts; and
- The verification process and the importance of cooperation.

We emphasised that the purpose of the visit was essentially to verify information in the exporter questionnaire and to gather factual information to enable Customs to determine normal values and export prices in respect of Pindo Deli in accordance with relevant Australian legislation and the WTO Anti Dumping Agreement.

Any final conclusions and recommendations (to the Minister) would not come until later in the investigation and would be made by the case delegate. While our report would provide some assessments and interpretations of the data, these would be in the nature of opinions and recommendations to the case delegate, who retained the option to draw alternative conclusions consistent

1 All references to legislation in this report, unless otherwise expressly indicated, will refer to provisions of the *Customs Act 1901*.

with the legislation. After examining all available information, the delegate would give his report to the Minister, who makes the final decision.

Pindo Deli was informed that any copies of documents given to us would be marked as confidential unless we were told otherwise.

We commented that, as all exporter visit reports produced by Trade Measures were subject to Quality Review in Australia, we would be unable to provide a draft to the company before we left Indonesia.

Prior to Customs' departure from Australia to Pindo Deli, the company advised its willingness to fully cooperate with the investigation.

This commitment was generally demonstrated throughout the normal value investigation by making relevant staff available to provide explanations and by, providing access to requested information, including copies of documentation.

We were informed that ~~XxxxxxXxx~~ had been involved in ~~xx~~ dumping investigations for paper related products in the last ten years.

2 EXPORTER/ MANUFACTURER DETAILS

Company Name	PT Pindo Deli Pulp & Paper Mills
Address (Head Office)	B11 Plaza Tower 11 9th Floor Jl M.H. Thamrin No. 51 Jakarta 10350 Indonesia
Contact	Mr Arvind Gupta Deputy Director
Telephone	62 21 392 9266-69
Facsimile	62 21 316 207
Email	Arvind_Gupta@app.co.id

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Address (Factory)	Desa Kuta Mekar BTB 6-9 Karawang 41361 Jawa Barat Indonesia

2.1 Present at interview

Company

Mr Arvind Gupta	Corporate Sales and Marketing
Lenni Suriati	PD HQ Accountant
Lim Yuti	CMI HQ Accountant
Riko Handoko	Tissue Business Unit Head
Halim Maspolim	PD Export Marketing
Herlina Poppy	HQ Corporate Sales and Marketing

Other company staff were made available as required.

Company Representative

Mr Roger Simpson	Roger Simpson & Associates Pty Ltd

Indonesian Government Representatives

Mr L.Piter Hanfi K.S	Ministry of Trade, Republic of Indonesia
Mr Josep Pelawi	Directorate of Trade Defense, Ministry of Trade, Republic of Indonesia

Customs Representatives

Mr Andrew Mumberson	Customs Manager, DL&I
Mr Rod Jones	Supervisor, Operation 2

2.2 Date and place of interview

The meeting took place at the company's head office on 9 – 11 and 17 July 2008 and at the factory on 14 July 2008. During the factory visit the production process on one of the tissue machines (PM ~~xx~~) was explained to us.

2.3 Company details

Pindo Deli was established as a limited liability company, beginning commercial operations in 1978. The company is engaged in the manufacture and sale of paper, carton boxes and related products (including toilet paper for both domestic and export markets.

Pindo Deli is ~~xxxxx~~ percent owned by ~~XXxXxxxxxxxxXxxxxxxxxx~~. The principal shareholders of this company are listed in the exporter submission. Also provided with the submission was a corporate structure chart showing how Pindo Deli is related to associated or affiliated companies. Also provided was Pindo Deli's internal organisation chart.

All of Pindo Deli's domestic sales are through a related reseller PT Cakrawala Mega Indah (CMI), which is shown in the corporate structure chart in the submission. The reseller's activities are described in more detail later in the report.

The company's head office is located in Jakarta. The manufacturing plant for toilet rolls is located in the city of Karawang, which is about an hour's drive from Jakarta.

Production of tissue is continuous based on 3 shifts per day per machine.

We were provided with a brochure showing the range of tissue products that Pindo Deli manufactures (**attachment gen 1**)

2.4 Market profile

A breakdown of Pindo Deli's production of all products manufactured during the investigation period, in terms of volume, is as follows:

Exports to Australia;	~~xxx~~ percent
Exports to third countries ;	~~xx~~ percent
Domestic sales.	~~xx~~ percent

For the goods and like goods manufactured in the same period, the breakdown is:

Exports to Australia	~~xx~~ percent
Exports to third countries	~~xx~~ percent
Domestic sales	~~xx~~ percent

2.5 Accounting information

Pindo Deli's financial year is from January to December.

The 2006 and 2007 audited and consolidated financial statements specific to Pindo Deli were provided with the submission. The accounts were audited by Jimmy Budhi & Rekan, registered public accountants. The accounting firm noted that its audits were conducted in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants.

The following observations were made in the submission:

Xxxx. (Accounting practices)x

A chart of accounts was provided with the financial statements.

All financial records are held in the company's head office in Jakarta.

The company uses an XXX accounting system to generate journal ledger accounts.

This system incorporates a xxxxxxxxxxxxxxxxxxxxx module which records:

XxxxxxxxxxxxxXxxxxxxxxxXxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxx

The system also incorporated a xxxxxxxxxxxxxxxxxxxx module which records, xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx:

XxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxAt the end of each month the XXX system generates a trial balance and financial statement.

We were provided with a copy of a power point presentation giving an overview of the company's accounting system (**Confidential Attachment ACC 1**).

2.6 Turnover and income statement

As requested by the exporter questionnaire the company provided us with an income statement (Attachment A-6) and a spreadsheet giving turnover details (Attachment A-5).

In A-6, was a notation "Export to Australia [includes] ~~xxxxxxxxxxxxXXX xxxxxXXxxx~~. This refers to sales ~~xxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxx xxxxxxxxxxxx xxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxx xxXxxx xxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxx~~ (accounting practice)

The volume and value of sales shown at Attachment A-6 agreed to the amounts shown at Attachment B-4 (Sales to Australia). However, the data for domestic sales at Attachment A-6 did not match the data at Attachment D-4 (domestic sales). This was because the amounts shown at D-4 were domestic sales by CMI, being the first arms length sales of the goods in Indonesia. Attachment A-6 showed the volume and value of total sales of all production, and the GUC, for Pindo Deli only.

3 GOODS UNDER CONSIDERATION & LIKE GOODS

The goods the subject of the application (the goods) are certain toilet paper in rolls with the following dimensions:

- a maximum width of 120mm;
- a diameter not exceeding 135mm; and
- a perforated sheet size of approximately 110mm x 100mm.

Parent reels, folded toilet tissue and jumbo toilet rolls are excluded from the investigation.

The goods are classified to tariff subheading 4818.10.00, statistical code 01 in Schedule 3 of the *Customs Tariff Act 1995*. The goods from Indonesia are subject to rates of duty of 5%.

With the submission, Pindo Deli provided specification data for each type of toilet roll sold in Indonesia and sold to Australia. The information provided included:

- Sheet width;
- Sheet length; and
- Roll diameter.

