PUBLIC RECORD

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Department of Industry, Innovation and Science

Anti-Dumping Commission

ADC 341

INQUIRY INTO THE ALLEGED DUMPING AND SUBSIDISATION APPLYING TO

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VISIT REPORT - EXPORTER

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1 BACKGROUND

On 12 April 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate an investigation in respect of the alleged dumping and subsidisation of 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).

Anti-Dumping Notice (ADN) No. 2016/33 provides further information on the investigation and is available on the Anti-Dumping Commission's (the Commission's) electronic public record (EPR) at www.adcommission.gov.au.

The background relating to the initiation of this investigation is contained in Consideration Report 341.

Following this initiation, the Commission wrote to Phoenix Pulp & Paper Public Co. Ltd. (PPPC) inviting it to cooperate with the investigation regarding A4 copy paper. PPPC provided a completed exporter questionnaire response (EQR) and relevant attachments for the investigation period (1 January 2015 to 31 December 2015).

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the injury period PPPC exported three models of A4 Copy Paper to Australia in 70 and 80gsm standard grade and 80gsm premium grade (IDW).

All A4 Copy Paper produced by PPPC for Australian customers was made to order, and therefore no stock was kept on site.

The table below summarises the goods exported to Australia by PPPC.

Product Specifications	70 PMW	80 PMW	IDW
GSM	70	80	80
Brightness (min) %	92	92	94.5
Size	A4 210 x 297mm	A4 210 x 297mm	A4 210 x 297mm
Roughness (max) ml./min	210	180	100
Whiteness	148-152	148-152	161-165
Opacity (min) %	92	94	95

2.2 Like goods sold on the domestic market

During the inquiry period PPPC also sold A4 Copy Paper to domestic customers in the same gsm and models as those exported to Australia.

Unlike goods produced for export, PPPC indicated that goods for domestic sale are produced both to order and from stock, depending on specifications.

The table below summarises like goods sold on the domestic market by PPPC.

Product Specifications	70 PMW	80 PMW	IDW
GSM	70	80	80
Brightness (min) %	92	92	94.5
Size	A4 210 x 297mm	A4 210 x 297mm	A4 210 x 297mm
Roughness (max) ml./min	210	180	100
Whiteness	148-152	148-152	161-165
Opacity (min) %	92	94	95

The verification team considers that the goods manufactured by PPPC for domestic consumption are identical to, or have characteristics closely resembling, the goods PPPC exported to Australia, as they:

- have similar physical characteristics (including GSM, whiteness, brightness, roughness and thickness)
- are commercially alike:
- are functionally alike; and
- are produced at the similar facilities with the same raw material inputs and manufacturing processes.

2.3 Model matching

For the purpose of model matching, the visit team considers that it is appropriate to have regard to:

- GSM levels;
- whiteness levels;
- brightness levels; and
- roughness levels.

The verification team has chosen these criteria because it observed in the sales data that these characteristics can affect price. Further, PPPC were able to provide model specific cost to make and sell (CTMS) data for each model sold on the domestic and export market, based on the above model characteristics.

2.4 Like goods – preliminary assessment

The verification team considers that A4 Copy Paper produced by PPPC for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act) [1].

[1] All legislative references in this report are to the *Customs Act 1901*, unless otherwise stated.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of PPPC's export sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any significant issues during the verification process.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of PPPC's export sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.3 The exporter

For all Australian export sales during the inquiry period, the verification team considers PPPC to be the exporter of the goods.[2]

3.4 The importer

The verification team considers that, in relation to the goods[3] exported by PPPC, the customers listed in the Australian sales spreadsheet were the beneficial owners of the goods at the time of importation and therefore were the importers of the goods.

3.5 Related customers

The verification team did not identify any Australian customers which were related to PPPC based on the company's EQR, sales data and audited financial statements.

3.6 Arms length

In respect of export sales of A4 Copy Paper to Australia by PPPC during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or

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[2] The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

[3] Section 2.1

- 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, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

The verification team therefore considers that all sales of A4 Copy Paper exported to Australia by PPPC during the inquiry period were arms length[4] transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

[4] Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as being at arms-length. These are where: there is any consideration payable for or 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; or, the buyer, or an associate of the buyer, will, 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.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of PPPC's CTMS spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not find any issues with the verification of costs to audited financial statements.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.2 Verification of costs to source documents

The verification team verified the accuracy of PPPC's costs in the audited financial statements by reconciling them to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.3 Related party purchases

The verification team identified some related suppliers of raw materials used to manufacture the GUC. At the request of the verification team, PPPC provided extracts from their raw materials ledger to outline that the costs were allocated at a market rate.

4.4 Cost to make and sell – summary

Having verified PPPC's CTMS data for A4 Copy Paper to audited financial accounts and to source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

PPPC's revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of PPPC's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

Details of the verification are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.1.1 Volume

When reconciling the sales volume to the financial statements, the verification team was made aware of additional sales of white A4 copy paper by PPPC. This was provided to the verification team during the visit.

Once these sales were provided, the verification team was able to reconcile the volume and value of sales to PPPC's audited financial statements.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of PPPC's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

During the verification of domestic sales to source documents, the verification team identified issues relating to the calculation of marketing expenses (5.2.1) and trade insurance (5.2.2).

The verification team did not identify any other issues during the downwards verification of domestic sales.

Details of the verification are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2.1 Marketing expenses

During the verification of domestic sales to source documents the verification team identified that an amount relating to marketing expenses was overstated, PPPC agreed and provided the verification team with an updated domestic sales listing.

5.2.2 Trade insurance

During the verification of domestic sales to source documents, PPPC became aware of an error in which the amount relating to trade insurance was based on incorrect information. PPPC then explained the issue and provided evidence that the original amount was incorrect. Subsequently, PPPC provided the verification team with an updated sales listing.

