

# IMPORTER QUESTIONNAIRE

## A4 COPY PAPER

### EXPORTED TO AUSTRALIA FROM THE FEDERATIVE REPUBLIC OF BRAZIL, THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF INDONESIA (EXCEPT BY PT. INDAH KIAT PULP & PAPER TBK, PT PABRIK KERTAS TJIWI KIMIA TBK AND PT. PINDO DELI PULP & PAPER MILLS) AND THE KINGDOM OF THAILAND

This questionnaire seeks information in relation to your imports and sales of certain A4 copy paper (the goods) exported to Australia from the Federative Republic of Brazil, the People's Republic of China, the Republic of Indonesia (except imports from PT. Indah Kiat Pulp & Paper Tbk, PT. Pabrik Kertas Tjiwi Kimia Tbk and PT. Pindo Deli Pulp & Paper Mills) and the Kingdom of Thailand.

This information will be used to assist in determining export prices and non-injurious prices, and to assess the Australian market for the goods.

Anti-Dumping Notice No. 2020/039 provides details of the goods subject to the anti-dumping measures and the review procedures.

<b><u>Part A</u></b>	<b>Company and overseas supplier information</b>	<b>Return as quickly as possible but no later than <b>23 April 2020</b></b>
<b><u>Part B</u></b>	<b>Imports and forward orders</b>	<b>Return as soon as possible after receiving the Commission's detailed spreadsheets but no later than <b>7 May 2020</b></b>
<b><u>Part C</u></b>	<b>Sales and expenses</b>	
<b><u>Part D</u></b>	<b>Australian market</b>	

The timeliness of your response is important. The Commissioner must consider the direction from the Minister as set out in the *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Direction). More details on this direction are explained in Anti-Dumping Notice 2015/129, available on the Commission's website at [www.adcommission.gov.au](http://www.adcommission.gov.au).

Return E-mail: [investigations2@adcommission.gov.au](mailto:investigations2@adcommission.gov.au)

## SECTION D AUSTRALIAN MARKET

Please return your response to Part D along with your response to Parts B & C no later than 7 May 2020.

Please respond to the following questions in relation to the review period (1 January 2019 to 31 December 2019).

### D.1 Prevailing conditions of competition in the Australian market

1. Describe the Australian market for A4 copy paper and the prevailing conditions of competition within the market, including:
  - (a) Provide an overall description of the A4 copy paper market in Australia which explains its main characteristics and trends over the past five years;

Jackaroo estimates the Australian copy paper market to be approximately 200,000 tonnes per year. During the review period, Australian Paper had almost a monopolist position in the market. Their aggressive price strategy prevents the vast majority of imports into the country, except for its own imports from South Africa.

Jackaroo estimates that Australian Paper was also one of the largest importers of copy paper during the review period. It is understood that they don't have sufficient copy paper cutting capacity to supply the entire market which has resulted with them sending unconverted reels to Malaysia and importing cut size paper.

In addition they've also imported large volumes of copy paper from South Africa with which they actively undercut their own self-produced products by selling lower than their own paper in order to relieve capacity on their own machine. This current market situation reflects the overt misuse of the anti dumping system which enables Australian Paper to control both domestic and imports of copy paper. Please refer to **Confidential Exhibit A** which includes an email from Australian Paper's customer explaining how they were actively pushing their own customer to buy their imported paper even though the customer had been a loyal Australian Paper customer buying its [REDACTED] brand for many years.

We estimate the volume imported by Australian Paper from South Africa to be approximately [REDACTED] mt and approximately [REDACTED] mt from Malaysia. In total Australian Paper imported approximately [REDACTED] mt which they have been selling through to December 2019. This import activity by Australian Paper demonstrates that it does not have sufficient capacity to supply the Australian market.

See also at **Confidential Exhibit B** correspondence from an Australian Paper customer identifying the very low prices offered for Australian Paper's imported paper and confirming that in [REDACTED], Australian Paper was continuing to offer imported paper at ridiculously low levels.

