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 - EXPORTER

DOUBLE A (1991) PUBLIC COMPANY LIMITED

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 ANTI-DUMPING COMMISSION

September 2016

CONTENTS

CONTENTS 2

BACKGROUND 3

1.1 Background 3

2 COMPANY INFORMATION 4

2.1 General 4

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS 5

3.1 The goods exported to Australia 5
3.2 Like goods sold on the domestic market 5
3.3 Model matching 5
3.4 Like goods – preliminary assessment 5

4 SALES TO AUSTRALIA 6

4.1 Completeness and relevance 6
4.2 Accuracy 6
4.3 The exporter 7
4.4 Related customers 7
4.5 Arms length 7
4.6 Export price – preliminary assessment 7

5 COST TO MAKE & SELL 9

5.1 Completeness and relevance 9
5.2 Accuracy 10
5.3 Related parties 10
5.4 Cost to make and sell – summary 10

6 DOMESTIC SALES 11

6.1 Completeness and relevance 11
6.2 Accuracy 11
6.3 Related customers 11
6.4 Arms length 11
6.5 Ordinary course of trade 12
6.6 Suitability of domestic sales 12
6.7 Model Matching 12
6.8 Domestic sales – summary 13

7 ADJUSTMENTS 14

7.1 Level of trade 14
7.2 Sustained Exchange Rate Movements 6
7.3 Packing .... Error! Bookmark not defined.
7.4 Inventory carrying cost .... Error! Bookmark not defined.
7.5 Inland transport 15
7.6 Handling 15
7.7 Credit terms 15
7.8 Adjustments – summary 15

8 NORMAL VALUE 16

9 DUMPING MARGIN 17

10 APPENDICES AND ATTACHMENTS 18

BACKGROUND

1.1 Background

On 12 April 2016, following an assessment of an application for publication of a dumping duty notice and countervailing duty notice made by Paper Australia Pty Ltd, the Commissioner of the Anti-Dumping Commission (Commissioner) gave public notice of the decision to initiate an investigation in respect 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).

The Commissioner's consideration of the application and examination of the information the Commissioner considered relevant are detailed in *Anti-Dumping Commission Consideration Report No. 341*.

Following this initiation, the Commissioner wrote to Double A (1991) Public Company Limited (Double A) and other exporters of A4 copy paper inviting them to cooperate with the investigation. Subsequent to being granted an extension, Double A submitted a completed exporter questionnaire response (EQR) and relevant attachments on 26 May 2016.

The investigation period is 1 January 2015 to 31 December 2015.

2 COMPANY INFORMATION

2.1 General

The relevant entity is Double A (1991) Public Company Limited (Double A). Double A manufactures paper pulp, uncoated copy paper, stationery, sells domestically and exports uncoated copy paper, and imports coated paper for selling in Thailand and overseas countries.

Double A primary production facilities for uncoated copy paper are situated in the Thai province of Prachinburi. Double A, though a wholly owned subsidiary, also operates a mill manufacturing uncoated copy paper situated in Normandy, France.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods exported to Australia

Double A exported A4 Copy Paper to Australia during the investigation period in various grams per square metre (GSM), thicknesses, densities, brighteness and whiteness levels.

A table summarising the goods exported to Australia by Double A is contained in **Confidential Attachment 2**.

3.2 Like goods sold on the domestic market

The verification team identified that Double A produced and sold goods domestically that are 'like' to those it exported to Australia. These goods had differing GSM, thicknesses, densities, brightness and whiteness levels.

A table summarising the goods sold domestically by Double A is contained in **confidential appendix 6**.

3.3 Model matching

For purposes of model matching the verification team was able to identify a domestic good that matched the exported model in terms of GSM, size, thickness, whiteness and brightness.

The verification team has had regard to the list provided by Double A listing the models which have been selected for comparison by Double A, however notes that this list identified models of differing GSM levels to be model matched.

The GSM of the paper was considered by the verification team to be a key characteristic which affects price and it was important to have regard to GSM for the purpose of model matching.

Model matching was completed on the same model where possible, matching the brand and GSM weighting.

Where export models of Double A paper were identified without sufficient domestic sales of that model information in the material grouping information provided by Double A was used to identify a model with the same GSM for model matching purposes.

3.4 Like goods – preliminary assessment

The verification team has assessed that A4 copy paper that Double A produced and sold domestically has characteristics closely resembling those of the goods Double A exported to Australia and are 'like goods' in terms of subsection 269T(1) of the *Customs Act 1901* (the Act). [1]

---

[1] Any reference in this report to "the Act"; or a part, division, section or subsection, is in relation to the *Customs Act 1901* unless otherwise specified.

