



## **Importer Verification Report**

### **Verification & Case Details**

<b>Initiation Date</b>	16/04/2020	<b>ADN:</b>	2020/039
<b>Case Number</b>	551		
<b>The goods under consideration</b>	A4 Copy Paper		
<b>Case type</b>	Review of anti-dumping measures		
<b>Importer</b>	Officeworks Ltd		
<b>Verification from</b>	23/07/2020	<b>to</b>	9/12/2020
<b>Review period</b>	1/01/2019	<b>to</b>	31/12/2019

**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 THE ANTI-DUMPING COMMISSION**

**CONTENTS**

**CONTENTS.....2**

**COMPANY BACKGROUND.....3**

1.1 CORPORATE STRUCTURE AND OWNERSHIP .....3

1.2 RELATED PARTIES .....3

**2 THE GOODS .....4**

2.1 THE GOODS .....4

2.2 MODEL CONTROL CODES (MCCs) .....4

2.3 VERIFICATION OF MCCS .....4

2.4 THE GOODS IMPORTED AND SOLD IN AUSTRALIA .....4

**3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE .....5**

**4 DOWNWARDS VERIFICATION OF SALES .....6**

4.1 VERIFICATION OF SALES ACCURACY .....6

**5 VERIFICATION OF IMPORTS .....7**

5.1 IMPORT LISTING .....7

5.2 VERIFICATION OF CTIS .....7

5.3 CTIS ALLOCATION METHOD .....7

5.4 VERIFICATION OF CTIS ACCURACY .....8

5.5 FORWARD ORDERS .....8

5.6 CTIS VERIFICATION FINDING .....9

**6 EXPORT PRICE.....10**

6.1 THE IMPORTER .....10

6.2 THE EXPORTER .....10

6.3 RELATED PARTY CUSTOMERS .....10

6.4 PROFITABILITY OF IMPORTS .....11

6.5 RELATED PARTY SUPPLIERS .....12

6.6 ARMS LENGTH .....12

6.7 EXPORT PRICE ASSESSMENT .....12

**7 ATTACHMENTS .....14**

## **COMPANY BACKGROUND**

### **1.1 Corporate structure and ownership**

Officeworks Ltd ('Officeworks') is an importer and retailer of A4 copy paper (the goods). Officeworks supplies products for the home, small-to-medium sized businesses and education sectors, and offers the services of print, copy and on-site technology support.

Officeworks is wholly owned by Wesfarmers Limited ('Wesfarmers'). Wesfarmers is publicly listed on the Australian Stock Exchange.

### **1.2 Related parties**

The verification team examined the relationships between related parties involved in the importation and sale of the goods.

The verification team found that Officeworks did not have any related party suppliers of the goods from China during the review period.

Due to being a retailer, Officeworks does not record the purchaser details of the majority of its paper sale transactions. Officeworks did not provide a list of sales due to the retail nature and volume of the company. As the verification team did not receive a detailed sales listing of the goods imported from China during the review period, the verification team is unable to assess whether sales were made to related parties.

## **2 THE GOODS**

### **2.1 The goods**

Officeworks confirmed that it imported A4 copy paper (the goods) from China during the review period matching the description of the goods that are the subject of this review.

### **2.2 Model control codes (MCCs)**

As the verification team did not receive a detailed sales listing of the goods imported from China during the review period and sold to Australian customers,<sup>1</sup> the verification team does not have information to assess MCCs in relation to Officeworks' sales.

The verification team has information to assess MCCs in relation to Officeworks' imports of the goods during the review period in the Cost to Import and Sell (CTIS) spreadsheet.

### **2.3 Verification of MCCs**

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents in relation to the CTIS spreadsheet.

<b>Category</b>	<b>Determination of the sub-category</b>
Weight (grams per square metre (gsm))	Commercial invoice, purchase order and packing list.
Recycled content	Product specifications listed on Officeworks' retail website.