As such, Jackaroo was unable to compete against Australian Paper domestic and imported copy paper prices during the investigated period. To demonstrate the market dominance of Australian Paper and its ability to price lead such that genuine importers such as Jackaroo cannot compete, please refer to the price undercutting analysis at **Confidential Exhibit C**. The analysis show undercutting of Australian Paper's imported copy paper by [REDACTED]%-[REDACTED]%.

## PUBLIC VERSION

Jackaroo urges the Commission to investigate and establish the price of Australian Paper's imports, for the purposes of considering whether Australian Paper's import prices should be the basis for the unsuppressed selling price and/or non-injurious price.

- (b) Provide the sources of demand for A4 copy paper in Australia, including the categories of customers, users or consumers of the product;

The commonly perceived categorisation of the copy paper market is broadly as follows:

1. Large & medium business, government and schools
2. Home, home office, small business and student
3. Insta print and in-plant printing

However, given the volume/price & type of paper sold by Jackaroo, it is clear that the market can be segmented based on the type of printers used;

- a) Laser
- b) low end/slow inkjet
- c) fast printing inkjet.

For inkjet printing technology, a specific type of treatment on the paper is required.

- (c) Provide the proportion (%) of sales revenue from each of those sources of demand listed in (b);

1. 60%
2. 30%
3. 10%

- a) 70%
- b) 20%
- c) 10%

- (d) Describe the factors that influence consumption/demand in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;

The Australian copy paper market has been relatively stable in recent years but in decline over a longer time period due to the increase in digitalization.

There are typically two spikes in consumption of paper during the year: tax time & back to school.

From a global point of view, there is an unusual increase in demand by the market for a specific weight (80gsm) and recycled paper. These specific market requests are not evident in other markets where competition is accepted, compared to Australia where the market is dictated by one single copy paper producer looking at their own self-interest rather than the best product fit for the market.

This is the result of Australian Paper lobbying market participants such as governments for the use of 80gsm and recycled paper, as Australian Paper's machine performs better producing 80gsm and the "investment" (almost fully subsidized by the Australian Tax payers) on a de-ink facility to sell recycled paper.

- (e) Describe any market segmentations in Australia, such as geographic or product segmentations;

Product segmentation can be observed according to the different type of printers:

## PUBLIC VERSION

- Laser: 70%
- Low spec inkjet: 20%
- Fast inkjet: 10%

Geographic segmentation is estimated as:

- NSW: 40%
- VIC: 30%
- QLD: 20%
- WA: 10%

- (f) Provide the proportion of sales revenue from each of the market segments listed in (e);

Refer to response at D.1(c).

- (g) Describe the way in which Australian manufactured and other imported A4 copy paper compete in the Australian market;

As far as Jackaroo is concerned, it is unable to compete with its import products against subject like goods sold by Australian Paper. This is demonstrated by the historically low volumes imported and sold from Brazil, compared to the substantial market share held by Australian Paper. Given Australian Paper's consistently claims that price is the primary reason for customer purchases, the huge market share that it holds must confirm that it is the clear price leader offering the cheapest paper offered in the market. This is confirmed by plain paper offered by Australian Paper which was imported from Mondi South Africa, and which substantially undercut imported goods from Brazil.

- (h) Describe the ways that A4 copy paper is marketed and distributed in the Australian market; and

A4 copy paper is sold by brands such as mill brands, customer own brand and OEM brands as well as by application; laser vs inkjet.

The copy paper is one element of the office supplies category. Rarely do end-users purchase a ream as a stand alone product. The distribution of copy paper is dominated by large resellers such as WINC, Office National, Office Choice or COS & retailers such as Officeworks, KMART, Woolworth or Coles.

- (i) Describe any other factors that are relevant to characteristics or influences on the A4 copy paper market in Australia.