The specification data also included other data such as ply, printing design, embossing type, grams per square metre (gsm) and packaging.

We noted that the specification data the toilet rolls as Quality ~~xXxx~~and asked Pindo Deli whether there were different qualities of toilet paper produced.

Pindo Deli advised that their mills only used Quality ~~xXxx~~or "~~xx~~ product and that only Quality ~~xxx~~ were exported to Australia.

Pindo Deli said that associated companies PT Lontar Papyrus and PT The Univenus made and sold Quality ~~xxx~~ products, ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~(description). For example, Quality ~~xxx~~ toilet paper ~~xxxxxxxxxxxxxx xxxxxxXxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxx~~ (description)

Our examination of the description of the goods provided with the application showed that none of the Quality ~~xxx~~ product had been exported to Australia.

Pindo Deli also said that the Quality ~~xxx~~ and Quality ~~xxx~~ products ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxx~~ (sales information). The company further submitted that the Quality ~~xxx~~ product ~~xxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ (sales information). Regardless, Pindo Deli do not make Quality ~~xxx~~ toilet rolls, even though CMI does sell this product.

Pindo Deli provided physical samples of a Quality ~~xxx~~ (Pindo Deli) and Quality ~~xxx~~ (Univenus) ~~Xxxxx~~ (brand) toilet roll at **Attachment G-2.**

PT further advised that the cost and sales data provided in the submission related only to Quality xxx product. Throughout our verification we did not see any information that contradicted this advice.

Using the data provided we compared the Quality xxx toilet paper manufactured and sold by Pindo Deli in Indonesia and the Quality xxx toilet paper manufactured and sold by Pindo Deli to Australia we found that both met the description above.

3.1 Like goods – preliminary assessment

We are satisfied that the toilet paper produced by Pindo Deli for sale on the domestic market are not identical but have characteristics closely resembling those exported to Australia in terms of s. 269T(1) of the Act.

4 EXPORT PRICE

4.1 Export sales

Pindo Deli is the manufacturer and exporter of toilet paper sold to Australia under the brand names of [redacted] (brands)

[redacted] (sales practice)

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Pindo Deli considers that it has [redacted] (customer information)

Pindo Deli summarised the sales process to [redacted] as follows:

[redacted]

The sales process [redacted]

Pindo Deli submitted there were no rebates or off-invoice discounts associated with its sale of goods to Australia. We found no evidence to the contrary. The company also submitted that it was not related to any of its Australian customers. Again we found no evidence to the contrary.

Pindo Deli advised that [redacted] (price information)

Pindo Deli further advised that [redacted] (supply arrangements)

~~Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~
~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~
~~xxXxxxxxxxxx~~ (price arrangements)

4.2 Exporter and importer – preliminary assessment

~~XxxxxxxxxxxxxXxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxx~~
~~xxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~
~~xXxxxxxxXxxxxx~~

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- Negotiated the price;
- Received the order for the goods from its Australian customers;
- Manufactured the goods;
- Transported the goods to port;
- Arranged for the goods to be placed aboard an international cargo ship and in some cases, arranged overseas freight;
- Invoiced~~xxXxxxxxXxxxxxxxxxXxxxxxxxxxxxx~~
- Received payment directly from

~~xXxxxxxXxxxxxxxxxXxxxxx~~

Based on the above we form the preliminary view that Pindo Deli is the exporter of the goods.

We further note that ~~xXxxxxxxx~~

- Negotiated the price
- Raised the purchase order with Pindo Deli;
- Were invoiced by Pindo Deli;
- Paid the invoiced amount directly to Pindo Deli;
- Arranged and paid for the unloading of the goods;

Arranged inland freight in Australia. xBased on the above we form the preliminary view that ~~Xxxxxx~~ is the importer of the goods. We consider export price can be determined for these transactions in accordance with s. 269TAB(1)(a) of the Act.

However, we note that from the ~~XxxxxxXxxxx~~ visit report different circumstances apply for some transactions. ~~XxxxxxXxxxxx~~is both an importer and a trader. For transactions where it is an importer, the same considerations apply as for~~xXxxxxxx~~and those transactions can be determined in accordance with s. 269TAB(1)(a) of the Act.

For transactions ~~xxxxxxxxxxXxxxxxxxx xxxxxxxxxxxxxXxxxxxXxxxxxxxxxxxx~~
~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxXxxxxxxxxxxxxxxxxxxxxxxx~~
~~xxxxxxxxxxxxxXxxxxxXxxxxxXxxxxxXxxxxxxxxxxxxxxxxxxxxxXxxxxxXxxxxxXxx~~
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~~xxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxx(trading arrangements)

For these last four reasons, we preliminarily concluded that XxxxxxXxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx XxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxXxxxxxxxx xxxxxxxxxXxxxxxx (trading arrangements)

Xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxXxxxxxXxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxXXXxxxxxxxxxxxxxxxxxx (trading arrangements)

We do consider that all the circumstances of the sale are known and that export pricexxxxxxxXxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxcan be determined in accordance with s. 269TAB(1)(c), using Pindo Deli's invoiced price less any post exportation costs where incurred.

4.3 Export sales verification

4.3.1 Introduction

Pindo Deli provided a spreadsheet with its submission showing all sales of the goods to Australia in the investigation period. We reconciled the total volume and values shown in the spreadsheet to 'exports to Australia' shown in attachment A- 6.

4.3.2 Verification to exporter spreadsheet

There were 491 shipments by Pindo Deli to Australia in the investigation period. Details of these shipments were shown at attachment B-4 to the submission. The shipments shown in the spreadsheet matched information obtained from Customs' commercial data base.

Two sets of documents were provided with the exporter submission.

Prior to the visit we selected documentation relating to 10 export sales to Australia for verification. During the visit we selected a further 5 sales and requested supporting documents. We requested copies of the:

- Sales confirmation;
- Invoice;
- Packing list;
- Bill of lading;
- Evidence of payment;
- Overseas freight invoices and evidence of payment (where applicable).

We were also provided with the journal entry in the Pindo Deli's accounts showing the payment to Pindo Deli by the Australian customer.

Copies of these documents are at **Confidential Attachment exp 1**.

We matched quantity, value, customer, description and other details shown on the shipping documents to the export sales spreadsheet provided with the submission.

The exporter spreadsheet also showed the ocean freight in USD per transaction. We were informed that the CIF ocean freight charge on the spreadsheet included terminal handling charges and certain other pre FOB costs, but not including domestic inland freight and customs clearance fee. The invoices for ocean freight reflected the combined charge.

Where the shipment terms were FOB, the amounts shown as 'ocean freight' in the export sales spreadsheet were these pre FOB costs only. Therefore, the terminal handling charge (and certain other pre FOB charges) only was shown for those shipments that were FOB and listed in B-4 under ocean freight.

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For the purpose of deriving an export price at FOB level for CIF shipments, we calculated a per tonne rate from the 'ocean freight' charge for those FOB shipments and deducted this amount from the ocean freight charge. We are of the view that this method derives an ocean freight amount net of terminal handling charges.