**Table 1 MCC sub-category determination**

### **2.4 The goods imported and sold in Australia**

The verification team is satisfied that Officeworks imported goods from China with the following MCC during the review period:

- 80-N

---

<sup>1</sup> Due to being a retailer, Officeworks does not record the purchaser details of the majority of its paper sale transactions. Officeworks did not provide a list of sales due to the retail nature and volume of the company.

### 3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

As the verification team did not receive a detailed sales listing of the goods imported and sold to Australian customers,<sup>2</sup> the verification team is unable to conduct the verification for completeness and relevance.

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

---

<sup>2</sup> Due to being a retailer, Officeworks does not record the purchaser details of the majority of its paper sale transactions. Officeworks did not provide a list of sales due to the retail nature and volume of the company.

## 4 DOWNWARDS VERIFICATION OF SALES

### 4.1 Verification of sales accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

As the verification team did not receive a detailed sales listing of the goods imported from China during the review period and sold to Australian customers,<sup>3</sup> the verification team is unable to conduct the verification for accuracy.

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

---

<sup>3</sup> Due to being a retailer, Officeworks does not record the purchaser details of the majority of its paper sale transactions. Officeworks did not provide a list of sales due to the retail nature and volume of the company.

## **5 VERIFICATION OF IMPORTS**

### **5.1 Import listing**

Using data from the Australian Border Force (ABF) import database, Officeworks provided further information from its accounts that enabled the verification team to obtain a complete and relevant list of imports of the goods over the review period.

The verification team calculated the weighted average free-on-board (FOB) export price at **Confidential Appendix 1**.

### **5.2 Verification of CTIS**

Prior to the verification, the Commission selected 12 shipments for Officeworks to complete the CTIS spreadsheet of the importer questionnaire.

For each of the selected shipments, Officeworks provided the following source documents:

- commercial invoice from its supplier;
- purchase order;
- shipping documentation including bill of lading, packing list, packing declaration and certificate of origin;
- commercial invoices for ocean freight;
- marine insurance policy;
- importation declaration to the ABF;
- commercial invoice for broker fees, port handling and inland transport from the port of arrival; and
- proof of payment for the goods including bank remittance advices and transaction reports.

### **5.3 CTIS allocation method**

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response.

<b>Cost Area</b>	<b>Method applied</b>
Ocean freight	Unit freight cost on the commercial invoice multiplied by the number of containers for A4 copy paper.
Marine insurance	Unit amount calculated using the fixed percentage rate from the marine insurance policy and total company imports during the period.
Duties	Actual duties paid based on ABF customs documentation.
Customs entry and broker fees	Actual cost based on ABF customs documentation and invoice from the customs broker.
Port service charges and carrier document fee	Unit port service and carrier document fee cost on the commercial invoice multiplied by the number of containers for A4 copy paper.
Delivery	Actual cost based on commercial invoices and cost ledger for the relevant containers of A4 copy paper within each shipment.

## PUBLIC RECORD

SG&A	<p>Officeworks records its Cost of Doing Business (CODB) expense at a whole business level, rather than by individual products or departments. Officeworks advised that the CODB was not reflective of the costs of selling A4 copy paper. This is because the CODB figures included costs for products that required greater levels of sales support, technical support, dedicated sales staff and investment in equipment, for example, copying. As such, Officeworks considers that the CODB expense likely overstates the SG&amp;A cost of A4 copy paper.</p> <p>The verification team's assessment of SG&amp;A is contained in chapter 6.4 of this report.</p>
------	---

**Table 2 Verification of cost calculation method**

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 5.4 Verification of CTIS accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing key information fields within the CTIS data down to source documents. This verifies the accuracy of the CTIS data.

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified the issue outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

#### 5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	The verification team identified for one selected shipment, the value in \$AU for the goods did not reconcile to the verified invoice price in \$US (invoice currency) multiplied by the verified exchange rate.	Officeworks advised that the \$AU value was an error, therefore the verification team revised the \$AU value to be the \$US invoice price multiplied by the exchange rate.

**Table 3 Exceptions during verification of accuracy of CTIS data**

### 5.5 Forward orders

The list of forward orders is at **Confidential Appendix 2**.