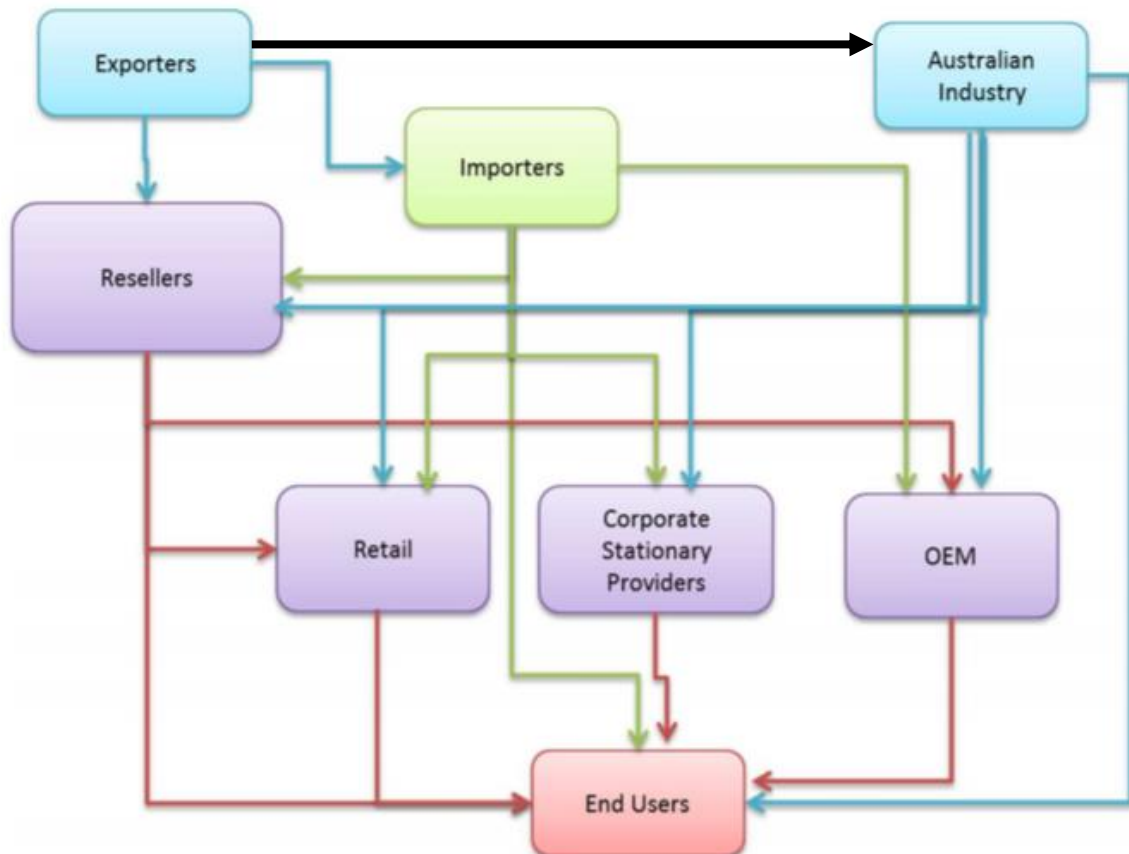
*Provide documentary evidence to support the responses made to questions 1(a) to (i).*

Australian Paper misuse of the anti-dumping system has had a massive influence on the Australian Copy paper market. They are clearly attempting to remove all competition and have themselves now become the largest importer as they simply cannot supply the entire market with a single production We would urge the Commission to review its import database to confirm Australian Paper's imports and also request relevant information directly from Australian Paper.

## PUBLIC VERSION

2. Provide a diagram which describes the Australian market structure for A4 copy paper, ensuring that all the categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Australian market.

The Australian market structure is well represented by Figure 1 below, which was published by the Commission in Report 463. The only change since that report was published is that Australian Paper has become a significant supplier of imported copy paper into the Australian market, to supplement its own local production. This distribution channel is represented by the black arrow added to the diagram below.