5.3 Related customers

The verification team did not identify any information that might suggest any of its Domestic customers were related to PPPC based on the company's EQR, sales data and audited financial statements.

5.4 Arms length

In respect of PPPC's sales of A4 Copy Paper to unrelated customers during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its 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, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales by PPPC during the inquiry period were arms length transactions.

5.5 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of A4 Copy Paper to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.6 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia.

The verification team found there was a sufficient volume of domestic sales made in OCOT for two of the three models of A4 Copy Paper exported to Australia during the investigation period.

For the one model with insufficient sales within OCOT during the investigation period, the verification team has substituted this model with a similar domestic model that has sufficient sales with an adjustment to calculate the normal value.

5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing provided by PPPC is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1).

The domestic sales spreadsheet is at **Confidential Appendix 3**.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of the goods exported to Australia, the following adjustments were made to the normal value[5].

6.1 Inland transport

The verification team considers a downwards adjustment for domestic inland transport to the distribution centre and domestic inland transport from the distribution centre to the customer (including a salesman expense) is required to ensure a fair comparison to the export price. The verification team applied these downwards adjustments based on the actual inland transport expenses verified in the domestic sales spreadsheet.

The verification team considers an upward adjustment for export inland transport and port charges is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on the weighted average inland transport expenses and port charges from actual export expenses reported and verified in the export sales spreadsheet.

6.2 Stock carrying

PPPC demonstrated to the verification team that stock is held for domestic sales, which incurs a cost for storage and movement. Exports sales, however, are produced for specific orders, which are then prepared for shipment and are not held by PPPC.

The verification team considers a downwards adjustment to the normal value for domestic stock carrying is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the verified stock carrying expenses.

6.3 Distribution centre expenses (warehousing)

PPPC demonstrated that domestic sales of the goods incur a cost for storage at its distribution centres, which is represented as an amortised per tonne rate. This cost is not borne by export sales because, as mentioned previously, they are produced to order.

The verification team considers a downwards adjustment for distribution centre expenses (warehousing) is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the verified distribution centre expenses (warehousing).

6.4 Credit terms

The verification team considers a downwards adjustment to the normal value for domestic credit is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the credit days listed for each domestic transaction and the average mid-range short term borrowing rate over the period of the inquiry.

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5 In accordance with subsection TAC(8)

The verification team considers an upward adjustment for export credit terms are required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based credit days listed for each export transaction and the average mid-range short term borrowing rate over the period of the inquiry.

6.5 Trade insurance

PPPC acquires trade insurance for its domestic market and considers that export sales are covered separately by marine insurance. The per-tonne rate for insurance was obtained by dividing the annual premium by total sales (tonnes).

The verification team considers a downwards adjustment to the normal value for domestic trade insurance is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the verified trade insurance expenses. This value of this adjustment was minor in terms of the overall export price.

6.6 Handling and other

The verification team considers an upwards adjustment for export handling and other expenses is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on weighted average export handling and other costs reported and verified in the export sales spreadsheet and applied on a per tonne basis. These costs were also reconciled back to the costs ledger.

6.7 Duty Drawback

The verification team considers a downwards adjustment for duty drawback is required to ensure a fair comparison to the export price. The duty drawback adjustment is based on the Tax and Duty Compensation of Exported Goods Produced in the Kingdom Act B.E.2524 (1981), which PPPC received in relation to all exports during the Investigation Period. This amount was then aggregated by volume and applied as an adjustment on a per tonne basis. The verification team applied a downwards adjustment to all sales of A4 Copy Paper.

6.8 Specification adjustment

For the model that had insufficient sales, an adjustment was applied to the normal value of a similar model. This adjustment was based on the percentage difference in each quarter of the domestic net price between models to allow for the slight specification difference.

6.9 Level of Trade Adjustment

A level of trade adjustment request was subsequently made by PPPC. After consideration by the verification team it was deemed that this adjustment would not be included. Due to the absence of price lists, and the fact that the majority of sales are made through one trade level, it was deemed that there was insufficient evidence to support a level of trade adjustment.

6.10 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.

Adjustment Type	Deduction/addition
Domestic inland transport to distribution centre	**Less** an amount for domestic inland transport to distribution centre
Domestic inland transport and salesman expense	**Less** an amount for domestic inland transport and salesman expense
Domestic stock carrying	**Less** an amount for domestic stock carrying
Domestic distribution centre expenses (warehousing)	**Less** an amount for domestic distribution centre expenses
Domestic credit	**Less** an amount for domestic credit
Domestic trade insurance	**Less** an amount for domestic trade insurance
Export inland transport and port charges	**Add** an amount for export inland transport and port charges
Export handling and other	**Add** an amount for export handling and other
Export credit	**Add** an amount for export credit
Duty drawback	**Less** duty drawback
Specification adjustment	Adjustment to the normal value of a similar model due to insufficient sales of that domestic model.

7 NORMAL VALUE

The verification team is satisfied that it found sufficient volumes of domestic sales of A4 Copy Paper for two of the three models exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of A4 Copy Paper for those models are suitable for assessing normal value under subsection 269TAC(1).

For the third model, the verification team has substituted this model with a similar domestic model that has sufficient sales, that were arms length transactions and at prices that were within the OCOT, with an adjustment. This allowed for the slight specification difference to assess the normal value under subsection 269TAC(1) for this model.

In using domestic sales as the basis for normal values, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in Chapter 6 has substituted this model with a similar domestic model that has sufficient sales with an adjustment to calculate the Normal Value above.

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

8 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the inquiry period.[6].

The dumping margin in respect of A4 Copy Paper to Australia by PPPC for the investigation period is **18.4%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

6 In accordance with subsection 269TACB(2)(a).

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program, with attachments