



## ISSUES PAPER

### Like goods with respect to the goods under consideration

#### Investigation No. 548 - Certain kraft paperboard

#### Exported to Australia from the United States of America

### 1 Purpose

The Anti-Dumping Commission (Commission) is currently investigating the alleged dumping of certain kraft paperboard (the goods, or the goods under consideration), exported to Australia from the United States of America (the USA).<sup>1</sup>

Certain interested parties have made submissions<sup>2</sup> claiming that Visy Glama Pty Ltd (Visy Glama, the applicant), does not produce like goods to the goods under consideration (the 'issue'). The applicant has responded to certain submissions<sup>3</sup>.

The Commission is currently giving consideration to the issue. Before reaching any conclusion, the Commission invites further submissions from interested parties. The Commission is in the process of seeking an independent industry expert with the view to engage and prepare an expert report with input on the issue.

Interested parties are invited to provide submissions regarding the issue no later than **21 September 2020**. The Commission will take into account any submissions received by this date in preparing the statement of essential facts for this investigation. The Commission may also take into account any reports or information prepared by industry experts (including those that may be engaged by the Commission). Parties will have the opportunity to respond to any expert report before publication of the statement of essential facts.

Confidential submissions must be clearly marked accordingly and a non-confidential version of any submission is required for inclusion on the Public Record. A guide for making submissions is available on the Commission's website.<sup>4</sup> Submissions should be emailed to [investigations3@adcommission.gov.au](mailto:investigations3@adcommission.gov.au).

### 2 Goods description in the Initiation Notice

The initiating notice (ADN No. 2020/032) described the goods as:

*Kraft paperboard, coated on one side with clay or other inorganic substances, grammage 360-430 grams per square metre (GSM), wet strength treated.*

Further information relating to the goods under consideration is as follows:

*The goods have an end use for packaging 12 or more beverage can multipacks. The goods are an intermediate product that is converted into a final product in Australia. The conversion process will generally involve printing, cutting and gluing the imported products to create individual packaging known as beverage can multipacks. The goods do not include finished ready for sale beverage can multipacks.*

<sup>1</sup> The Commission initiated this investigation on 30 March 2020. Item 3 on the electronic public record (EPR) 548 refers.

<sup>2</sup> Refer to EPR 548 Item Nos. 5, 7, 15, 16 and 17.

<sup>3</sup> Refer to EPR 548 Item No. 9 and 18.

<sup>4</sup> The following link is a guide to making submissions: <https://www.industry.gov.au/regulations-and-standards/anti-dumping-and-countervailing-system/submissions-to-an-anti-dumping-or-countervailing-case>

*Paperboard is usually imported in large rolls and is a solid paper-based product, consisting of one or more layers. Kraft paperboard primarily uses virgin softwoods in the initial pulping process, rather than a substantive use of recycled material.*

*Clay or other inorganic substances refers to the application of kaolin clay, calcium carbonate or other inorganic substance, to the top layer of the paperboard, allowing for high quality printing on the goods.*

*The grammage range 360-430 GSM distinguishes the goods from other imported goods that may have applications in food and beverage can multipacks (e.g. packaging designed for lightweight or heavy food or beverages).*

*Wet strength treatment distinguishes the goods from paperboard varieties used for non-beverage can multipacks. As beverages are frequently stored in refrigerated environments additional moisture resistant properties are required for shape retention and to minimise the tear and collapse of packaging. These properties are achieved by the addition of certain chemicals.*

Visy stated in its application that the goods are generally classified to the tariff classification in Schedule 3 to the *Customs Tariff Act 1995*, being 4810.39.00 (statistical code 83).

The Commission will consider if other tariff codes are applicable to the goods, in particular 4810.1 and 4810.2.

### **3 Description of like goods in relation to the goods under consideration**

Like goods are defined under section 269T(1) of the *Customs Act 1901* as:

*like goods, in relation to goods under consideration, means goods that are identical in all respects to the goods under consideration or, although not alike in all respects to the goods under consideration have characteristics closely resembling those goods under consideration.*

Visy Glama states that it produces like goods on the basis that:

- the goods it produces have characteristics that closely resemble the goods under consideration; and
- the goods are wholly manufactured in Australia.