Ocean freight was apportioned by weight on the export sales spreadsheet where there was a split shipment, for example, toilet rolls and jumbo rolls. Invoices for combined ocean freight and terminal handling charges (or terminal handling charges only for FOB shipments) for selected shipments are at **Confidential Attachment exp 2**.

For one of the selected shipments we noticed a discrepancy in the ocean freight allocation (invoice number, dated). The company explained that there was a decrease in the shipping rate on, altering the standard rate from. The company provided an extract from its ~~XXX~~ system showing the rate change on 15 March 2007 and a Vessel Booking Instruction showing the shipment had been booked before the rate change (**Confidential Attachment exp 3**).

We found no other discrepancies with ocean freight charges.

Marine insurance was apportioned as 'Table of Rate and Premium' as a proportion of overseas sales for 2007 (**Confidential Attachment exp 4**). The export sales spreadsheet in the submission inadvertently included marine insurance for its FOB sales to Australia. This was removed from our calculations of export price. As marine insurance was a minor cost, we did not verify further.

Inland freight for export is shown as 'Inland transport' on the export spreadsheet and includes customs clearance fee.

We requested export inland freight invoices and journal entries for ten shipments (**Confidential Attachment exp 5**). For some shipments, the inland freight invoices were consolidated documents covering several shipments.

The general ledger amount (standard cost) matched the amount shown in B-4 in each case. The general ledger also showed the Rupiah amount converted to USD. (We compared the rate of exchange used by the company to Customs' exchange rate and found them comparable). The amount in USD was apportioned by weight and was shown as the inland freight amount for export shipments at B-4 to the submission.

However, we were not able to match the amounts shown in B-4 and in the general ledger to actual freight invoices. The freight invoices showed two components of the charge, the actual inland freight and a customs clearance fee.

We provided the company with an example of this problem, where the journal entry and amount shown in B-4 was approximately half of the amount shown on the invoice. (The example provided involved a single line of goods so there was no further complicating factor of apportionment).

The company responded by acknowledging the standard costs for inland freight used in its general ledger, and subsequently in B-4, were dated and inadvertently understated.

As we had verified invoices for inland freight and customs clearance charges for 15 shipments, the company suggested we use these amounts as the basis of an allocation by weight for each shipment. The selected shipments covered the investigation period and a range of customers/consignees.

We examined the data before us and consider the company's proposal reasonable. The average amount for inland freight and customs clearance for our export price calculations increased from USD~~xxxxxx~~to USD~~xxxxxx~~per M/T. The calculation of the amended inland freight amount is at **Confidential Attachment exp 6**.

Base on the data provided by the company and our verification, we are satisfied that the export price spreadsheet, amended as described above, is a suitable basis to calculate export price for the goods in accordance with s. 269 TAB of the Act.

4.4 Arms length

After examining sales information contained in the questionnaire, the sales documentation in respect of the selected export sales, the importer visit reports and other material during our visit, we found no evidence to suggest that:

- there was any consideration payable for, or in respect of, the goods other than their price; or
- the price was 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, or an associate of the buyer, would, 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.

Based on the above, we are satisfied that sales of the goods by Pindo Deli to Australia are sales that are arms length transactions in accordance with s. 269TAA.

4.5 Export price – preliminary assessment

As detailed above, documentation in respect of the circumstances of Pindo Deli's export sales to Australia during the investigation period were verified. This included selling prices, payment terms, inland freight, port and handling charges and other ex-works costs.

We preliminarily identified the importer and exporter for each transaction. We further identified two circumstances concerning Pindo Deli's export sales. For the first circumstance, where ~~XxxxxxXxxxxxxxxxx xxxxxxxxxxxxxxxx xxxxxxxxxx~~, we consider that the goods were:

- exported to Australia otherwise than by the importer; and
- purchased by the importer from the exporter in arms length transactions.

For these sales, we recommend that export price be determined in accordance with s. 269TAB(1) (a) of the Act using the invoiced price less any charges incurred post FOB.

In the second circumstance, ~~xxxxxxXxxxxxXxxxxx xxxxxxxxxxxxx xxxxxxxxxxxxx xxxXxxxxxxxxxx~~ there are reasonable grounds to conclude that the goods were:

~~xxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~

We conclude that all the circumstances of the sales are known for these transactions. Pending further inquiries in Australia, we recommend that export price for the above sales be determined in accordance with s. 269TAB(1) (c) of the Act, using the invoiced price less any charges incurred post FOB.

Export price calculations are at **Confidential Appendix 1.**

5 COST TO MAKE & SELL

The Cost To Make and Sell (CTMS) data provided with the submission for domestic and export sales consists of costs ex factory but does not include delivery and associated costs such as terminal handling fees. These costs are verified separately in export price, normal value and adjustments.

Pindo Deli advised that actual costs were used throughout the company and in the compilation of the data. In some instances a standard cost may be used based on historical data with a revaluation adjustment done on receipt of the final invoices.

Shared costs are allocated based on tonnes of production or the machine rate of tonnes produced per hour.

We visited Pindo Deli's manufacturing facility and viewed the manufacture of parent rolls and converted products including toilet rolls. Pindo Deli provided a power point presentation of the facility and the manufacturing process.

From the presentation, we were informed that the production facility is located about 50km from Jakarta, there are two mills, Pindo-1 (started in 1976) and Pindo-2 (started in 1997).

Both mills ~~xxxxXXXxxxxxxXxx xxxxxxxxxxxXxxxxxxxXxxxxxxxxxXxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXXXxxxxxxxXxxxxxxxxxxxxxXxxx xxxxxxXxxxXxxxxxxxxXxxxxxxxXxxxxxxxxxxxxxXxxxxxxXxxxxxxxxxxxxxxXXX XxxxxxxXXXXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ (quality standard details)

Pindo Deli also has ~~XXXxxxxxxxxxxx xxxxXxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXXXXXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxXXXxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxXxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxXxxxxxxxXxxxxxxxxxXxxxxxxxxxXX Xxx~~ (quality standard details)

Pindo-1 facilities include ~~xxxxx~~ paper machines, whilst Pindo-2 facilities include ~~x~~ paper machines. Also on the site are ~~xxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXXXXXxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxx~~ (production processes)

Other products produced at the site included woodfree, preprint, coated, thermal, carbonless and photocopy paper as well as corrugated boxes and sheets. Pindo Deli manufactures the cores for the toilet rolls as well as the boxes for packaging.

The GUC are manufactured from parent tissue rolls produced on paper machine ~~xxxx~~ (PM-~~x~~) located at Pindo-1 and paper machine ~~xx~~ (PM-~~xx~~) located at Pindo-2.

Other converted tissue products produced on the site which are not the goods are:

[redacted] (product information) Pindo Deli provided a tissue product catalogue that details the products produced by Sinamas Mills.

In addition Pindo Deli manufactures and sells the different types of parent rolls both domestically and for the export market.

A hard copy of the power point presentation giving the above overview of Pindo Deli's manufacturing facilities is at **Confidential Attachment CP 1**.

