PUBLIC RECORD

Australian Government
Department of Industry, Innovation and Science

Anti-Dumping Commission

INVESTIGATION 341

ALLEGED DUMPING OF A4 COPY PAPER

EXPORTED FROM THE FEDERATIVE REPUBLIC OF BRAZIL, THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF INDONESIA AND THE KINGDOM OF THAILAND

AND

ALLEGED SUBSIDISATION OF A4 COPY PAPER

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND THE REPUBLIC OF INDONESIA

VISIT REPORT - IMPORTER

UPM-KYMMENE PTY LTD

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

July 2016

CONTENTS

ABBREVIATIONS

The Act	*Customs Act 1901*
ADN	Anti-Dumping Notice
ABF	Australian Border Force
Australian Paper	Australian Paper Pty Ltd
China	The People's Republic of China
CIF	Cost, insurance and freight (incoterm)
The Commission	Anti-Dumping Commission
The Commissioner	The Commissioner of the Anti-Dumping Commission
CTMS	Cost to make & sell
DDP	Delivered Duty Paid
EPR	Electronic Public Record
FOB	Free On Board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
IQR	Importer questionnaire response
Indonesia	The Republic of Indonesia
SEF	Statement of Essential Facts
SG&A	Selling, general and administration costs
Thailand	The Kingdom of Thailand
UPM AU	UPM-Kymmene Pty Ltd
UPM AP	UPM Asia Pacific Pte Ltd
UPM China	UPM (China) Co Ltd

1 BACKGROUND AND PURPOSE

1.1 Background

On 19 February 2016 Australian Paper Pty Ltd (Australian Paper), representing the Australian Industry, lodged an application to the Anti-Dumping Commission (the Commission) for anti-dumping measures to be imposed on A4 copy paper exported from the Federative Republic of Brazil (Brazil), the People's Republic of China (China), the Republic of Indonesia (Indonesia) and the Kingdom of Thailand (Thailand) and countervailing measures to be imposed on A4 copy paper exported from China and Indonesia.

On 12 April the Commissioner of the Anti-Dumping Commission (the Commissioner) decided not to reject the application from Australian Paper and initiated an investigation into whether the proposed measures should be imposed by the publication of Anti-Dumping Notice (ADN) no 2016/33. Particulars of the reasons for the decision to initiate the investigation are outlined in ADN no 2016/33, and in further detail in Consideration Report No. 341 (CON 341), both of which have been placed on the electronic public record (EPR).

Following the initiation, the Commission wrote to UPM-Kymmene Pty Ltd (UPM AU) and other importers of A4 copy paper inviting them to cooperate with the investigation. UPM AU cooperated with the investigation and completed an importer questionnaire response (IQR) and relevant attachments.

1.2 Meeting details

Company	UPM-Kymmene Pty Ltd
Date of visit	06 July 2016

The following were present at various stages of the meetings.

UPM AU	Marcus Lindh – Managing Director
	Kirinda Bakker – Customer Service Specialist, Team Leader
the Commission	Roman Maevsky – Assistant Director– Ops 1
	Samet Sieu – Senior Investigator – Ops 3
	Jenny Levin – Senior Investigator – Ops 3

2 VERIFICATION OF AUSTRALIAN SALES

2.1 Verification of import listing

The import listing extracted from the Australian Border Force (ABF) import database denoted UPM Asia Pacific Pte Ltd (UPM AP) as being the supplier and the importer.

The UPM AU sales listing (UPM AP sales facilitated by UPM AU) did not equal the import listing extracted from the Australian Border Force (ABF) import database. Most of the sales were at the incoterms Delivered Duty Paid (DDP). UPM AU also facilitated sales at Cost Insurance and Freight (CIF) basis to one of its customers. In the case of the CIF sales the customer is identified as the importer in the ABF import database and therefore, the verification team was unable to verify these sales at this importer visit. The verification team is however satisfied that the discrepancy of the sales in the ABF import database and those provided in Part C of the IQR is due to those sales made at CIF delivery terms. This was further verified at an importer visit to the importer of those goods.

Whilst UPM AU is not considered to be the importer, the verification team has nonetheless calculated a weighted average free on board (FOB) price for the sample sales provided at Part B of the IQR which are comprised of sales at DDP terms. This calculation is attached at **Confidential Appendix 1**.

