

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.

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

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.

Return E-mail: 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;

We estimate the Australian market for A4 copy paper is around 200,000 tonnes per year over the past three years and believe that the Commission's graphs reproduced below are an accurate representation of the market and the shares of the various participants in that market

We believe the Australian producer currently supplies about 85% of the A4 copy paper market with locally produced paper. The remainder of the market is made up of imports including imports by the Australian producer that are estimated to account for at least 5% of the market. Our estimate of a total market share of 90% enjoyed by the Australian industry compares with the less than 50% share attributed to the Australian producer in 2014 by the Commission in Investigation 463.

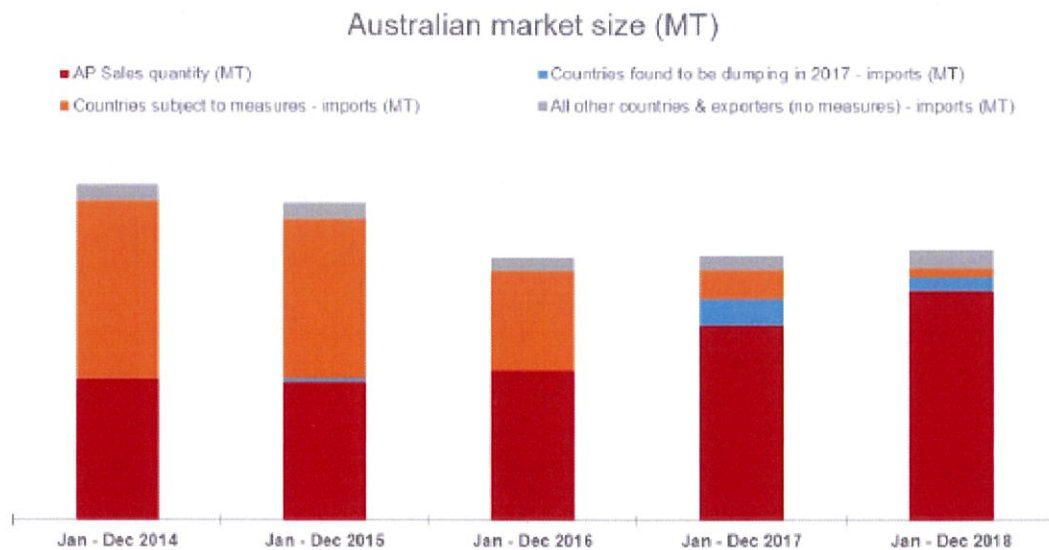


Figure 2: The Commission's estimate of the total Australian A4 copy paper market (MT)²³

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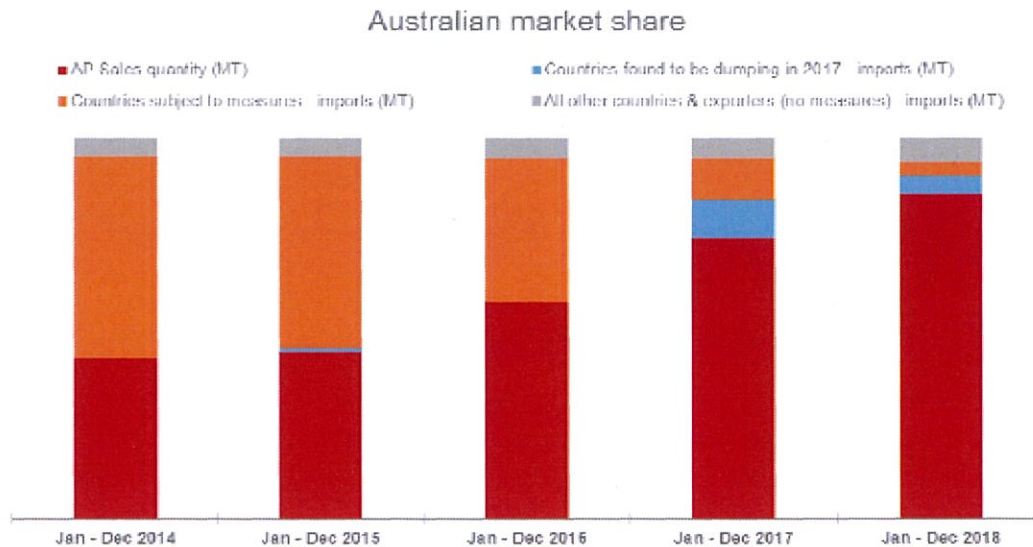