We had noted a discrepancy in the submission relating to production and sales. Pindo Deli advised that this was to do with [redacted] (accounting arrangements) This spreadsheet is at **Confidential Attachment CP-2.**

5.1 Cost of production

A brief overview of the production process is as follows.

Imported and locally produced pulp is mixed with broke (recovered waste tissue) and chemicals and then fed [redacted] The paper machine forms and makes the tissue paper, all tissue paper manufactured [redacted]

[redacted] (production details)

5.1.1 Verification of cost data

Pindo Deli accounts for its costs [redacted] The Cost To Make (CTM) provided in the submission consists of material costs, direct labour and manufacturing overheads.

[redacted]

[redacted](production details)[redacted]

Pindo Deli provided a[redacted] document for the calendar year 2007 that details the cost to make the GUC and other products on a monthly basis. The details match the CTM detail on the submission. This document is at **Confidential Attachment CTM-1.**

Pindo Deli provided a more detailed Statement [redacted] that detailed these costs that match the submission[redacted] These details are at **Confidential Attachment CTM-2.** [redacted]

Material Costs

Material costs are the costs of paper and chemicals.

Chemical costs include solvent, emulsion and ink for printing. These costs comprise[redacted]of material costs and approximately[redacted]CTM.[redacted]The paper costs account for[redacted]of CTM and consist of[redacted]costs (Jumbo or Parent Roll) and wastage. Wastage is the amount of scrap tissue (broke) from production of toilet rolls. It is reused in the production in the production of parent rolls and is accounted for as a negative cost[redacted]

Pindo Deli provided the following documents to substantiate the cost of the parent roll. Parent rolls are produced by Pindo Deli at the same site as the converted tissue. The parent roles for the GUC are produced on Paper Machine [redacted]

Pindo Deli provided a summary of production volumes and costs for each month of 2007 for[redacted] This document forms **Confidential Attachment CTM 3.**

[redacted]Pindo Deli provided a summary of costs of the parent rolls for [redacted] (verification details)[redacted] These details are at **Confidential Attachment CTM-4.**[redacted]

To substantiate the costs at **CTM-4** Pindo Deli provided detailed costing for producing parent rolls for [redacted] These details are at **Confidential Attachment CTM-5.**

The cost of the parent rolls consist of pulp costs, chemical costs, variable overheads such as electrical, steam, gas and water, packaging and fixed overheads.

Pulp costs [redacted] of the CTM of the parent roll [redacted] (pulp usage rate)

Pindo Deli provided the Monthly Pulp Consumption Report [redacted] this report is at **Confidential Attachment CTM-6.**

The total consumption by type on this report matches the total pulp consumption at shown at **CTM-5**. Also provided was the Pulp Stock report and Pulp consumption report for [redacted] These reports form **Confidential Attachment CTM-7**.

The pulp used to produce the Parent roll tissue paper for the GUC on [redacted] is detailed at **CTM-6**. [redacted] (types of pulp)

[redacted] (how certain types of pulp are used)

[redacted] (costing of pulp)

The cost of purchased [redacted] Pindo Deli provided invoices and payment details to substantiate the volume and value of [redacted] These documents are at **Confidential Attachment CTM-8.**

[redacted] Pindo Deli provided invoices and payment details to substantiate the volume and value of [redacted] (pulp usage and cost details) These documents are at **Confidential Attachment CTM-9.**

[redacted] The cost of purchased [redacted]

[redacted] (pulp usage and cost details) These documents are at **Confidential Attachment CTM-10.**[redacted]

Pindo Deli also provided invoices and payment details for purchases of [redacted] These documents are at **Confidential Attachment CTM-11.**[redacted]

After reviewing the information provided by Pindo Deli we were satisfied that the unit cost of pulp used in the production of the parent rolls for toilet tissue was reasonable.

<u>Prices of purchased pulp</u>

[redacted] (pulp sourcing arrangements)

[redacted] (pulp sourcing arrangements)

[redacted]

[redacted]

[redacted]

[redacted]
(pulp sourcing arrangements)

[redacted]
This pricing and comparison with Pindo Deli's pricing is also at **Confidential Attachment CTM-11**.

Based on the information available we consider that the price paid by Pindo Deli to [redacted] reflects a market price.

<u>Other costs in making the Parent rolls</u>

Other costs included in making the parent rolls consisted of variable costs of chemicals, packaging and energy and fixed including depreciation, repairs and direct and indirect labour.

[redacted]

[redacted]

xxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxXXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxXxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxx xxxx(descriptions and details of other costs)

Documents relating to other costs includingxxxxxxxxxxxxxxxxxxxxxxxxxxxxare at **Confidential Attachment CTM-12.**xPackaging costs include xxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxPindo Deli provided a listing x xxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxXXXxxxxxThis document is at **Confidential Attachment CTM-13.x**

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Verification to audited accounts

Pindo Deli provided a listing by individual product by weight for the GUC xxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxXxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxXXXxxxxxThis document is at **Confidential Attachment CTM-14.x**

Pindo Deli also provided a listing for volumes and values for productsxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxx**Confidential Attachment CTM-15.** The values and volumes for the converted GUC matched those at **CTM-2.**xPindo Deli then provided the trial balancexxxxxxXXXxby month for 2007, **Confidential Attachment CTM 16.** The values of the Cost of Goods Sold (COGS)xxxxxXxxxxxxxxxxxxx reconciled to the values at **CTM-15** with minor variances.

The total value of COGS at **CTM-15** reconciles to the value for Costs of Sales in the audited accounts for 2007, **Confidential Attachment CTM-17.**

We also obtained details relating to pulp, costs of production of the parent rolls, cost of converting of the finished goods and production xxxxxXxxxxxxxxxxxxThese details reconciled to the amounts in the submission. These documents form Confidential Attachment CTM-18.

5.1.2 Cost of production - summary

As a result of the verification performed at the company we are satisfied that raw material and other manufacturing costs were fully absorbed by Pindo Deli. We are further satisfied that information given in the exporter questionnaire and verified data provided to us are reliable and a suitable basis to determine the cost to make of the goods.

5.1.3 Differences in production costs between goods exported and goods sold domestically

Production costs (CTM) shown in the submission are the same for the goods exported and the goods sold locally.xxXxxxxxXxxxxxxxxxxxxxxxx xxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxx

We asked Pindo Deli about differences in packing costs, xxxxxxxxxxxxxxxx xxxxxxx xxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxx

Pindo Deli said that they xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx and applied package costs on an average unit xxxxxxxxxxxxxxxxxx Pindo Deli claimed, as per their opening remarks at the verification visit (see 'General Comments'), that it would be cheaper to produce the 4 ply exported tissue than the 3 ply tissue due to lower packaging and machine costs xxxxxxxxxxxxx Pindo Deli also said that they could claim an adjustment in their favour on these lower costs per tonne for the 4 ply but did not have the data to do so.