4 SALES TO AUSTRALIA

4.1 Completeness and relevance

In its EQR, the exporter provided a detailed spreadsheet listing its Australian export sales of A4 copy paper during the investigation period.

Due to subsequent identification of errors in values and calculations, the exporter submitted a revised listing prior to the verification visit and a further revised version at the verification visit.

The exporter advised that the audit of its 2015 financial statements had been finalised and was therefore able to provide audited financial statements relating to the investigation period.

The verification team verified the completeness and relevance of information contained in the exporter's revised Australian sales list by reconciling it to the audited statement of profit and loss for the year ended 31 December 2015 in accordance with ADN 2016/30.

No other material issues were identified during the process of verifying the completeness and relevance of the exporter's revised list of export sales of A4 copy paper Australia.

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

4.2 Accuracy

The verification team verified the accuracy of information contained in the exporter's revised Australian sales list by verifying a sample of transactions to source documents in accordance with ADN 2016/30.

The verification team verified the accuracy of rebate payments.

No material issues were identified during the process of verifying the accuracy of the exporter's revised list of export sales of A4 copy paper Australia.

4.3 Sustained Exchange Rate Movements

The verification team notes that several grounds for an adjustment were raised regarding the foreign exchange rate movements during the course of the verification. These grounds were considered in **Confidential Attachment 2.**

Based on the Commissions analysis an adjustment was made for a period of 65 days pursuant to subsection 269TAF(3) of the Act.

4.4 The exporter

Double A paper are considered to the exporter[2] of the goods for all Australian sales during the investigation period, on the basis that all goods are sold on a Delivered Duty Paid (DDP) basis.

4.5 Related customers

In relation to the goods exported to Australia, the verification team considers that none of Double A's customers are related.

4.6 Arms length

In respect of the exporter's sales to Australia during the investigation period, the verification team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- 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 verification team did identify various sales arrangements. The verification team sampled a selection of the transactions identified for verification purposes. The information was disclosed by Double A in its exporter questionnaire response and updated domestic sales spreadsheets provided to the verification team. The verification team tested these amounts as disclosed in the exporter questionnaire and considers them accurate and reliable.

The verification team understands that such arrangements are in the ordinary course of business domestically and internationally, including Australian customers. The verification team therefore considers that these sales are in the course of their business relationship.

As such, it is still reasonable to consider that all of the exporter's export sales during the investigation period were arms-length transactions as per section 269TAA. The verification team will adjust the value of the transactions as required to ensure the net-sale value reflects any sales arrangements

4.7 Export price – preliminary assessment

In relation to the exporter's sales to Australia, the verification team considers the export price to be determined under subsection 269TAB(1)(a), being the price paid or payable for the goods by the importer.

The export price has been determined at free on board (FOB) terms.

---

[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, 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 principal 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.

The preliminary export price calculations are in the dumping margin calculations at **Confidential Appendix 2**.

5 COST TO MAKE & SELL

5.1 Completeness and relevance

In its response to the EQR, the exporter provided quarterly cost to make and sell (CTMS) information for A4 copy paper it produced during the investigation period. This cost information was provided separately for the Australian and domestic markets. During the course of the verification Double A provided the costs to manufacture separately for each model.

The verification team verified the completeness and relevance of the exporter's CTMS information by reconciling it the exporter's audited 2015 profit and loss statement in accordance with ADN 2016/30.

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

5.1.1 Related party manufacture

The verification team noted that a related entity within the Double A group of companies produced the goods under consideration and that these goods were sold to Double A.

The verification team noted that the cost of this manufacture was included in the financial statements, the verification team noted that the submitted CTMS information had excluded the manufacturing costs recorded by the related party.

The verification team was not satisfied that this exclusion was warranted as these costs related to producing paper product that was like to the goods exported to Australia and that Double A did not provide evidence to establish that these goods manufactured by the related entity were not sold on the domestic market or exported to Australia.

The verification used information provided during the verification visit to re-calculate a weighted average cost to manufacture for the relevant models using data provided in relation to the intercompany sales of these goods. This recalculated cost to manufacture included an adjustment to remove the profit generated from these inter-company transactions. Details of this adjustment are included in **Confidential Appendix 2**

5.1.2 Selling, general and administrative costs

In verifying the exporter's selling, general and administrative (SG&A) expenses submitted in its CTMS information, the verification team was satisfied that all relevant SG&A expenses were accurately accounted for in the financial accounting system of the Double A group.

The verification team did not however agree with the allocation methodology for SG&A between export and domestic sales that the exporter had proposed, particularly in regards to the allocation of general and administration costs.

Following conversations and further queries during the verification, the verification team considered that insufficient evidence was provided which supported the allocation of specific costs within the SG&A expenses solely to domestic or export sales.

