



Australian Government
Department of Industry, Science,
Energy and Resources

Anti-Dumping
Commission

Australian Industry Questionnaire

Case number: 583

Received 29 July 2021

Product: A4 copy paper

From: The Republic of Indonesia (Indonesia)

Review period: 1 April 2020 to 31 March 2021

Response due by: **Wednesday 30 June 2021**

Return completed questionnaire to:
investigations@adcommission.gov.au

Anti-Dumping Commission website: www.adcommission.gov.au

DECLARATION

I believe that the information contained in this response is complete and correct.

Signature: *MJ Decarne*

Name: Matt Decarne

Position: Trade Affairs Manager

Company: Paper Australia Pty Ltd

ABN: 49 082 475 438

Date: 29/06/2021

TABLE OF CONTENTS

INSTRUCTIONS..... 4

GOODS UNDER CONSIDERATION 6

SECTION A MARKET SITUATION 7

 A-1 Whether sales are suitable 7

SECTION B AUSTRALIAN MARKET 10

 B-1 Prevailing conditions of competition in the Australian market 10

 B-2 Like goods in the Australian market 21

 B-3 Relationship between price and cost in Australia..... 24

 B-4 Marketing and sales support in the Australian market 32

SECTION C PRODUCTION AND PRODUCTION COSTS 34

 C-1 Production of A4 copy paper 34

INSTRUCTIONS

Why you have been asked to fill out this questionnaire?

The Anti-Dumping Commission (the Commission) is conducting a dumping investigation into A4 copy paper exported to Australia from the Republic of Indonesia (Indonesia) by PT Pabrik Kertas Tjiwi Kimia Tbk.

The Commission will use the information to assess the claim that a particular market situation exists in the market for A4 copy paper in Indonesia. Provision of this information will be used to determine an appropriate normal value for the goods over the investigation period (the period).

Any information provided may be used by the Commission for any purpose consistent with its statutory functions.

What happens if you do not respond to this questionnaire?

You do not have to complete the questionnaire. However, if you do not respond, do not provide all of the information sought, do not provide information within a reasonable time period, or do not allow the Commission to verify the information, the Commission must determine a dumping margin having regard to all relevant information.

Therefore, it is in your interest to provide a complete and accurate response to this questionnaire.

Extension requests

If you require a longer period to complete your response to this questionnaire, you must submit a request to the Commission, in writing, for an extension to the due date for all or part of the questionnaire. This request must be made prior to the due date. A request for extension will be rejected if received after the due date.

When considering the extension request, the Commission will have regard to:

- the Commission's responsibility to conduct the case in a timely and efficient manner;
- the reasons why you could not provide a response within the whole period and not only the period remaining between the request and the due date;
- ordinary business practices or commercial principles;
- the Commission's understanding of the relevant industry;
- previous correspondence and previous dealings with your company; and
- information provided by other interested parties.

More information on extensions can be found in the Customs (Extension of Time and Non-cooperation) Direction 2015 at <https://www.legislation.gov.au/Details/F2015L01736>.

You will be informed of the decision whether your request for an extension has been rejected, granted in full or granted in part. For example, you may be granted an extension to submit all sections except for Section A or you may be granted a shorter extension than you requested.

Confidential and non-confidential responses

PUBLIC RECORD

You are required to lodge a confidential version (OFFICIAL: Sensitive) and a non-confidential version (for publishing on the public record) of your response to this questionnaire by the due date. Please ensure that *each page* of information you provide is clearly marked either “**OFFICIAL: Sensitive**” or “**PUBLIC RECORD**”.

All information provided to the Commission in confidence will be treated accordingly. The public record version of your questionnaire will be placed on the public record, and must contain sufficient detail to allow a reasonable understanding of the substance of the information without breaching confidentiality.

A person is not required to provide a summary for the public record if the Commission can be satisfied that no such summary can be given that would allow a reasonable understanding of the substance of the information.

All questionnaires are required to have a bracketed explanation of deleted or blacked out information for the public record version of the questionnaire. An example of a statement to accompany deleted/blacked out text is:

[Explanation of cost allocation through the divisions, by reference to machine hours or weight].

If such an explanation is not provided, the Commission may disregard the information in the submission. Where the public record version of your response to the questionnaire does not contain sufficient detail, your company may be requested to resubmit your response with the required level of detail or, if deadlines have passed, the Commission may not have regard to it.