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5.2 Selling, general and administration expenses

5.2.1 <u>Pindo Deli's selling, general and administration expenses</u>
Selling expenses in the submission are comprised of ~~xxxxxxxxx xxxxxxxxxxxxxxxxxx~~ Pindo Deli provided a listing of the items that make up~~xXxxxxxxxxxXxxxxxxxx~~ (Selling, General and Administration) and~~xXxxxxxXxxxxxxxXxxxxxxxxxxxxxxx~~audited accounts. This listing forms **Confidential Attachment CTS-1.x**

From this listing Pindo Deli identified indirect selling expenses ~~xxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~the balance of the total selling expense were then used in the calculation for direct selling costs.x

The indirect selling expenses were netted off the total sales of Pindo Deli to obtain an ex-mill sales amount. Direct selling costs were allocated on the basis of these expenses over the ex-mill sales amount of Pindo Deli to derive a percentage. This percentage was then applied to domestic and export sales of the goods in the submission, at an ex mill value, for selling costs. The percentage was applied equally and amounted to~~xxxxx~~%, this is applied to the ex mill sales value for domestic and export sales.

General and Administration (G&A) expenses were derived by the total of these expenses in the audited accounts over total ex-mill sales. Included in the G&A is ~~axxxxxxxxxxxxxxxxx xxXXXxxxxxxXxxxxxXxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxXXXxxXxxxxxxxxxXxxxxxXxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXXXxxxXxxxxxXx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxXXXxxxxxxxxxxxxxxxxxxxxxxxxxxXXXxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~

~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxXxxxxxxxXxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~

[redacted]

[redacted] (details of SG&A expenses)

Pindo Deli supplied a spreadsheet summarising the above expenses and their allocation to the SG&A expenses for the goods. The allocation on a percentage of sales ex-mill matched the allocation in the submission for SG&A expenses for Pindo Deli. The spreadsheet is at **Confidential Attachment CTS-2.**

5.2.2 <u>CMI's selling general and administration expenses</u>

A spreadsheet detailing the calculation of CMI's SG&A expenses was provided, a copy of which is at **Confidential Attachment CTS-3**. The calculations are based on CMI's audited accounts and its trial balance.

Selling expenses are calculated by [redacted] CMI's trial balance detailing selling expenses, general expenses and finance expenses is at **Confidential Attachment CTS-4.** [redacted] The amounts in the trial balance reconciled to the statements including adjustments at **Confidential Attachment CTS-5** and to CMI's audited accounts for 2007, which is at **Confidential Attachment CTS-6.**

5.3 Non-operating expenses

There are no non-operating expenses.

5.4 Delivery costs

Cost associated with delivery are not included in the CTMS as mentioned earlier, these are verified in the sales section.

5.5 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the cost to make and sell the goods on the domestic market.

Cost to make and sell calculations for the domestic goods are at **confidential appendix 2**.

6 NORMAL VALUE

6.1 Introduction

Pindo Deli does not sell toilet paper directly in the Indonesian market. It sells these goods through an associated reseller – CMI. Pindo Deli provided, with its submission, details of all sales of like goods sold by CMI in the investigation period.

Pindo Deli submitted that the sale by CMI was the first arms length sale of Pindo Deli's product in the Indonesian market (see following description of the sales process). The company submitted the 'sale' from Pindo Deli to CMI was a transfer of goods from one company to another related company in accordance with Indonesian accounting standards.

Pindo Deli submitted that CMI only sold toilet paper manufactured by Pindo Deli and other associated companies, such as PT The Univenus and PT Lontar Papyrus in the Indonesian market over the investigation period – it did not sell any other manufacturer's product. We found no evidence to the contrary.

Total sales of like goods in the investigation period by CMI were ~~xxxxxx~~ tonnes.

6.2 Price paid or payable in domestic sales

6.2.1 Domestic sales

Pindo Deli submitted that there were ~~xxx~~ levels of CMI's sales in the Indonesian market-~~xxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxXxxxxx xXxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxXxxxxxx~~ (sales arrangements) These different levels of trade were identified in the domestic sales spreadsheet at D-4 to the submission.

CMI uses a sales force to approach customers. ~~Xxxxxxxxxxxxxxxx xxx~~ xxxxxx-xxxxxxxxxxxxxxxx-xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxx xxxxxxXxxxxxxxxxxXxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxx (price arrangements)

Pindo Deli submitted that ~~xxxxxxxxxXxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXXXx~~ (price arrangements)

Pindo Deli described ~~xxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~:

~~XxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxx~~

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxx (price arrangements)

There were in excess of xxxxxx sales of like goods to xxxxxxxxxxxxxxx individual customers during the investigation period.

Pindo Deli described the sales process as follows:

6.2.2 Verification of domestic sales

Pindo Deli provided documents relating to two domestic sales with its submission.

Prior to the visit we requested copies of documents relating a further 12 domestic sales. During the visit we selected a further 8 domestic sales and requested copies of documents relating to those sales. The selected documents covered the investigation period and different circumstances of sales.

For the selected sales we were provided with copies of the:

- Purchase order;
- Sales confirmation;
- Invoice;
- Delivery note (packing list); and
- Evidence of payment

Copies of these documents are at **Confidential Attachment Dom 1.**

We matched details shown on the copies of the documents to the domestic sales spreadsheet at attachment D-4 to the submission.

We noted, in a small number of cases, some of the sales listed in attachment D-4 to the submission showed in the 'quantity' column. We were informed that this circumstance was to account for price adjustments after the sale for reasons such as allowing for xxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxx (sales arrangements)

We noticed other sales where the quantity was shown as a negative amount. We were informed that this was for the return of goods or defective goods. In these circumstances, credit notes are raised and recorded as a selling expense rather than a revenue reducing item.

We selected a total of eight transactions from attachment D-4 where these circumstances exist, and requested copies of relevant documents. We were provided with a copy of the original invoice, a credit or debit invoice (depending on the circumstance) and for one example, where the price adjustment had been recorded in XXX. These documents are at **Confidential Attachment Dom 2.** We matched the data shown at attachment D-4 to the credit/debit documents at confidential attachment D-4 in each case.

We also requested a copy of a set of documents relating to the (non-arms length) sale between Pindo Deli and CMI. We were provided with a Pindo Deli invoice showing CMI as the customer. Included with the invoice was a delivery note to CMI's warehouse. Evidence of payment was provided in the form of journal entries which we were able to match to a bank statement. These documents are at **Confidential Attachment Dom 3.**

We examined sales described in D-4 to copies of supporting documents and found no discrepancies. We reconciled sales data to higher level accounts as per Section 2 of this report. On this basis we are satisfied that D-4 is an accurate summary of domestic sales of like goods that occurred over the investigation period.

6.2.3 Arms Length Transactions

We note that Pindo Deli does not sell toilet paper in the Indonesian market. Its related company, CMI, performs this function. For the purpose of s. 269TAC(1) of the Act, we consider CMI to be an 'other seller' of like goods on the domestic market.

After examining CMI sales information contained in the questionnaire, the sales documentation in respect of the selected domestic sales and other material during our visit we found no evidence, to suggest that:

- there was any consideration payable for, or in respect of, the goods other than their price; or
- the price (of the first arms length sale) was 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, or an associate of the buyer, would, 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.

We are satisfied that domestic sales by CMI of like goods during the investigation period were arms length transactions in terms of s. 269TAA of the Act.