The Commission's policy for assessing whether locally produced goods are identical to, or closely resemble, the goods under consideration, is outlined in chapter 2 of the *Dumping and Subsidy Manual*<sup>5</sup> (the Manual). The Manual outlines that the Commission will give consideration to physical likeness, commercial likeness, function likeness, production likeness and other factors. The applicant's claims to date are summarised in the table below.

<b>Factor</b>	<b>Visy Glama's claim</b>
Physical likeness	The imported goods and domestically produced goods are both forms of fibre packaging used for multipack beverage packaging, holding 12 or more beverage cans.
Commercial likeness	The imported goods and domestically produced goods are both sold, upon conversion, to the same market, being beverage companies selling multipack cans to Australian retailers.
Functional likeness	The imported goods and domestically produced goods have the same end use, being multipack beverage packaging, and are functionally suitable.

<sup>5</sup> Available via [www.adcommission.gov.au](http://www.adcommission.gov.au)

Factor	Visy Glama's claim
Production likeness	<p>The materials required to construct the domestically produced goods and the imported goods are similar, however differentiated by:</p> <ul style="list-style-type: none"> <li>the domestically produced like good is made of three layers comprising of a corrugated centre layer, where the imported goods is a solid form of paperboard, with at least one layer, both with a top coating; and</li> <li>the domestically produced good is further produced by printing in a reel to reel flexography rotary process where, in contrast, the imported product is likely printed in a sheet fed lithographic process.</li> </ul>

Table 1 - Factors for assessing like goods

In its application, Visy Glama states that it manufactures a form of fibre packaging, primarily used for beverage packaging, known as microflute. Microflute is a narrow caliper corrugated cardboard which is suitable for applications where wet strength and durability is required, with the ability to offer a high quality printed result.

Microflute is comprised of three layers, being a clay coated top liner, a corrugated medium and a liner.

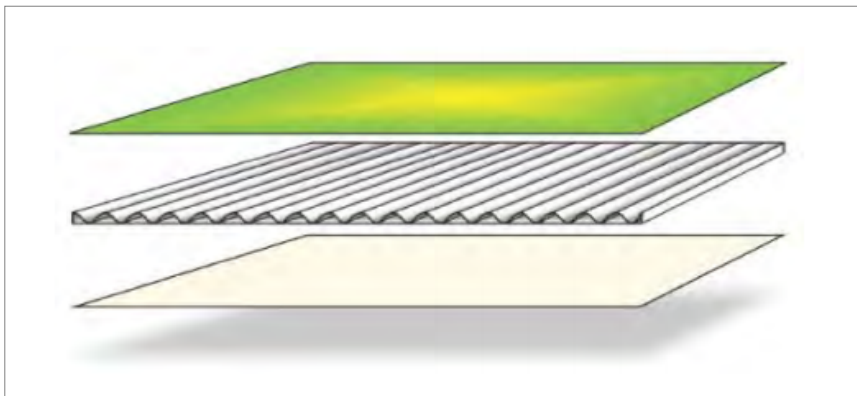


Figure 1 - Layers of microflute

Visy Glama clarified that the microflute it manufactures, and considers to be a like good, is 0.7mm thick and commonly referred to as N-flute.<sup>6</sup>

#### 4 Issue – Description of like goods, in relation to the goods under consideration

Submissions from interested parties claim that the microflute manufactured by Visy Glama is not a like good, in relation to the goods under consideration. The differences cited by interested parties between the microflute manufactured by Visy Glama and the kraft paperboard imported from the USA are summarised below.

Factor	Interested parties' claims
Physical likeness	<ul style="list-style-type: none"> <li>microflute is not a form of kraft paperboard, but a result of converting paper products;</li> <li>microflute is a thicker product and comprised of three distinct layers, whereas kraft paperboard is a thin solid paperboard;</li> <li>the applicant's claims that the average consumer may not be able to distinguish between microflute and kraft paperboard based on the different goods in their end use as beverage packaging, following processing (conversion) is not the correct assessment for determining</li> </ul>

<sup>6</sup> EPR Item No. 9 refers.

