PUBLIC RECORD

Australian Government
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

VERIFICATION VISIT REPORT - IMPORTER

JACKAROO 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

August 2016

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1 BACKGROUND

On 12 April 2016, the Anti-Dumping Commissioner (the Commissioner) initiated an investigation into the alleged dumping of A4 copy paper exported to Australia 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 the alleged subsidisation of A4 Copy Paper from China and Indonesia. Public notification of the initiation of the investigation was published on the Commission's website. The background relating to the initiation of this investigation is contained in Consideration Report 341.

Following the initiation, the Anti-Dumping Commission (the Commission) wrote to Jackaroo Pty Ltd (Jackaroo) and other importers of A4 copy paper inviting them to cooperate with the investigation. Jackaroo cooperated with the investigation and completed the importer questionnaire and relevant attachments.

2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

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

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

2.2 Verification of sales to source documents

The verification team verified the accuracy of Jackaroo's 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 at **Confidential Attachment 1**.

2.2.1 Payment terms

The verification team verified the accuracy of payment terms as recorded on the sales listing and the commercial sales invoice compared to the date that payment was actually made to Jackaroo to consider whether any adjustment would be needed to be made to Jackaroo's Australian sales listing.. The verification team found Jackaroo's customers generally paid late by a small number of days. Details of this calculation can be found on **Tab 4 of Confidential Appendix 1**.

The verification team did not find any other issues with the verification of the sales listing to source documents.

2.3 Related party customers

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

3 IMPORTS

3.1 The goods

Jackaroo confirmed that it imported A4 copy paper from International Paper Do Brasil Ltda (International Paper) located in Brazil during the investigation period, which matched the description of the goods that are the subject of this application.

Jackaroo stated that the large majority of the A4 copy paper imported from Brazil is supplied to one single customer and the A4 copy paper is mostly used for '[redacted] [brand name] copy paper'. Jackaroo stated that this product has recyclable packaging made of bi-axially oriented polypropylene (BOPP), which is a kind of recyclable plastic.

Jackaroo also stated that the balance of their imports from Brazil is the [redacted][brand name] 75gsm A4 copy paper (non-carbon neutral) and [redacted] [brand name] 80gsm A4 copy paper, which is inkjet treated.

3.2 Verification of importation and selling costs

The verification team verified the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program as **Confidential Attachment 1.**

3.2.1 Importation costs

The verification team did not find any issues with the verification of importation costs to source documents. Each of the costs, as verified are listed in **Tab 1 of Confidential Appendix 1**.

3.2.2 Selling, general and administrative expenses

The verification team also verified the accuracy of the selling, general and administrative expenses (SG&A) by conducting upwards verification of SG&A costs to audited financial statements in accordance with ADN. No 2016/30.

While the verification team did not find any issues with the calculation of the total SG&A expenses for Jackaroo during the investigation period, the verification team identified a number of issues with the methodology used by Jackaroo to allocate the full company costs to the goods under consideration in this investigation. Each of the issues is discussed below.

- **Allocation by production volume:** Jackaroo allocated SG&A to each shipment of the goods by dividing the full company revenue (minus deductions – discussed in the next dot point) by full company production volumes. The verification team considered that it was more appropriate to allocate SG&A expenses to the goods by the proportion of revenue rather than production volume. This is because Jackaroo sells a diverse range of paper products, including copy paper, cardboard files, coffee cups etc., and sales revenue allocation recognises that a diverse range of goods may require a differing amounts of effort to administer and sell the goods, as this effort would usually be reflected in the sales price. Given that the goods sold by Jackaroo are diverse, the verification team did not have enough information available to determine that the other goods required a similar amount of selling and administrative effort in relation to their weight. In absence of persuasive evidence to use production volume as the method of allocation, the verification team saw no reason to depart from standard practice and decided to allocate SG&A as a proportion of revenue. Details of the SG&A calculation and allocation can be found on **Tab 3 of Confidential Appendix 1**.