**Figure 1: The Commission's representation of the Australian market**

3. Describe the commercially significant market participants in the Australian market for A4 copy paper at each level of trade over the review period. Include in your description:
  - names of the participants;
  - the level of trade for each market participant (e.g., manufacturer, reseller, original equipment manufacturer (EOM), retailer, corporate stationer, importer, etc.);
  - a description of the degree of integration (either vertical or horizontal) for each market participant; and
  - an estimation of the market share of each participant.

Australian Paper is the sole dominating supplier of A4 copy paper through its locally produced and imported sources of supply. Other participants include:

B2B segment: WINC, Office National, Office Choice, Officeworks, COS

## PUBLIC VERSION

Retail segment: Coles, Woolworth, COSTCO, Target, Big W, K-Mart.

4. Identify the names of commercially significant importers in the Australian market for A4 copy paper over the review period and estimate their market share. Specify the country each importer imports from and their level of trade in the Australian market, if known.

Given the monopolistic dominance of Australian Paper, Jackaroo does not consider there to be any importers of significance that have any influence on the Australian market. In fact, the only significant importer during the review period was Australian Paper itself which was known to have sourced approximately [REDACTED] mt of copy paper from South Africa.

5. Describe the regulatory framework of the Australian market for A4 copy paper as it relates to competition policy, taxation, product standards and the range of the goods. Provide a copy of any regulation described, if available.

The only regulatory framework having a significant impact on the Australian copy paper market is the significant support Australian Paper enjoys from the anti-dumping commission.

6. Describe any entry restrictions for new participants into the Australian market for A4 copy paper. Your response could include information on:
  - resource ownership;
  - patents and copyrights;
  - licenses;
  - barriers to entry;
  - Import restrictions; and
  - government regulations (including the effect of those government regulations).

*In responding to question 6 ensure that relevant regulations are referenced.*

It is clear to all market participants that Australian Paper has utilised the dumping system with a view to introducing significant barriers to entry to new and existing suppliers. This is confirmed by its decision to not target countries such as South Africa where Australian Paper itself has sourced imported copy paper for supply into the Australian market.

## D.2 A4 copy paper products in the Australian market

1. Generally describe the range of A4 copy paper products offered for sale in the Australian market. The description should include all goods under consideration including those produced by your company. Your description could include information about:
  - quality differences;
  - price differences;
  - supply/availability differences;
  - technical support differences;
  - the prevalence of private labels/customer brands;
  - the prevalence of generic or plain labels;
  - the prevalence of premium labels; and
  - product segmentation.

### Quality difference:

Paper differentiated by weight (gsm), smoothness, whiteness and laser or inkjet treated paper.

### Price differences:

Price depends on above criteria and brands

## PUBLIC VERSION

### Supply/availability differences:

In a mature and concentrated market such as Australia, reliability of supply is critical. Customers rarely buy “spot” offer but rather look at partnering with a strategic supplier. Reliability is particularly critical in the Australian market given that Australian Paper cannot supply the entire market, which is demonstrated by their need to import significant volume from overseas. Australian Paper also operates only one single paper machine with no contingency plan, so it's critical for the market to have access to reliable overseas suppliers.

### Technical support:

Jackaroo is a 100% Australian owned business, paying tax in Australia, with local staff providing technical assistance to the local market.

### The prevalence of private labels/customers brands:

Given the historical restriction from Australian Paper to offer customers their own brand/private label to the market, with a strategy of forcing some participants to buy Australian Paper's mill brands, customers are forced to import private label from overseas.

### The prevalence of generic or plain label:

There is limited generic or plain label products in Australia but it is understood that Australian Paper imported significant volume of “plain label” from Mondi South Africa which they have actively offered at a discount to their own price until December 2019. Pricing was incredibly low with no rational explanation as to why Australian Paper would drive local market prices to those low levels. The paper offered, in small quantity, was substantially lower than Jackaroo's prices to the market during the same period.

### The prevalence of premium labels:

Branding is relevant in the copy paper market and form part of the marketing mix to differentiate the offering to the market

### Product segmentation:

Paper differentiated by weight (gsm), smoothness, whiteness and laser or inkjet treated paper.