Factor	Interested parties' claims
	<p>the extent of physical likeness of the goods under consideration and the claimed like goods. At the same (intermediate) level of the supply chain, i.e. prior to conversion, the products are different. In particular, it is highlighted that the top layer of microflute is printed prior to construction of the microflute, whereas the kraft paperboard imported from the USA is unprinted;</p> <ul style="list-style-type: none"> <li>• the technical specifications for both products are different, e.g. microflute is specified in terms of thickness and number of flutes per metre, whereas kraft paperboard is specified in terms of grams per square metre; and</li> <li>• there are differences in the raw material inputs, i.e. one or more of the layers of microflute are made from recycled fibres whereas kraft paperboard is primarily made with virgin fibres. In addition, microflute contains adhesives to bind the different layers whereas kraft paperboard does not contain adhesives.</li> </ul>
Commercial likeness	<ul style="list-style-type: none"> <li>• the applicant's claims that microflute and kraft paperboard are both sold to customers that are beverage companies ignores broader considerations, including that kraft paperboard imported from the USA does not compete in the all of the same markets as microflute.</li> </ul>
Functional likeness	<ul style="list-style-type: none"> <li>• although Visy Glama state in its application that the end use of its microflute is in beverage can packaging of 12 or more cans, microflute is used in a number of different applications (not only beverage packaging), whereby the kraft paperboard, being wet strength treated, is only used in moist environments; and</li> <li>• there are differences in the strength, rigidity and ability to retain shape and strength when wet.</li> </ul>
Production likeness	<ul style="list-style-type: none"> <li>• microflute and kraft paperboard are manufactured on different machines and from raw different materials;</li> <li>• microflute is comprised of three layers which are combined on a corrugator using adhesives, and is not wet strength treated. In contrast, kraft paperboard comprises of a single layer and is wet strength treated; and</li> <li>• the top layer of microflute is printed prior to the manufacture of the microflute, whereby kraft paperboard is printed after being imported to Australia.</li> </ul>

Table 2 - Claims of interested parties in relation to like goods

To assist in its consideration of whether like goods are produced in Australia, the Commission invites views from interested parties on:

- whether microflute, particularly N-flute produced by the applicant, is a like good with respect to the goods under consideration;
- whether, in the case that microflute is a like good with respect to the goods under consideration, the like goods are restricted to N-flute or extend to other fluted products such as F-flute or G-flute; and
- whether there are other domestic producers of like goods in Australia in respect of the goods under consideration.

The Commission requests that submissions be supported with information and evidence including (but not limited to):

- technical data sheets showing attributes of imported kraft paperboard and domestically produced microflute (including details of the GSM, chemical composition, flutes per metre, thickness etc.);
- evidence regarding the quality of the products (including the surface smoothness, ability to maintain strength and rigidity in wet environments and printability for both imported kraft paperboard and domestically produced microflute);
- physical samples or photos (at both the stage of importation or intermediate stages of production in Australia and the subsequent end product in Australia following further processing);
- details of the production process (including diagrams/videos, machine schematics etc.);
- information about the Australian market and substitutability of imported kraft paper board and domestically produced microflute; and
- any other relevant considerations (for example the recyclability content, promotional materials, views on the likely tariff treatment of kraft paperboard and microflute).

The Commission may seek agreement from interested parties to provide such evidence to an independent industry expert for consideration should one be engaged.

**Submissions can be sent [investigations3@adcommission.gov.au](mailto:investigations3@adcommission.gov.au) or mailed to:**

The Director, Investigations 3  
GPO Box 2013  
Canberra ACT 2601  
Australia

Interested parties must lodge a non-confidential version or a summary of their submission in accordance with the requirement below, clearly marked "PUBLIC RECORD".

Interested parties claiming that information contained in their submission is confidential, or that the publication of the information would adversely affect their business or commercial interests, must;

- i. provide a summary containing sufficient detail to allow a reasonable understanding of the substance of the information that does not breach that confidentiality or adversely affect those interests, or
- ii. satisfy the Commission that there is no way such a summary can be given to allow a reasonable understanding of the substance of the information.

Submissions containing confidential information must be clearly marked "OFFICIAL: Sensitive".