Important instructions for preparing your response

- All questions in this questionnaire must be completed. If a question is not applicable to your situation, please answer the question with “Not Applicable” and provide an explanation as to why.
- Clearly identify all units of measurement (e.g. KG) and currencies (e.g. AUD) used. Apply the same measurement consistently throughout your response to the questionnaire.
- Label all attachments to your response according to the section of the questionnaire it relates to (e.g. label the chart of accounts as Attachment A-1.1)
- The data must be created as spreadsheet files in Microsoft Excel.
- If you cannot present electronic data in the requested format contact the case officer as soon as possible.
- Where possible, electronic data should be shared with the Commission via SIGBOX, a secure online document repository. Please contact the Commission to request access to SIGBOX if required.

GOODS UNDER CONSIDERATION

The goods under consideration (the goods) i.e. the goods exported to Australia, allegedly at dumped prices, are:

Uncoated white paper of a type used for writing, printing or other graphic purposes, in the nominal basis weight range of 67 to 100 gsm (grams per square metre) and cut to sheets of metric size A4 (210mm x 297mm) (also commonly referred to as cut sheet paper, copy paper, office paper or laser paper).

Further information on the subject goods specifies that the:

Paper is not coated, watermarked or embossed and is subjectively white. It is made mainly from bleached chemical pulp and/or from pulp obtained by a mechanical or chemi-mechanical process and/or from recycled pulp.

SECTION A MARKET SITUATION

Section 269TAC(1) of the *Customs Act 1901* (Cth) (the Act) provides that, subject to this section, the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

In addition, section 269TAC(2)(a)(ii) of the Act provides that, subject to this section, where the Minister is satisfied that because of the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1), the normal value of the goods exported to Australia cannot be ascertained under subsection (1).

In the application from Paper Australia Pty Ltd (Opal Australian Paper) received by the Commission on 27 April 2021 in respect of A4 copy paper (the goods), it was claimed that a particular market situation exists with respect to the goods within Indonesia.

Opal Australian Paper has based its claim that a particular market situation exists within Indonesia primarily on previous findings by the Commission.

As part of its investigation, the Commission will consider if a market situation exists in the A4 copy paper market in Indonesia during the investigation period. The Commission will also investigate whether any market situation, if found to exist, influences a comparison between export prices and normal values. To undertake this assessment, the Commission requires further information about the respective markets.

A-1 Whether sales are suitable

If the Minister is satisfied a market situation exists in Indonesia during the investigation period, the Minister must consider whether, because of that market situation, exporters' domestic sales of the goods are suitable for determining a price under section 269TAC(1) of the Act.

1. In the event that the Minister is satisfied a market situation is found to exist during the investigation period, please comment and provide any relevant evidence on:

(a) the effect of the market situation on exporters' domestic prices in Indonesia;

It is alleged in the application that a particular market situation prevails in Indonesia for A4 copy paper as was found to be the case in Investigation 341, and subsequently affirmed by Review 547 albeit reconsidered;

"The Commission found that there was a particular market situation in Indonesia during the original investigation period. Appendix 2 of Report 341 (REP 341) sets out the Commission's findings in respect of the market situation in Indonesia for the original investigation period.

Subsequent to REP 341 and in light of the findings of the WTO Panel in DS529, the Commission has reconsidered whether the situation in the market in Indonesia is such that domestic sales of A4 copy paper in Indonesia are not

PUBLIC RECORD

suitable for use in determining a normal value under section 269TAC(1) of the Act.”

Given the existence of the market situation in respect of the Indonesian A4 copy paper market, Opal Australian Paper considers that normal value for Indonesian producers should not be determined using domestic selling prices. Therefore, as part of the application OAP constructed the normal value based on the sum of the cost of:

- Production for Tjiwi Kimia’s manufacture of sheeted ‘Xerographic’ paper from RISI, with a cost replacement for pulp with reference to global average pulp prices from RISI; and*
- The cost of depreciation, calculated as the percentage of total sales revenue from Tjiwi Kimia’s annual report; and*
- SG&A expenses, calculated as a percentage of total sales revenue as reported in Tjiwi Kimia’s 2019 annual report; and*
- Profit achieved on the applicant’s sales of like goods in the Australian market during the period January 2012 to December 2014, which represents a period unaffected by dumping.*

Opal Australian Paper understands that the export prices at FOB terms involve the seller incurring the cost of inland freight and credit terms. However, OAP calculated the normal value at ex-works with no adjustments applied. OAP does not have access to the cost of inland freight from the producer’s factory to the port of export, nor the cost of port handling, and therefore has not applied any adjustments to the normal value.

