Australian Paper
a member of the Nippon Paper Group

307 Ferntree Gully Road Locked Bag 87
Mt Waverley Victoria 3149 Australia
Telephone +61 3 8540 2300
Facsimile +61 3 8540 2280
ABN 63 061 583 533
www.australianpaper.com.au

26 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 – Sinar Mas Submission of 24 October

I. Subsidy Programs 1 and 2

Adequacy of information provided

It is suggested on behalf of the Sinar Mas Group ("SMG") that Australian Paper Pty Ltd ("AP") has not evidenced the subsidy programs provided by the Government of Indonesia ("GoI"). AP provided sufficient prima facie evidence of the existence of the programs which have subsequently been confirmed by the GoI as in operation.

The Anti-Dumping Commission ("the Commission") has access to Malaysian export pricing information for woodchip and mixed tropical hardwood ("MHW") throughout the investigation period. The argument on behalf of SMG that the stumpage and export log ban programs have not been established as countervailable programs is dependent upon the Commission's assessment against the selected benchmarks. SMG's assertion that the benchmarks referred to by AP have no relevance to this investigation is incorrect.

AP's application detailed that the stumpage program was provided to a limited group of industries and select enterprises in the wood processing industries and could be considered specific. AP has confidence that the Commission's analysis of the stumpage and export programs will, as confirmed by the U.S. Department of Commerce (USDOC) investigation, establish that a benefit has been conferred to Indonesian pulp and paper exporters of A4 copy paper.

It is stated by SMG that the stumpage program was created by GoI for the purposes of revenue collection. However, the GoI is the owner of the harvested lands and it sets the stumpage prices that afford a competitive benefit to the harvesting companies due to the low pricing. It may well be that the GoI views the stumpage fees as revenue raising – that does not mean they are not at subsidised rates.

Article 14(d) of SCMA

The citing of an alleged inconsistency of Article 14(d) of the Subsidies and Countervailing Measures Agreement ("SCMA") by the use of external prices to Indonesia is also incorrect. Article 14(d) does not prohibit the use of an external benchmark price.

Australian Paper
a member of the Nippon Paper Group

307 Ferntree Gully Road Locked Bag 87
Mt Waverley Victoria 3149 Australia
Telephone +61 3 8540 2300
Facsimile +61 3 8540 2280
ABN 63 061 583 533
www.australianpaper.com.au

Importantly, AP refutes the claims of SMG that the GoI's dominant share of harvested timber (via the substantial ownership of the GoI of timber lands that is estimated at 88 per cent) has not influenced (or distorted) Indonesian domestic market timber prices. It is irrefutable that a substantial level of GoI ownership at this level would significantly influence the selling prices of harvested timber from private plantations on the Indonesian domestic market. As such it is not necessary for a comparison of GoI harvested timber prices and private timber prices as the former would significantly influence the latter. A true comparison can only be achieved via comparison with an external benchmark price.

Timber prices

SMG contends that Malaysian MHW prices cannot be contrasted with the timber sourced for SMG mills. Whilst the Commission has the option to use MHW prices, Malaysian woodchip export prices have also been sourced which it can also contrast with Indonesian domestic pulpwood prices. In its submission SMG does not dispute the suitability of Malaysian woodchip prices as these are almost certainly being used in the manufacture of pulp and paper products. The Commission may also seek Thai export prices for pulpwood from Global Trade Atlas ("GTA") if required.

Flow through

It is also suggested by SMG that for countervailing measures to be applied that it must be evident that there has been a flow through of the benefit from the GoI on stumpage and log export ban programs to the exported goods. The impact of these programs on timber prices causes them to remain artificially low in Indonesia which creates the flow on effect of lower pulp and paper prices (including A4 copy paper).

AP notes from Preliminary Affirmative Determination ("PAD") No. 341 that Indonesian exports of A4 copy paper to Australia undercut the Australian industry's selling prices by between 0 and 29.8 per cent – a far greater level of undercutting than the Chinese A4 copy paper exports that accounted for 46.2 per cent of total imports during the investigation period. Whereas the level of dumping margins for Indonesian exporters are the lowest (on a weighted-average basis) of the investigated countries, the Indonesian export prices have benefited from low input costs that allow for the deepest levels of price undercutting to the Australian industry. The pricing levels of Indonesian A4 copy paper exports confirms that the benefit of Programs 1 and 2 has flowed through to comparatively low A4 copy paper export prices to Australia.

Conclusions

The GoI operates the stumpage (Program 1) and log export ban (Program 2) programs that afford a benefit to a limited number of industries in the broader timber processing sector. The benefits received by timber harvesting companies of GoI timber plantations influence prices for harvested timber from private plantations. The less than adequate remunerated input prices for harvested timber into pulp and paper manufacture in Indonesia provide paper manufacturers that export goods (including A4 copy paper) with a price advantage that would not otherwise exist but for the role of the GoI in providing low stumpage rates and enforcing log export bans.

Australian Paper
a member of the Nippon Paper Group

307 Ferntree Gully Road Locked Bag 87
Mt Waverley Victoria 3149 Australia
Telephone +61 3 8540 2300
Facsimile +61 3 8540 2280
ABN 63 061 583 533
www.australianpaper.com.au

II. Paperforce

AP stands by its submission of 18 October 2016 concerning the associations evident between the importer Paper Force (Oceania) Pty Ltd and the Asia Pulp and Paper exporting businesses.

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