The verification team was satisfied that given the mix between exports and domestic sales which the Double A group made during the investigation period, allocating on a per tonne basis across all sales of paper would provide a reasonable basis.

Double A group noted that this methodology for SG&A expenses would adjust the CTMS information, and did not provide a more suitable approach or further data to suggest such an outcome is not accurate.

This had the effect of equalising the amount for SG&A on export sales to domestic sales, leading to a reduction in the domestic CTMS. This increased the amount for SG&A on export sales in total.

Taking into account the revisions to the exporter's CTMS information, the verification team was satisfied that all other relevant costs were included.

5.2 Accuracy

The verification team verified the accuracy of the exporter's CTMS information by reconciling a sample to source documents in accordance with ADN 2016/30.

No material issues were identified during the process of verifying the accuracy of the exporter's CTMS information.

5.3 Related parties

The exporter advised that it undertakes various intra-company transactions.

These related party transactions were analysed to assess the costs derived from these transactions. The verification team, based on the transactions tested, found no material exceptions in relation to the related party transactions.

5.4 Cost to make and sell – summary

The verification team considers that the exporter's CTMS information is a reasonably complete, relevant and accurate reflection of the actual costs to make and sell A4 copy paper during the investigation period.

6 DOMESTIC SALES

6.1 Completeness and relevance

In its EQR, the exporter provided a detailed spreadsheet listing its domestic sales of A4 copy paper during the investigation period.

Due to subsequent identification of errors in values and calculations, the exporter submitted a revised listing prior to the verification visit and a further revised version at the verification visit.

The verification team verified the completeness and relevance of information contained in the exporter's revised domestic sales list by reconciling it to Double A's audited 2015 profit and loss statement in accordance with ADN 2016/30.

No other material issues were identified during the process of verifying the completeness and relevance of the exporter's revised list of sales of A4 copy paper within Thailand.

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

6.2 Accuracy

The verification team verified the accuracy of information contained in the exporter's revised domestic sales list by verifying a sample of transactions to source documents in accordance with ADN 2016/30.

No material issues were identified during the process of verifying the accuracy of the exporter's revised list of domestic sales of A4 copy paper.

6.3 Related customers

The verification team did identify customers in the exporter's domestic sales list as being associates of the exporter in terms of subsection 269TAA(4).

The verification team tested the price related customers paid. This analysis indicated that they were materially consistent with the market prices for unrelated customers on the same terms of trade.

6.4 Arms length

In respect of the exporter's domestic sales during the investigation period, the verification team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- 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.

The verification team did identify various sales arrangements. The verification team sampled a selection of the transactions identified for verification purposes. The information was disclosed by Double A in its exporter questionnaire response and updated domestic sales spreadsheets provided to the verification team. The verification team tested these amounts as disclosed in the exporter questionnaire and considers them accurate and reliable.

The verification team understands that such arrangements are in the ordinary course of business in Thailand, and similar arrangements are in place with other customers internationally including Australian customers. The verification team therefore considers that these sales are the course of their business relationship.

As such, it is still reasonable to consider that all of the exporter's domestic sales during the investigation period were arms-length transactions as per section 269TAA. The verification team will adjust the value of the transactions as required to ensure the net-sale value reflects any sales arrangements.

6.5 Ordinary course of trade

Section 269TAAD of the Act provides that if like goods are sold in the country of export in sales that are arms length transactions in substantial quantities during an extended period at a price less than the cost of such goods, and that it is unlikely that the seller of the goods will be able to recover the costs of such goods within a reasonable period, then the price for the goods is taken not to have been in paid in the ordinary course of trade (OCOT).

The verification team undertook OCOT testing. They compared the net sale price for each domestic sale of A4 copy paper to the corresponding quarterly domestic CTMS to test whether those sales were at a price less than cost.

Where the volume of sales at a price less than cost exceeded 20 per cent for a particular model, the verification team tested the recoverability of those sales by comparing the net sale price 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.

6.6 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 per cent of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient volume of comparable domestic sales of like goods made in the OCOT during the investigation period.

6.7 Model Matching

The verification team used a Product Code Number ("PCN") for model matching purposes.

The verification team has matched the goods exported to the Domestic Models based on the following process:

1) Where an exact match of similar brand and GSM was identified, the PCN was used for that specific brand and GSM.

2) Where an exact match was not available, the verification team used material group information of the goods within the provided sales and cost information to match the goods within the same paper quality type. This allowed the goods to be matched to a similar brand with the same GSM.

A summary of the models matched has been included in **Confidential Appendix – Export Sales**.