Figure 9: Market share in Australia⁶⁵

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

The Australian market structure falls into three broad end user categories. These are:

1. Large and medium corporations, government and educational institutions
2. Home and home office, small business
3. Insta print and in-plant printing

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

The segments are estimated at: 1. 70%, 2. 20%, 3. 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 size of the Australian market is basically stable. Slight demand peaks are attributable to such factors as back to school promotions. A further factor inflating demand for 80 gsm product at the expense of other grammages is the specified use of 80 gsm required by a significant number of Federal and State Government agencies.

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

Product based segmentation is estimated at:

Virgin pulp	90%
Recycled	10%

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

See D 1 – (c) above.

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

Australian manufactured A4 is the price leader and offers price reductions as rebates paid off-invoice and other incentives.

UPM's imported A4 competes with value based pricing with premium over market prices and unrivalled customer service.

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

Most imported A4 volumes are Customers Own Brand ("COB") and OEM brands.

UPM competes as a sustainability leader, offering a comprehensive local customer service and proficient supply chain.

Australian Paper sells both their own brands and COB/OEM brands.

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

Obviously, the major influence on the Australian copy paper market is the relentless application of the trade measures system and the support through that system for an uncompetitive industry that has resulted in a near monopoly situation.

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

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 below, as described in REP 463.

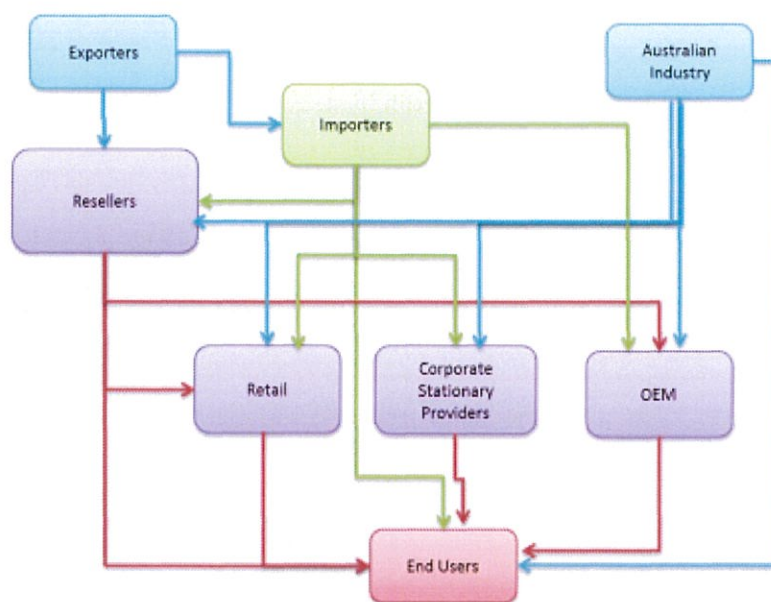


Figure 1: The Commission's representation of the Australian market

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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 dominates the supply of A4 copy paper with its locally produced and imported sources of supply.

UPM and other importers have been reduced to an insignificant share of the market.

Corporate (B2B) Stationary providers include Officeworks, WINC, COS.

Retail sellers are, Coles, Woolworths, Costco, Target, Australia Post, Big W, and K Mart.

OEM's include Fuji Xerox and Canon.

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.

Details of the remaining minor importers is readily available to the Commission from the ABF data base

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.

Apart from the relentless recourse to the anti-dumping system, the occasional interest expressed by the ACCC in possible anti-competitive conduct and the illegal logging laws described below, there are no other features of the regulatory framework that impact significantly on the market.