2.2 Sales

While noting the facilitation nature of UPM AU's role in the sales process, the verification team continued to verify the accuracy of the sales transactions facilitated by UPM AU, by reconciling the provided listing to source documents in accordance with ADN No. 2016/30. The verification team did not identify any issues with the verification of sales to source documents.

2.3 Related party customers

The verification team did not find evidence that UPM AP is related to any of its customers during the investigation period.

3 VERIFICATION OF IMPORTS

3.1 Supplier invoice details

As noted in section 2.1, UPM AU is a sales agent, acting on behalf of the supplier of the goods, UPM AP. The verification team verified selected supplier invoices against the selected shipments from the ABF database.

3.2 Shipment costs

The verification team was satisfied that the overseas freight costs and costs for marine insurance listed on the cost to import and sell spreadsheet were complete and accurate.

3.3 Importation costs

The verification team verified Australian importation costs to source documents supplied by UPM AU.

3.4 Selling, general and administrative (SG&A) costs

UPM AU estimated amounts, based on a percentage of sales revenue, for SG&A costs for every shipment on the cost to import and sell spreadsheet. The verification team verified the SG&A against UPM AU's financial statements (draft).

3.5 Rebates

While UPM AU itself does not provide rebates to customers, there is a rebate system between UPM AP and some of its customers during the investigation period. UPM AU provided source documentation in relation to rebates to its largest customer in 2015. The rebates have been verified and the export price adjusted accordingly.

3.6 Export prices for selected shipments

The verification team is satisfied that the exporter's invoice price (net of rebates) represents the true consideration paid for the selected shipments by the customer to UPM AP.

4 WHO IS THE IMPORTER AND EXPORTER

4.1 Who is the importer?

For sales at DDP delivery terms, UPM AU receives an agency fee from a related entity, UPM AP for facilitating the sales of A4 copy paper and other related goods. UPM AU does not receive revenue from customers for the sale of paper. UPM AP is however responsible for paying the customs duties and is the owner of the goods until they are delivered to the end user in Australia.

On this basis, the verification team considers that, in relation to the goods imported during the investigation period, UPM AP were the beneficial owners of the goods at the time of importation and therefore were the importers of the goods.

4.2 Who is the exporter?

The Commission will generally identify the exporter as:

- a principle in the transaction, located in the country of export from where the goods were shipped, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or

- a principle in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principles, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principle who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

Subject to further inquiries, we are satisfied that UPM AP (collectively with UPM China) can be considered to be the exporter of A4 copy paper to Australia. UPM China manufacture the goods and gave up the goods in exchange for consideration paid by the customers in Australia to whom the goods were delivered.

5 ARMS LENGTH

In determining export prices under s.269TAB(1)(a) and normal values under s.269TAC(1), the Act requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.

It is noted that certain customers were reimbursed for a part of the invoice price through a rebate system. The verification team considers that the provision of rebates by UPM is a normal established business practice based on pre-established agreements and the amounts are quantifiable at the time of the sales transactions. In addition, the rebates varied across customers and thus the verification team is satisfied that the prices paid were a result of individual customer bargaining.

We reviewed the documentation for the selected shipments and found no evidence that the price paid by the importers would be influenced by a commercial or other relationship between the importers and the UPM group of companies.

Therefore, the verification team considers that import transactions between UPM and its customers are at arms length in terms of s.269TAA.

6 GENERAL COMMENTS

The company representatives made the following general comments during the visit:

- The Australian market for A4 copy paper has increased in size since 2014.
- UPM AU provided the verification team with a report from Industry Edge which outlines market trends in the pulp and paper industry.
- A4 copy paper is not dumped. Profitability on paper is higher in Australia than in China.
- UPM AU has high environmental credentials. Stated all paper is certified and is the only paper company on Dow Jones sustainable Index.
- UPM AU has lost important business to Australian Paper as well as to other imports during 2015.
- Australian Paper is not being injured by dumped imports, but instead is suffering from anti-dumping measures imposed after the United States' dumping investigation findings on copy paper.

7 RECOMMENDATIONS

From our investigations, we are of the opinion that, for the goods imported by UPM AP from UPM China:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms-length transactions.

Subject to further inquiries with the exporter, we recommend that the export price for A4 copy paper imported by UPM AP, through facilitation by UPM AU, from UPM China could be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

8 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Weighted average FOB price