



Australian Paper

a member of the Nippon Paper Group

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20 April 2020

Mr Justin Wickes
Director
Investigations 2
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

Email: Justin.Wickes@adcommission.gov.au

Public File

Dear Mr Wickes

Re: Model Control Codes relating to Review 547 and A4 copy paper exported from the Republic of Indonesia by Pt Indah Kiat Pulp & Paper Tbk and Pt Pindo Deli Pulp & Paper Mills.

I refer to the Anti-Dumping Commission's (the Commission) request for response to the industry questionnaire for the review of anti-dumping measures applicable to A4 copy paper exported from the Republic of Indonesia by the aforementioned mills received on 12 March 2020.

Australian Paper considers that the relevant models of the like goods should be limited to those listed in table 1 below, and as such AP has presented all of its Financial Appendices on this basis.

Table 1.

Category	Recycled Content
1	0 – 20%
2	21 – 79%
3	80 – 100%

Recycled Content

As part of Australian Paper's application for review of measures which was initiated on 16 April (Review 551), AP submitted financial appendices which confirmed that there is minimal material difference in the selling price of 70 – 100gsm A4 copy paper in the Australian market based on recycled content. Graph 1 summarises the unit sell price for 2019 submitted in Appendix A6.1 for each category.

Graph 1.

[AP unit cost and sell price]

Although Category 3 is generally more expensive to produce, the high recycled products do not command a higher price in the domestic market proportional to the higher cost to produce. In fact, the lower recycled content Category 2 (21-79%), is sold at a higher selling price domestically than both the virgin and high recycled grades. This is likely due to the fact that AP's [Category 2] grades are



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heavily promoted in the domestic market and as such the single largest factor determining prices in the Australian A4 copy paper market is brand, as opposed to recycled content or grammage (GSM).

Given that there is limited and, in most cases, negligible connection between recycled content of A4 copy paper and the selling price, AP considers that it is unreasonable for the Anti-Dumping Commission ("the Commission") to consider specificity beyond the abovementioned three categories. AP contends that the only factor which could possibly give rise to the need for separate models to be considered would include the de-inked pulp (DIP) being that recycled uncoated woodfree paper is more expensive to produce than virgin pulp.

GSM

Australian Paper remains steadfast in its opinion that grammage or the GSM of the paper has not historically driven price differentiation. It has been AP's experience that GSM is not a purchasing decision by the consumer and is immaterial in regards to both the cost to produce and the selling price of the paper, given that all copy paper sold within the 70 – 100gsm range competes directly in the same market. It is also correct that the vast majority of the A4 copy paper sold in Australia is 80gsm, and as such Australian Paper only produces 80gsm copy paper which competes with all imported like goods regardless of the GSM.

It should be noted that lower gsm can decrease paper machine efficiency and it is AP's experience that there is no significant cost advantage to the manufacturer in reducing the gsm of copy paper grades. As such AP considers that the main reason for importers to source lower gsm A4 copy paper is to justify undercutting the pricing of domestic producers.

Generally speaking when a paper machine decreases the gsm of the paper it is producing there are a few possible outcomes;

1. On some paper machines (depending on how they are set up), the speed of the machine increases proportionally to the decrease in gsm of the paper, i.e. the net production rate of the paper machine is unchanged and therefore there is little if any cost advantage.
2. Alternatively, on other machines there is little or no increase in the speed of the machine, which means that the net production rate per tonne has decreased and costs have therefore increased.
3. In addition to either of the above scenarios, a likely result of down-grammage of the paper is an increased risk of paper sheet breaks due to the lower gsm sheet having less strength than higher gsm paper. This causes a short period of downtime for the machine as operators work to reconnect the sheet more often, reducing the machine efficiency and increasing cost per tonne.
4. Finally, introducing a new lower grammage paper to the production mix increases complexity in the process which again negatively impacts machine efficiency. As the paper machine changes between paper weights, there is a short period where out of spec paper is being produced and this must go back for repulping. These reels are referred to as 'broke' or 'BTM' (Back to machine), and increase the net cost to make paper.

Overall there is unlikely to be any cost benefit to the manufacturer in producing lower gsm paper, and it is clear to AP that the paper imported at less than 80 gsm simply seeks to avoid the intended effect of the anti-dumping measures and undercut the selling prices of AP's A4 copy paper.



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Investigation No. 341

The Commission considered whether the Australian industry manufactures like goods to the imported goods in Investigation No. 341. The Commission stated in Report No. 341:

“The Commission considers that other characteristics of the goods, such as packaging, certification, grams per square metre, brightness, recycled content and ‘type of’ whiteness are secondary characteristics which do not affect the essential physical likeness of domestically produced A4 copy paper to imported A4 copy paper”.

Australian Paper submits that there have been no changes to the goods or, in the production of the goods manufactured by the Australian industry, in the period subsequent to the commencement of Investigation No. 341 and the following Investigation 463. Australian Paper therefore continues to maintain the view (as previously supported by the Commission) that the imported goods possess the same essential characteristics as locally produced cut sheet paper. Australian Paper further submits that whilst recycled content does impact the cost to produce A4 copy paper it does not achieve a selling price premium reflecting this additional cost. Model control codes as depicted above are again appropriate for this investigation and anything beyond the aforementioned 3 category definitions are not required or relevant. Finally Australian Paper submits that there is little cost benefit or differential in production of lower gsm A4 copy paper and the standard 80gsm. AP contends that any sell price differential is simply a result of importers positioning the lower gsm products at a price point which undercut the domestic industry.

Please confirm receipt of this submission as AP eagerly awaits the Commission’s position in relation to this matter. If you have any questions please advise me on 0425 619 677.

Yours sincerely

Matt Decarne
Trade Affairs Manager