## **5.6 CTIS verification finding**

The verification team is satisfied that the CTIS provided by Officeworks, including the required amendment as outlined in the exception table above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

## 6 EXPORT PRICE

### 6.1 The importer

The verification team considers Officeworks to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Officeworks is:

- named on the commercial invoice;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

### 6.2 The exporter

The goods were imported to Australia by Officeworks. The verification team considers UPM Asia Pacific Pte Ltd ('UPM AP') to be the supplier of the goods from China as it is:

- named on the commercial invoice;
- named as the supplier on the importation declaration to the ABF; and
- receives payment for the goods by Officeworks.

The verification team understands that UPM (China) Co., Ltd ('UPM China') is the manufacturer of the goods. UPM China is:

- named as consignor on the bill of lading;
- named on the certificate of origin documentation; and
- named on the packing declaration.

The verification team recommends that, subject to further inquiries with the supplier and manufacturer, the case team makes an assessment of who is the exporter<sup>4</sup> of the goods imported by Officeworks.

### 6.3 Related party customers

As the verification team did not receive a detailed sales listing of the goods imported from China during the review period,<sup>5</sup> the verification team is unable to assess whether sales were made to related parties in Australia.

---

<sup>4</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

<sup>5</sup> Due to being a retailer, Officeworks does not record the purchaser details of the majority of its paper sale transactions. Officeworks did not provide a list of sales due to the retail nature and volume of the company.

## 6.4 Profitability of imports

The verification team assessed the profitability for the following selected shipments by comparing the revenue to the CTIS for each shipment. As each selected shipment is not on-sold and cannot be traced to actual sales transactions, the verification team used the verified standard retail prices from Officeworks' accounting system for the relevant product codes within each shipment and time period<sup>6</sup> to assess its profitability.

Officeworks records its Cost of Doing Business (CODB) expense at a whole business level, rather than by individual products or departments. Officeworks advised that the CODB was not reflective of the costs of selling A4 copy paper. This is because the CODB figures included costs for products that required greater levels of sales support, technical support, dedicated sales staff and investment in equipment, for example, copying. As such, Officeworks considers that the CODB expense likely overstates the SG&A cost of A4 copy paper.

The verification team compared the CODB expense to other importer SG&A information relating to A4 copy paper for the review period and the investigation period<sup>7</sup> of Investigation 341. Based on this comparison, the verification team agrees that the CODB expense does not reasonably reflect the SG&A expense relating to Officeworks' sales of A4 copy paper.

Therefore, the verification team has used a different estimate of SG&A expenses, which was based on other A4 copy paper importers' SG&A expenses, in order to assess whether the selected shipments were profitable.

The outcome of the profitability assessment is in Table 4 below.

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	Y
5	Y
6	Y
7	Y
8	Y
9	Y
10	Y
11	N/A – verified as being non-goods
12	N/A – verified as being non-goods

<sup>6</sup> The time period for sales of goods imported from UPM AP was estimated using a first in, first out (FIFO) calculation.

<sup>7</sup> Calendar year 2015.

<b>Weighted average of all shipments</b>	<b>Y</b>
--	----------

**Table 4 Profitability of selected imports**

The assessment is at **Confidential Appendix 3**.

## **6.5 Related party suppliers**

The verification team did not find any evidence that Officeworks is related to its supplier of the goods exported from China during the review period, being UPM AP.

## **6.6 Arms length**

In respect of imports of the goods to Australia by Officeworks purchased from UPM AP during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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 buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team is satisfied that the imports between Officeworks and UPM AP are arms length transactions.

## **6.7 Export price assessment**

The verification team is of the opinion that for the goods imported by Officeworks from UPM AP:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with UPM AM, the verification team recommends that the export price for the goods imported by Officeworks from UPM AP can be established under section 269TAB(1)(a) of the Act, using the invoiced price, less transport and other costs arising after exportation.

**7 ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Forward orders
<b>Confidential Appendix 3</b>	Profitability of imports
<b>Confidential Attachment 1</b>	Verification Work Program