2. Describe the end uses of A4 copy paper in the Australian market from all sources.

See response to D1.1b

3. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influencers in order of importance.

From Jackaroo's point of view, the negligible volume it supplied in the market confirms that purchasers continue to be influence and driven by price, which is largely a reflection of the commoditised nature of the Australian market. This characteristic of the market is in large part caused by Australian Paper's efforts to restrict the market to a single weight and fewer brands. Australian Paper has also contributed by offering cheap imports from South Africa as a result of its inability to meet market demand from its own production.

4. Identify if there are any commercially significant market substitutes in the Australian market for A4 copy paper.

Whilst there is no commercially significant market substitute to copy paper, the overall trend towards digitalisation has impacted on the A4 copy paper market.

5. Identify if there are any commercially significant market complements in the Australian market for A4 copy paper.



A4 copy paper forms part of the broader stationery & printing markets.

6. Have there been any changes in market or consumer preferences in the Australian market for A4 copy paper in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

Australian Paper has over the years set out to restrict the market to one single weight and fewer brands. In doing so, Australian Paper has created a very commoditised and undifferentiated market to their own detriment. This has led to suppliers differentiating their paper offering purely based on price. By contrast, Jackaroo has attempted to focus and offer products that can be differentiated more clearly on its characteristics.

### D.3 Relationship between price and cost in Australia

1. Describe the importance of the Australian market to your company's operations. In your response describe:
  - (a) The proportion of your company's sales revenue derived from sales of A4 copy paper in Australia; and
  - (b) The proportion of your company's profit derived from sales of A4 copy paper in Australia.

*In responding to question 1 please provide evidence supporting calculations.*

- a) Sales of the A4 copy paper from Brazil represented approximately █% of Jackaroo's total consolidated revenue during the review period. Refer to **Confidential Exhibit C**.
  - b) Jackaroo estimates that it derived approximately █% of its company profits from the sale of A4 copy paper.
2. Is your organisation/business entity the price leader of A4 copy paper in the Australian market? If no, please explain the reasons behind your response and specify the name(s) of the price leaders.

In no way can Jackaroo be considered a price leader. Its sales volumes have historically been insignificant and its prices have exceeded those offered by Australian Paper. This was confirmed by the Commission during the original investigation with no evidence of undercutting by Jackaroo's sales of imported goods from Brazil. During the review period, Jackaroo's product offering was for a single product type. This product and Jackaroo's prices cannot compete against the price of generic paper offered by others, including Australian Paper's own imports.

With a monopolistic position in Australia, Australian Paper is the clear price leader in Australia. This includes prices of its own self-produced and imported goods. Jackaroo estimates that its prices were approximately █%-█% higher than the price of imported copy paper by Australian Paper.

3. Describe the nature of your product pricing (e.g., market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in Australia. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.



## PUBLIC VERSION

Jackaroo's does not have a developed strategy with regard to pricing given that A4 copy paper is not a primary focus of Jackaroo's business.

4. Explain the process for how the selling prices of A4 copy paper for the Australian market by your business are determined. Provide copies of internal documents which support how pricing is determined.

As Jackaroo only imports and sells a small volume of A4 copy paper, its prices are determined by reference to the total cost to import and sell plus a margin. Jackaroo has no selling price strategy as it simply cannot compete against the extremely low prices offered by Australian Paper for its local and imported paper products.

5. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

Jackaroo does not review its selling prices given that it has historically had negligible import and sale volumes.

6. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

- Competitors' prices;
- Purchase price of raw materials;
- Cost to make and sell the goods;
- Level of inventory;
- Value of the order;
- Volume of the order;
- Value of forward orders;
- Volume of forward orders;
- Customer relationship management;
- Supplier relationship management;
- Desired profit;
- Brand attributes;
- Other [please define what this factor is in your response].

None of the factors listed above are relevant given that Jackaroo cannot compete on price against Australian Paper's low price offering for its local and imported paper.