6.8 Domestic sales – summary

Based on the verification process undertaken, the verification team is satisfied as to the completeness, relevance and accuracy of the exporter's domestic sales information relating to A4 copy paper for the investigation period.

7 ADJUSTMENTS

To ensure fair comparison is made between the FOB export price and the normal value, the verification team has determined the following.

7.1 Level of trade

The verification team considered the exporter's proposed adjustments regarding the level of trade. A detailed reasoning of the verification team's response is included in **Confidential Attachment 2**.

Whilst a level of trade of adjustment was not made, only domestic sales of like goods sold in the ordinary course of trade at the same level of trade as export sales were used for the purposes of establishing normal values.

7.2 Off invoice rebates

The verification team identified that some rebates existed 'off invoice' for domestic purchases.

The verification team considers a downwards adjustment to the normal value for domestic rebates is required to ensure a fair comparison to the export price. As such, the per-tonne value of these rebates was deducted.

7.3 Commission

The verification team identified commission arrangements as part of the domestic sales process.

The verification team considers a downwards adjustment to the normal value for Commissions are required to ensure a fair comparison to the export price. The actual value of the commissions were recognised on a per tonne basis were deducted.

7.4 Marketing deduction

The verification team identified that as part of the sales process certain promotional requirements existed for Double A's customers.

The verification team considers a downwards adjustment to the normal value for marketing was required to ensure a fair comparison to the export price. Where the costs of the promotions were charged to Double A an adjustment was made to deduct the cost of the promotions from the invoice price to reflect the actual return to the company.

7.5 Finance costs

Finance charges, separate from the domestic and export credit terms, were recorded by Double A as part of their manufacturing costs. Double A noted that these costs were incurred on a per tonne basis and as such the cost for domestic finance was recognised as a deduction and the relevant per tonne amount was recognised as an addition.

7.6 Inland transport

The verification team has added, to the calculated ex-works (EXW) normal value, an amount for inland transport to the port of export. This amount has been calculated as a weighted average amount per tonne for the respective quarter of sale based on the exporter's Australian sales information.

7.7 Handling

The verification team has added, to the calculated ex-works (EXW) normal value, an amount for handling at the port of export that applies to Australian sales. This amount has been calculated as a weighted average amount per tonne for the respective quarter of sale based on the exporter's Australian sales information.

7.8 Credit terms

The verification team identified that the credit terms differed between the exporter's Australian and domestic sales.

The verification team considers that adjustments to the normal value for credit terms was required to ensure a fair comparison to the export price. The verification team has therefore made an adjustment by deducting from the normal value, an amount for domestic credit and adding to the adjusted FOB normal value, an amount for export credit.

At the verification visit, the verification team was able to confirm the credit terms outlined in the export and domestic sales spreadsheets as being accurate. Based on an analysis of this information, the verification team considers that it is appropriate to use the credit terms on the invoice for calculating an amount for domestic credit. Similarly, the verification team has used the credit terms on the export invoice for calculating an amount for export credit.

The interest rate that the verification team has used in the calculation of an amount for credit is based on the rate disclosed by the exporter in their exporter questionnaire response.

7.9 Adjustments – summary

The verification team is satisfied that there is sufficient and reliable evidence to justify the following adjustments in accordance with subsection 269TAC(8).

Adjustment Type	Application
Off invoice rebates - domestic	**Deduct the value of domestic off invoice rebates**
Transport - inland	**Deduct the value of domestic inland transport**
Commission - domestic	**Deduct the value of domestic commissions**
Marketing - domestic	**Deduct the value of domestic marketing programs**
Finance - Domestic	**Deduct the value of domestic finance**
Domestic Credit Terms	**Deduct the value of domestic credit terms**
Inland transport export	**Add the cost of export inland transport to port**
Export Handling	**Add the cost of export handling fees**
Finance - export	**Add the value of export finance**
Export credit	**Add the value of export credit terms**

8 NORMAL VALUE

The verification team considers the normal value to be determined under subsection 269TAC(1), being the price paid or payable for like goods sold in the OCOT for home consumption in Thailand in sales that are arms-length transactions by the exporter.

In using the exporter’s domestic sales as the basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison with export price.

The preliminary normal value calculations are in the dumping margin calculations at **Confidential Appendix 4**.

9 DUMPING MARGIN

The verification team has calculated the dumping margin in accordance with subsection 269TACB(2)(a) of the Act, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period.

The dumping margin has been calculated as **13.1 per cent**.

It is noted by the verification team that Double A disputes the above mentioned dumping margin. Double A has advised that they intend to make further submissions subsequent to the verification report in relation to the methodology used to calculate the dumping margin.

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

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	Revised 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
Confidential Attachment 2	Confidential aspects of report