6.2.4 Ordinary Course Of Trade

Pindo Deli submitted that sales to ~~xxxxxxxxxxxx~~ were the fairest comparison to use when comparing domestic sales to export sales. We examined sales to ~~xxxxxxxxxxxxxXxxxxxxxxxxxx~~ and sales to ~~xxxxxxxxxxxxxxx xxxxxxXxxxxxxXxxxxx~~ as separate tests to determine whether sales were in the ordinary course of trade.

We examined whether domestic sales were in the ordinary course of trade by comparing each domestic selling price to the monthly cost to make and sell.

The domestic selling prices included discounts and further deductions were made for transport costs to compare them with the monthly CTMS at ex factory level. We did not make a deduction for credit costs as the company submitted that these were already included in the CTMS in finance expenses. Sales at a loss were then compared with the weighted average CTMS for the investigation period to see whether they were recoverable.

For sales to ~~xxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~% of sales were at a loss and not recoverable.

For sales to ~~xxxxxxxxxxxx~~ only approximately ~~xxxx~~% of sales were at a loss and not recoverable.

For ~~XxxxxxxXxxxxx~~ sales, we found ~~xxx~~ % of sales were at a loss and not recoverable.

We are satisfied that there are domestic sales of goods are in the ordinary course of trade.

Ordinary course of trade test calculations are at **Confidential Appendix-3**.

6.2.5 <u>Volume and suitability of domestic sales</u>

We assessed the volume of domestic sales in the ordinary course of trade against the volume of goods exported to Australia.

For ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ the volume was approximately ~~xxxx~~%, for ~~xxxxxxxxxxxxxxxxx~~ approximately ~~xx~~% and for ~~XxxxxxxXxxxxx~~ approximately ~~xxx~~%.

We consider there are sufficient domestic sales in the ordinary course of trade for both the ~~xxxxxxxxxxxx~~and ~~XxxxxxxXxxxxx~~.

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We did not identify any factors in the Indonesian market which would make these sales unsuitable.

6.2.6 <u>Domestic market situation</u>

On the basis of general discussions with Pindo Deli regarding the toilet paper market in Indonesia and our verification of information relating to Pindo Deli's domestic activities we found no evidence to suggest that the market situation in Indonesia made the domestic sales 'unsuitable', within the meaning of s. 269TAC(2)(a)(ii) of the Act.

6.2.7 <u>Domestic sales - summary</u>

Based on the verification process, we are reasonably satisfied that there were sufficient quantities of sales by CMI that were arms length and in the ordinary course of trade, either at ~~xxxxxxxxxxx~~ level, ~~XxxxxxxXxxxxx~~ level or overall, to establish normal values on the basis of price paid on the domestic market.

Therefore, we consider that sufficient evidence has been given and verified to establish normal values in accordance with s. 269TAC(1) of the Act using domestic sales at the ~~xxxxxxxxxxxxxxxxxxxxxXxxxxxxXxxxxx~~ levels.

6.3 Sales by other sellers

As noted above, we consider CMI to be an other seller of like goods in the domestic market.

We are aware of a least one other seller of like goods in the Indonesian market. However we have no information from this seller that could form the basis of an s. 269TAC(1) normal value calculation.

6.4 Third country sales by the exporter

Pindo Deli's submission provided summary details of its exports to third countries during the investigation period showing, among other things, quantity and value.

We requested and were provided with three third country sales invoices which are at **Confidential Attachment Thd 1**. As we consider we have sufficient information to determine normal value under other sections of s. 269TAC of the Act, we sought no further documents relating to third country sales.

6.5 Constructed normal value

As noted above, we are satisfied that we have sufficient verified information to enable us to construct the cost to make and sell of the goods exported to Australia. We consider that we have sufficient data, either from domestic sales data or the financial statements, to calculate a suitable rate of profit if we were required to construct a normal value.

6.6 Best available information

We consider that sufficient verified information has been furnished to determine normal values by means other than s. 269TAC(6) of the Act.

6.7 Fair comparison

We have formed the preliminary view that normal value should be determined in accordance with s. 269 TAC(1) of the Act. Therefore, any adjustments to the constructed cost should be made in accordance with s. 269TAC(8) of the Act, as discussed below. If the delegate chooses to adopt a constructed normal value approach in accordance with s. 269TAC(2)(c) of the Act, the following adjustments should be considered in accordance with s. 269TAC(9) of the Act.

6.7.1 Inland freight

Pindo Deli provided details of inland freight costs for export from factory to wharf and includes the customs clearance fee. As noted under 'Export Price' we could not use the claimed actual invoice price for inland transport provided by the company. We choose instead to allocate the cost for inland freight, based on actual invoices.

Pindo Deli submitted that actual amounts for domestic inland freight were difficult to obtain for each transaction, given that both road and ship may be used, and because of the number of transactions involved. We acknowledge the difficulty in the circumstance in providing actual inland freight costs for each of the ~~xxxxxx~~ lines of domestic sales data provided.

It suggested instead that an average amount for inland freight incurred by Pindo Deli for tissue products to CMI's warehouse plus an average amount from CMI's warehouse to its customers be used. All sales by CMI, whether direct from Pindo Deli or from CMI's warehouse are FIS customers store.

We requested an extract from the accounting system showing the total domestic freight costs for all hygiene products and the corresponding sales quantity for both CMI and Pindo Deli. We also obtained a copy of the journal entry, showing all domestic inland freight, broken down by month for CMI. The total inland freight amount shown on the journal entry matched shown in for CMI in SAP. A copy of these documents is at **Confidential Attachment adj 1**.

We consider the proposed method of calculating an average domestic inland freight rate reasonable. We consider that a downward adjustment to the domestic selling price be made to account for domestic freight and an upward adjustment for export inland freight should be made.

6.7.2 Packaging

Pindo Deli submitted that packing costs were the same for domestically sold goods and those goods exported to Australia. After examining cost data and observing the production process, we agree with this view and recommend that no adjustment be made in respect of packaging.

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6.7.3 Credit terms

~~XxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXXxXxxxxxXxxxxxxXxxxxxxxxxx XxxxxxxxxXxxxxxxxXxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~. (borrowing arrangements) The number of days for payment is specified on a transaction basis in both the exporter spreadsheet (B-4) and the domestic sales spreadsheet (D-4).

The calculation of the credit rate, and extracts from the financial statements showing the average credit terms, is at **Confidential Attachment adj 2**.

We consider a downward adjustment for domestic credit and an upward adjustment for export credit should be made to the domestic selling price.

6.7.4 Level of Trade

Pindo Deli claimed that a level of trade difference existed for sales to ~~XxxxxxxXxxxxx~~ customers compared to sales to Australian customers. It submitted that all sales to Australia were to ~~xxxxxxxxxxxx~~. The company proposed that we disregard domestic sales to ~~XxxxxxxXxxxxx~~ customers for normal value purposes and only consider sales to ~~xxxxxxxxxxxx~~ as they were sales that were at the same level of trade as sales to Australia.

We examined the circumstances of sales to Australia and domestic sales in Indonesia to consider whether the above method was reasonable.

~~XxxxxxxxxxxxxxxxxxxxxXxxxxxXxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxXxxxxxxxxxXxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxX xxxxxXxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxx~~ (customer and trading information)

On the domestic market, CMI sells to ~~xxxxxxxxxxxxxxxxxXxxxxxxXxxxxx~~ as described previously. ~~Xxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ (distribution arrangements)

We are satisfied that its sales to ~~xxxxxxxxxxxx~~ in the domestic market are comparable to sales to ~~XxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxX xxxxxx~~ We therefore preliminarily conclude that domestic sales to ~~XxxxxxxXxxxxx~~ be disregarded for normal value purposes for these sales.

However, we also consider ~~Xxxxxxxxxxx~~ to be the importer of its goods from Pindo Deli. ~~XxxxxxXxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxx xxxxxxxxxxxx~~ (trading arrangements)

The evidence from the ~~Xxxxxxxxxxxxx~~visit report ~~xxxxxxxxxxxxxxx xxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~We therefore consider that it is not appropriate to compare sales where~~xXxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxx~~ (Customer and trading information)

For those sales, ~~xxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~we consider the most reasonable approach is to compare these sales to ~~xXxxxxxxX xxxxxxxxxxxxxxxxx~~ (customer and trading information)

From the ~~XxxxxxxXxxxxx~~ sales we calculated a weighted average domestic selling price. These domestic selling prices were then used as the basis for calculating normal values for sales ~~xxxxxxXxxxxxxxxxxxx xxxxxxxxxxxx xxxxxxxxx~~ (customer information)

6.7.5 CMI's margin (domestic sales)

Pindo Deli claimed that the involvement of the intermediary (CMI) in domestic sales, when export sales are direct from Pindo Deli to its Australian customer is a circumstance which affects the comparability of domestic and export prices.

This margin was claimed to be ~~xx~~ percent of CMI's sales revenue for January to May 2007 and ~~xx~~ percent for the remainder of the year. The margin was used to offset expenses incurred by CMI for a sales force, maintaining regional sales offices, warehousing, promotions and advertising. Pindo Deli calculated the average margin for the year as ~~xxxxx~~ percent of the gross invoiced amount (**Confidential Attachment adj 3**). Pindo Deli also provided a non-confidential submission of its claim for an adjustment for level of trade and intermediary margin.

We also consider sales between Pindo Deli are at a transfer price, and not arms length. CMI is not an intermediary as such, but a related seller of Pindo Deli's products. In the absence of any evidence to the contrary, we are of the view that sales on the domestic market are likely to incur the same sort of costs and allowances as sales to Australia.

In considering whether such a margin adjustment is warranted, we also note that in the build-up of cost to make and sell, Pindo Deli uses the ex-mill cost to make and sell (rather than Pindo Deli's selling price to CMI) plus CMI's SG&A. We feel this method of constructing a cost for OCOT purposes cancels out any need for a margin adjustment.

Pindo deli was not able to provide any further evidence, or breakdown of claimed sales expense difference between Indonesia and Australia, in support of this adjustment claim

In our view the adjustment, if allowed, would be an adjustment for price discrimination in different markets (or dumping). We therefore preliminarily conclude that this claimed adjustment should not be allowed.

6.7.6 Profit

We consider we have enough verified data from financial statements and supporting documents to calculate a rate of profit if the delegate chooses to construct a normal value.

6.7.7 Physical differences

We note the cost to make is the same for toilet paper sold domestically and that which is exported. We did not identify any matter that would cause us to consider an adjustment for physical differences is warranted.

6.7.8 Adjustments - summary

We are satisfied that the exporter has demonstrated that the adjustments to the domestic selling price, described above, both positive and negative, are warranted in accordance with s. 269TAC(8) of the Act.

6.8 Normal value – preliminary assessment

Normal value calculations for Pindo Deli have been based on domestic selling prices of the goods to xxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxXxxxxxxxxxxxxxxx in accordance with s. 269 TAC(1) of the Act.

Adjustments to have been made to the domestic selling price in accordance with s. 269TAC(8) of the Act.

If the delegate chooses to do so, we also are of the view that we have sufficient information to construct normal values in accordance with s. 269TAC(2(c) of the Act and adjusted in accordance with s. 269TAC(9) of the Act.

Normal value calculations are at **Confidential Appendix 4**.

7 DUMPING MARGINS – PRELIMINARY ASSESSMENT

We compared weighted average export prices to weighted average normal values in accordance with s. 269TACB(2)(a) of the Act.

We have preliminarily calculated a dumping margin of 37-42 percent (i.e. the goods were dumped).

Calculation of export price, domestic selling prices with adjustments (normal value) and dumping margins are at **Confidential Appendix 5** (electronic only due to size).

8 GENERAL COMMENTS

At the commencement of the visit, company made a number of observations in respect of this investigation. These comments are summarised as follows:

The question of injury to the Australian industry was not adequately addressed in the application. Pindo Deli's view is that the only possible injury would be caused by sales of the 'Select' brand to Woolworths which represents about 3-4 percent of the market.

The Australian toilet tissue manufacturer, ABC, was not referred to at all in the application – it is a key player in the Australian market and has had dramatic growth in sales.

Pindo Deli was unhappy with the degree of confidentialised information in the application, in particular the removal of indices.

Australian industry alleged that Pindo Deli's machine capacity was significantly greater than reality.

The tissue market in Indonesia was approximately ~~xxxxxx~~ m/t of which ~~xxxxxx~~ m/t was toilet tissue.

Contrary to Australian industry's claims, 4-ply toilet tissue was less costly than 3 ply. There is the same packaging regardless of whether it was 3 or 4-ply, but machine efficiency on a per tonne basis improves with 4 ply rather than 3 ply.

~~XxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxXxxxxxxxxxx~~ (strategy statements)

Some of the data relied upon by the applicant was up to eight years out of date.

Sinar Mas has been involved in dumping investigations. All these investigations had resulted in no or negative margins.

So far as Australia is concerned, dumping investigations into the company included products such as photocopy paper and wood free coated paper.

Pindo Deli provided a summary of its comments in confidential, **Confidential Attachment gen 2,** and non confidential forms.