7. Describe the relationship between selling price and your costs in the Australian market. Does your company maintain a desired profit margin for A4 copy paper? If not, does your company seek to maintain a desired profit margin for A4 copy paper?

Jackaroo accounts for the total cost to import and sell in setting prices, and in doing so, seeks a desired profit margin to cover local costs given the small quantity of paper its sells in the Australian market.

8. Do you offer price reductions (e.g., commissions, discounts, rebates, allowances or credit notes) in the Australian market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how your costs are considered in establishing these price reductions. Provide copies of internal documents which support your claims in response to this question.

No.

## PUBLIC VERSION

9. Do you offer bundled pricing in the Australian market? If yes, explain how the pricing for bundled A4 copy paper is determined. Explain how your costs for A4 copy paper are considered in establishing these bundled prices for A4 copy paper. Provide copies of internal documents which support your claims in response to this question.

No.

10. Does the volume of sales to a customer or the size of an order influence the selling price? If yes, advise how volume is used to determine selling prices. Explain how your costs are considered in establishing volume based prices for A4 copy paper. Provide copies of internal documents which support your claims in response to this question.

The volume may influence the selling price as the logistics costs will vary depending on the order size. However, in Jackaroo's case, this question is not applicable given it has historically imported and sold smaller volumes.

11. Does your organisation/business entity use sales contracts in the Australian market? If yes:

- (a) What proportion of your sales revenue would come from contracted sales versus uncontracted sales?
- (b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?
- (c) How frequently are sales contracts renegotiated?
- (d) How frequently are price reviews conducted between contracts?
- (e) Do you provide opportunities for price reviews for customers within contracts? If yes, provide a description of the process and an explanation of the circumstances that might lead to a price review.
- (f) Do changes in your costs enable you to review prices for customers within contracts?
- (g) Provide a list of the customers under contract during the review period and copies of the two largest contracts in terms of sales revenue. Provide a complete translation of the documents.

No.

12. Provide copies of any price lists for A4 copy paper used in the Australian market during the review period. If you do not use price lists, describe the transparency of your prices in the Australian market.

Not applicable.

13. How do you differentiate pricing for different A4 copy paper products in the Australian market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents which support your claims in response to this question.

Jackaroo supplied only one type of product in the market during the review period, so there was no pricing differentiation across different products.

14. Do you tier or segment your Australian A4 copy paper customers in terms of pricing? If yes, provide:

- (a) a general description of how this is done;
- (b) list the factors that influence pricing differentiation in different tiers or segments;  
and

## PUBLIC VERSION

- (c) explain how your costs are considered in making pricing decisions for different tiers or segments.

*Provide copies of internal documents which support your claims in response to this question.*

No.

15. Do you sell A4 copy paper to related entities in Australia? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue are to related party entities. If available, provide a copy of any internal document relevant to establishing pricing to related parties.

No.

### **D.4 Marketing and sales support in the Australian market**

1. How does your company market A4 copy paper in the Australian market? Include in your response the value proposition used (e.g. price, quality, reliability, availability, etc.).

Jackaroo is a well known paper and packaging distributor in the market, and is in regular contact with key participants. As such, Jackaroo does not market its products as marketing is typically carried out by the customers themselves.

2. Does your company conduct brand segmentation in the Australian market for A4 copy paper? If yes, describe the brand segmentation used and provide the proportion of sales revenue derived from each brand segment.

Not applicable given Jackaroo's negligible market share during the investigation period.

3. Provide examples of your Australian advertising of A4 copy paper over the past five years. If you have not used advertising in Australia, provide examples of any other A4 copy paper promotion campaigns you have conducted over the review period.

Not applicable

4. How many people are in your Australian sales team and where are they located? In general terms, how are they remunerated? If they are offered performance pay based on sales, describe the performance indicators used to establish the performance pay. Provide copies of internal documents which support your claims in response to this question.

5. Describe what parameters are provided to sales staff to assist in establishing pricing for A4 copy paper when negotiating sales with customers. Provide copies of internal documents which support your claims in response to this question.

As noted earlier,