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).

Australia's illegal logging law, *Illegal Logging Prohibition Act 2012*, requires all importers to ensure they are not importing products that contain illegally logged timber, putting an obligation on importers to responsibility source fibre for paper making and have documentation of the chain of custody of their fibre supply.

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

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;

Differentiated by thickness, smoothness, opacity and whiteness levels

- price differences;

Differentiated via quality attributes as mentioned above. Recycled products command higher prices.

- supply/availability differences;

Australian Paper has shorter delivery lead times than importers. However, its inability to meet market demand due to continued production issues has led to itself importing product from competing suppliers. This inability to serve customer demand has caused much angst amongst the customer base concerning supply continuity.

- technical support differences;

UPM has a dedicated 24/7 physical technical support presence along with market leading IT systems. This allows the quickest in market response to any rare technical issues.

- the prevalence of private labels/customer brands;

Most imported brands are private label/customer brands. AP relies more heavily on its own brands.

- the prevalence of generic or plain labels;

Very limited prevalence of generic/plain label in the A4 market. AP however did in 2019 offer heavily discounted generic plain label product in the A4 market. It is known in the Australian industry that discounts of 20% were offered. This was product which was imported from Mondi in South Africa to cover its own supply short falls from its Australian Operation.

- the prevalence of premium labels; and

Premium Labels have become more apparent in recent times as the product segmentation has changed. This has not been due to a physical change to the grades offered, more marketing driven by the local manufacturer.

- product segmentation.

Product segmentation has changed a little in recent times. Five years ago, there was a clear three-tier strategy to Market for copy paper (Good, Better, Best). Recently we are seeing a two-tier strategy (Standard, Premium) plus recycled offerings. This segmentation is based around whiteness levels/thickness/Bulk Opacity and recycled content.

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

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See 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.

Whiteness is the main product differentiator together with supplier reputation and brand recognition

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

None

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

No.

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.

The Australian consumers and corporations environmental awareness have increased, and appreciate new offerings, despite the local industry's best efforts to restrict the market to the one grammage that they produce.

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.

UPM-Kymmene Pty Ltd overall [REDACTED] was A4 copy paper sales to Australia. The proportion of profit was [REDACTED]

[Confidential profit and sales details]

In responding to question 1 please provide evidence supporting calculations.

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.

No, UPM sells at a market premium and is not the price leader. The local industry is the price leader.

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

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different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

UPM is the global paper industry leader and only sells to Australian and other markets if can achieve [REDACTED] targeted rates of return.

[Confidential pricing strategies]

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 stated UPM's selling prices are based on targeted rates of return.

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.

Australian selling prices are reviewed quarterly

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].

The only factors that have a significant influence on pricing decisions are the cost to make and sell the goods and the targeted profit.

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?

Yes

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

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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.

No, except

[Minimum order requirements]

11. Does your organisation/business entity use sales contracts in the Australian market? If yes:
- What proportion of your sales revenue would come from contracted sales versus uncontracted sales?
 - Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?
 - How frequently are sales contracts renegotiated?
 - How frequently are price reviews conducted between contracts?
 - 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.
 - Do changes in your costs enable you to review prices for customers within contracts?
 - 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.

Yes. Please see Confidential Attachment 1.

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.

No, UPM does not publish pricelists for A4 copy paper.

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.

Pricing is based on targeted rates of return as can be seen from UPM-AP's responses to the Exporter Questionnaire in Investigation 551.

14. Do you tier or segment your Australian A4 copy paper customers in terms of pricing? If yes, provide:
- a general description of how this is done;
 - list the factors that influence pricing differentiation in different tiers or segments;
- and

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

No

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

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. All UPM's sales are at arm's length.

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.).

Marketing and sales support in the Australian Market is carried out by UPM's customers.

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.

No.

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.

located in Sydney, all staff are remunerated by

[Confidential staffing details]

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.

Sales staff are provided with

[Confidential pricing information]