- **Deductions from total SG&A costs:** Jackaroo argued that because Jackaroo had staff located in South Africa and New Zealand whose only task is to sell goods to the South African and New Zealand markets, that the staff in these locations could not possibly be working toward the sale of the goods under consideration (GUC) in this investigation. However, Jackaroo claimed that because the Australian staff of Jackaroo perform the administrative work for sales of goods to South Africa and New Zealand, the Australian SG&A cost (i.e. the full company SG&A minus South Africa and New Zealand SG&A) should be allocated across the total sales volume of the company, including those goods sold in South Africa and New Zealand. The verification team did not consider this to be an appropriate method of allocating SG&A because the cost incurred by Australian staff in administering the sale of products in South Africa and New Zealand had not been clearly identified by Jackaroo and hence could not be adequately accounted for in the calculation. Instead, the verification team considered it more appropriate to calculate the full company SG&A costs (including the South African and New Zealand costs) as a percentage of full company sales revenue (including the South African and New Zealand revenue) and applied this percentage to the sales revenue of each shipment analysed to calculate SG&A cost on a per shipment basis.

The verified Into Store Costs, SG&A calculation and Payment Terms Analysis is at **Confidential Appendix 1**.

3.3 Import listing

Jackaroo confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

The verification team calculated the weighted average FOB export price by supplier at **Confidential Appendix 2.**

3.4 Forward orders

The verification team received a copy of Jackaroo's forward orders in the importer questionnaire response. The list of forward orders is at **Confidential Appendix 3**.

3.5 The importer

The verification team considers Jackaroo to be the beneficial owner of the goods at the time of importation and therefore the importer.

3.6 The exporter

Subject to further inquiries, the verification team considers that the manufacturer of the goods imported by Jackaroo to be the exporter.[1]

3.7 Profitability of imports

The verification team calculated profit for the 11 selected shipments and found that 10 of the 11 shipments were profitable. The verification noticed the following issues with the profitability calculation provided by Jackaroo:

- The SG&A expense used in the profitability calculation was for 1 metric tonne (MT) rather than for the weight of the entire shipment. As discussed in section 3.2.1 above, the verification team calculated SG&A as a proportion of revenue and so this error was rectified.
- The profitability was calculated by comparing the cost of each shipment to the sale price of the shipment. The verification team noted that Jackaroo had used the exchange rate on the date of importation to calculate both the Australian dollar purchase price and Australian dollar sale price of the goods in each shipment. The verification team considered it more appropriate to calculate the Australian dollar prices using the exchange rates on the dates that the purchase and sale were actually paid for by Jackaroo and by their customers respectively. Using these exchange rates, the verification team found that one of the shipments was not profitable. However, the selected shipments were profitable on a weighted average basis and the verification team does not consider that the single unprofitable shipment indicates that Jackaroo's purchases of the goods were not at arms length.

The profitability assessment is contained in **Tab 1 of Confidential Appendix 1**.

3.8 Related party suppliers

The verification team did not find any evidence to suggest that Jackaroo is related to its supplier of A4 copy paper exported from Brazil during the investigation period.

3.9 Arms length

In respect of imports of A4 copy paper to Australia by Jackaroo 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

[1] 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.

- 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.

Therefore, subject to further inquiries, the verification team are satisfied that import transactions between Jackaroo and its suppliers are arms length transactions.

4 RECOMMENDATIONS

The verification team are of the opinion that for the goods imported by Jackaroo from International Paper:

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

Subject to further inquiries with this exporter, the verification team recommends that the export price for A4 copy paper imported by Jackaroo from International Paper can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

5 ATTACHMENTS

Confidential Appendix 1	Into Store, SG&A, Payment Terms and Profitability
Confidential Appendix 2	Export price
Confidential Appendix 3	Forward orders
Confidential Attachment 1	Verification Work Plan