9 LIST OF APPENDICES

Note: all attachments are commercial-in-confidence unless marked otherwise

Appendix 1	Preliminary calculations of export price
Appendix 2	Preliminary calculation of cost to make and sell
Appendix 3	Preliminary ordinary course of trade tests
Appendix 4	Preliminary calculations of normal value
Appendix 5	Preliminary calculation of dumping margins

GENERAL

Attachment Gen 1	Product Brochure (Non-confidential)

ACCOUNTING

Attachment ACC 1	Power point presentation – overview of accounting system

EXPORT SALES

Attachment EXP 1	Selected export sales documents
Attachment EXP 2	Invoices for combined ocean freight and THC
Attachment EXP 3	Evidence of ocean freight rate change
Attachment EXP 4	Marine insurance premium
Attachment EXP 5	Combined export inland freight and customs clearance invoices
Attachment EXP 6	Calculation of unit inland freight and customs clearance

COST OF PRODUCTION

Attachment CP 1	Power point presentation – overview of Pindo Deli's manufacturing facilities
Attachment CP 2	~~XXX~~ reconciliation

COST TO MAKE AND SELL

Attachment CTM 1	'Cost of converting' extract by month for 2007
Attachment CTM 2	Detailed cost of converting extract for Nov 07
Attachment CTM 3	Monthly summary of production costs and volumes for PM 11
Attachment CTM 4	Summary of costs for parent rolls for PM ~~xxxxxx~~, Nov 07
Attachment CTM 5	Detailed costs for parent rolls for PM ~~xxxxxx~~, Nov 07
Attachment CTM 6	Monthly pulp consumption report for PM ~~xxxxx~~ by type of pulp
Attachment CTM 7	Pulp Stock and Pulp consumption reports, Nov 07
Attachment CTM 8	~~XXXX~~ pulp invoices
Attachment CTM 9	~~XXXXX~~ pulp invoices
Attachment CTM 10	~~XXXX~~ pulp invoices
Attachment CTM 11	Pulp invoices, March and April 07
Attachment CTM 12	~~Xxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ (other costs)
Attachment CTM 13	Packaging costs
Attachment CTM 14	Extract confirming production volume to CTM 2
Attachment CTM 15	Volumes and value by product, Nov 07

Attachment CTM 16	Trial Balance
Attachment CTM 17	Cost of sales – audited accounts
Attachment CTM 18	Documents reconciling costs for April 07 to the submission

COST TO SELL

Attachment CTS 1	List of operating expenses (Pindo Deli)
Attachment CTS 2	Extract showing a summary of SG&A expenses Pindo Deli)
Attachment CTS 3	Calculation of CMI's SG&A
Attachment CTS 4	CMI's trial balance
Attachment CTS 5	CMI's financial statements
Attachment CTS 6	CMI's audited accounts

DOMESTIC SALES

Attachment DOM 1A	Internal pricing proposal
Attachment DOM 1	Documents relating to selected domestic sales
Attachment DOM 2	Documents relating to credit and debit invoices
Attachment DOM 3	Documents for selected sale between Pindo Deli and CMI

THIRD COUNTRY SALES

Attachment THD 1	Invoices for sales to third countries

ADJUSTMENTS

Attachment ADJ 1	Documents relating to domestic inland freight calculation
Attachment ADJ 2	Calculation of credit
Attachment ADJ 3	Pindo deli's calculation of claimed adjustment for CMI's margin

ALLEGED DUMPING OF CERTAIN TOILET PAPER EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND FROM THE REPUBLIC OF INDONESIA

Supplementary note to Visit Report

PT Pindo Deli Pulp & Paper Mills

Post Visit adjustments

Shelf rental expenses – Supermarkets

Adjustments to PT CMI SG&A expenses for sales to Distributors and sales to Modern Market.

Adjustments to the Normal value for Sales to Modern Market

<u>Background</u>

Pindo Deli claimed that the involvement of the related intermediary PT Cakrawala Mega Indah (CMI) in domestic sales, when export sales are direct from Pindo Deli to its Australian customer is a circumstance which affects the comparability of domestic and export prices. A margin for this difference was claimed to be 20 percent of CMI's sales revenue for January to May 2007 and 10 percent for the remainder of the year. This margin was claimed to be used to offset expenses incurred by CMI for a sales force, maintaining regional sales offices, warehousing, promotions and advertising.

In the visit report for Pindo Deli Customs stated that:

> "Pindo *Deli was not able to provide any further evidence, or breakdown of claimed sales expense difference between Indonesia and Australia, in support of this adjustment claim and the claim was not allowed."*

Pindo Deli objected to Customs above statement and considers the visit report an untrue record, Pindo Deli submitted in following submissions that all the requested evidence and information had been provided in support of the claimed adjustment.

Customs wrote to Pindo Deli on the 19 November 2008 to advise:

> *Customs of course remains open to any submission on particular costs/expenses that may have given rise to price comparability issues. To date Pindo Deli's decision has been not to provide particular evidence and information and this necessarily has hampered Customs' ability to make informed judgements in this regard. It is also the case that Customs' ability to do so, even proactively, has been further made difficult by the failure of Pindo Deli to provide a breakdown of these expenses on a market segment basis.*

PUBLIC FILE

Customs also advised Pindo Deli in the letter that:

> *On review an exception to Customs ability to act proactively may exist in relation to shelf rental expense (General Ledger Account Number 6360045) in sales to modern market customers. This is an expense which, on the face of it, Pindo Deli would not have incurred in sales to Australia and further Customs notes that Pindo Deli's prices into that particular domestic market segment are higher and reasonably indicative that the cost may have affected price comparability. Customs intends to provide due allowance in respect of this cost element. It is open to Pindo Deli to make any submissions on the methodology that should be employed in doing so.*

Pindo Deli did not respond to Customs invitation to provide a submission on the methodology that should be used to adjust for shelf rental expense. A copy of Customs letter of 19 November 2008 to Pindo Deli was placed on the public record.

Pindo Deli did respond to Customs letter of 19 November 2008 in regards to the provision of evidence and information relating to the breakdown of expenses on a market segment basis. Pindo Deli provided a rebuttal of what it called "Customs claims of non-provision of evidence and information and "hampering" Customs "in their letter of 20 November 2008, a copy of which was placed on the public record. In that letter Pindo Deli wrote:

> *Your (Customs) continued assertions that Pindo Deli did not provide evidence and information invited by Customs to prove that CMI incurred sales related expenses in making domestic sales which are additional to those incurred by Pindo Deli export sales are untrue and add to our concern with the manner in which this investigation is being conducted.*
>
> *We stress that no available information in respect of Pindo Deli's or CMI's SG&A was withheld from Customs – all was provided......The only information requested by Customs which Pindo Deli/ CMI were unable to provide was CMI's tissue selling expenses bifurcated into sales channel specific expenses, ie distributor and modern market, as such information is not recorded (Customs could have allocated them on a sales revenue basis if it is so desired).*

Adjustment to PT CMI SG&A expenses

Method

We identified the amount in CMI's accounts listed as Shelf Rental – Supermarket that was part of the SG&A expenses used in calculating a CTMS for CMI's sales of toilet paper.

We excluded this amount where applicable and recalculated SG&A expenses for sales to the different levels in the Indonesian market. This resulted in a lower CTMS for one level of sales.

Ordinary Course Of Trade

We re-examined whether domestic sales were in the ordinary course of trade by comparing each domestic selling price to the monthly cost to make and sell.

The monthly CTMS comparison was done using the recalculated costs applicable to each level.

We are satisfied that there are domestic sales of goods in the ordinary course of trade.

Adjustment to Normal Value for shelf expenses

Method

We calculated a shelf rental expense per tonne applicable to toilet paper and deducted this amount from the relevant sales in comparing them to export sales by Pindo Deli.

Impact on Dumping Margins

The changes to the CTMS for the different levels and the adjustment for shelf expenses for the relevant sales resulted in a lower dumping margin.

We calculated a dumping margin in the range of 33 – 38%.