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10 October 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 exported from Brazil, P R China, Indonesia and Thailand – APRIL Fine Paper Trading PTE LTD Verification Report

I. Introduction

The Anti-Dumping Commission ("the Commission") has completed its verification visit with April Fine Paper Trading Pte Ltd ("April Fine Paper") an Indonesian exporter of A4 copy paper to Australia. April Fine Paper is an affiliated company of the Indonesian manufacturer of A4 copy paper PT Riau Andalan Kertas ("RAK"). It is stated in the April Fine Paper exporter visit report ("the report") that RAK provides a 'manufacturing service' for paper products that are exported by April Fine Paper. RAK also sells the goods on the domestic market in Indonesia.

RAK is an integrated paper products producer and sources its pulp from PT Riau Andalan Pulp & Paper ("RAPP").

Australian Paper Pty Ltd ("AP") has reviewed the April Fine Paper report. It appears that the Commission has treated the related parties of the April Group (i.e. including RAPP, RAK and April Fine Paper) as a single entity for the purposes of the report. The entities are all referred to as "April" in the report.

AP has significant reservations with the treatment of April Fine Paper in this manner.

II. Like Goods

The report indicates that April sells A4 copy paper on the domestic market (it is considered that these are sales by RAK). There are a number of different models sold domestically. For export, certain different models were sold. The Commission indicates that for the purpose of model matching it has considered product characteristics such as "GSM, thickness, density, brightness, whiteness and use of April's "Prodigi technology".

No explanation is provided as to what is the purpose of the named "Prodigi technology" and whether this is even relevant for the purposes of model matching.

AP requests the Commission to provide detail as to the relevance of the "Prodigi technology" in paper production and how this is relevant for model matching purposes.

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At Section 7 – Adjustments of the report reference is made to like models for model matching purposes. Section 7.6 indicates that the Commission identified four models where there was no domestic sales equivalent and specification adjustments were required. Whilst AP understands that RAK may not have equivalent domestic sales for the goods exported, AP is concerned that the Commission has accepted RAK's assertions that there at least five different models (i.e. four with an absence of domestic equivalents, plus at least one domestic equivalent, although likely further models) of copy paper exported to Australia.

AP has previously indicated to the Commission that the grade of paper exported to Australia is typically 80 gsm paper for the vast bulk of export sales. Any other export sales (other than the 80 gsm model) that fall within the 70 to 100 gsm range would be considered "other models". As the 80 gsm copy paper represents the overwhelming majority of the exported goods, it is AP's expectation that any other remaining models are minor, and would have minimal impact on weighted average normal value and export price assessments.

AP raises this issue as it is concerned that it may be that 80 gsm copy paper is being separately broken down into models when in fact all 80 gsm paper is a single model.

III. <u>Exporter of the goods</u>

AP notes the Commission's comment concerning the identification of the exporter of the like goods to Australia. Footnote 3, Section 4.3 of the report states:

> "The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods are 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."

AP considers that RAK is the exporter of the goods. In accordance with the Dumping and Subsidy Manual identification of the exporter, RAK is the manufacturer that as principal has knowingly exported the goods to Australia. April Fine Trading Pte Ltd is the affiliated exporting agent of RAK. RAK is the producer of the goods and sells the goods domestically and for export. RAK has knowledge as to the export destination and customer in Australia, and therefore cannot be displaced as the exporter of the goods.

The identification of the correct entity as the exporter within the April Group is important. This will determine which entity within the April Group's domestic sales are used for normal value purposes. Section 6 of the report refers to "April's domestic sales" but does not indicate whether the sales are by the manufacturer RAK or are domestic sales by the related party agent April Fine Trading Pte Ltd.

AP submits that it is RAK's domestic sales that must form the basis of sales used for normal value purposes.

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IV. Cost to Make and Sell

The Commission has indicated that it was not satisfied with some aspects of the methodology employed by April to calculate the cost of pulp produced by RAPP and used in the manufacture of copy paper by RAK. AP infers that there appears to have been an absence of SG&A and profit in the transfer price for the pulp from RAPP to RAK.

As an integrated producer, April must transfer the pulp from RAPP to RAK at full cost recovery plus SG&A and profit. It is not clear from the Commission's report whether the full cost recovery test has been undertaken for the integrated producer.

V. Adjustments

The Commission has afforded April a reduction in normal values for domestic direct advertising. AP would highlight that this adjustment can only be provided where April can demonstrate that the domestic expenditure relates specifically to A4 copy paper sold in Indonesia.

The Commission has made an upward adjustment to April's normal value for "export direct marketing". It is not clear what export direct marketing relates to and what actual expenses incurred are relevant to A4 copy paper exports to Australia.

AP submits that the Commission should make a further upward adjustment to normal value to allow for the role of April Fine Trading Pte Ltd as an agent involved in the export sales to Australia. The export prices to Australia would reflect the trader's involvement and hence an upward adjustment to normal value is required.

VI. General comment

The Commission's preliminary finding for April that A4 copy paper has not been exported to Australia at dumped prices – in fact, with a calculated negative margin of 20 per cent – is supportive of AP's assertions that copy paper is sold in Indonesia at artificially low prices. This is particularly apparent when the determinations for exporters of copy paper to Australia in Thailand (up to 18.8 per cent positive margin) and Indonesia (up to 20 per cent negative margin) are contrasted.

VII. Conclusion

AP reaffirms its view that the majority of copy paper exported to Australia is 80 gsm copy paper. Specification adjustments between models of copy paper will only relate to differences in gsm type.

AP requests the Commission to reconsider its conclusion as to the exporter of the A4 copy paper to Australia, as it is considered that RAK is the relevant exporter in accordance with the policy detailed in the Dumping and Subsidy manual.

AP further seeks that the Commission revisit the adjustments to normal value for April to include an upwards adjustment for the role of the trader April Fine Paper Trading Pte Ltd in the export sales to Australia.

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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