(b) the effect of the market situation on exporters’ export prices;

Opal Australian Paper Considers that the market situation in respect of A4 copy paper in Indonesia applies equally to all domestic producers of virgin A4 copy paper and impacts the entirety of its market including domestic selling prices and therefore their appropriateness in calculating the normal value. OAP also considers that the effect of the market situation equally applies to all exporters from Indonesia to Australia, in that all Indonesian producers who choose to export to Australia are afforded the same advantage as a consequent of the Government programs which have given rise to the PMS finding.

(c) whether the effect of the market situation is such that exporters’ domestic prices and export prices cannot be properly compared.

Opal Australian Paper agrees with the Commission’s finding in its Final Report relating to Review 547, where the Commission stated that;

“the effect of the market situation in Indonesia on the export price in Australia results in competitive advantages and disadvantages between market players. Specifically, Indonesian exporters enjoy a cost and price advantage that either

PUBLIC RECORD

manifests as an increased profit margin at the prevailing level of competitive pricing in the Australian market or a low export price that undercuts the prevailing level of competitive pricing. In other words, the effect of the market situation on export price is to modify the conditions of competition in Australia to the benefit of Indonesian exporters and, if that benefit manifests as a low price that undercuts the prevailing level of competitive pricing in Australia, to the detriment of all other market participants in that market.

Thus, the relative effect of the market situation on domestic and export prices is materially different in the relevant markets. For the reasons outlined above, the domestic sales prices are not suitable to use as the basis for “normal value” because they do not permit a proper comparison with export price for the purposes of determining the existence and margin of dumping in the Australian market.”

2. Please provide any further information and evidence you may wish to submit.

Opal Australian Paper does not consider that the GOI has altered its plans and policies for the Forestry and Paper industries over the intervening period following from the 2015 investigation period.

It is evident that the Master Plan for the Pulp and Paper Industry 2015-2025 and the Indonesia’s Forestry Long Term Development Plan 2006-2025 continue to operate to the benefit of Indonesia’s Forestry and Pulp and Paper industries.

The export ban and logs and woodchips (imposed by the Decree of 2001 and further detailed in the 2012 Decree) also continue to restrict exports of these key raw materials consumed by the pulp and paper industry.

OAP submits that the Commission’s finding concerning a particular market situation for A4 copy paper in Indonesia as outlined in Report 341 remains applicable in 2020 to the same extent that it was confirmed by the Commission in 2015.

SECTION B AUSTRALIAN MARKET

In responding to the questions in section B please respond to these questions in relation to the investigation period (1 April 2020 to 31 March 2021).

B-1 Prevailing conditions of competition in the Australian market

1. Describe the Australian market for the goods and the prevailing conditions of competition within the market, including:

(a) Provide an overall description of the market in Australia for the goods which explains its main characteristics and trends in the five year period ending 31 March 2016;

Opal Australian Paper estimates that as at March 2021 the annualised market size for white A4 copy paper was approximately XXXXXX tonnes per annum based on exports to Australia from all countries in addition to OAP's domestic sales. A significant market contraction event occurred in 2020 as a result of the COVID-19 pandemic as office paper usage changed, and volumes were impacted. Whilst all market participants should have been impacted equally by the reduced demand, it was shown in the application that OAP was impacted most significantly due to import competition from dumped goods. The Commission has confirmed in previous investigations that a contracting market creates a situation where producers/importers must compete vigorously on price in order to maintain volume and market share. This dynamic is evermore present in the covid impacted A4 copy paper market place.

It was estimated by OAP that the Australian market consumption for the like goods was between 220,000 and 210,000 tonnes between 2009 and 2014. Opal Australian Paper has closely monitored the size of the Australian market and estimates that the market has contracted since 2014, and to a large extent in 2016 (down to 165,000 tonnes due to the cessation of stockpiling by importers). In 2017 consumption volumes corrected to a typical market size of approximately 190,000 tonnes. Since 2017 the market size has continued to contract roughly in line with a longer term trend of around 5.1 per cent per annum. Excluding the disruptive impact of covid, it is expected that the Australian market will revert to its longer term trend. Confidential Graph B-1.1(d) below shows the estimated apparent consumption of the like goods in the Australia since 2009.

[Confidential Graph B-1.1(a)]

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

Sources of demand, the categories of customers and consumers have remained largely unchanged over the past five years, albeit with some customer consolidation within the commercial channel i.e. Winc's acquisition of OfficeMax and COS' acquisition of Vital Office and Lyreco. It has been well established since Investigation 341, as well as subsequent investigations 463, and reviews 547, 551 and 552 that there existed three broad categories of users in the Australian A4 copy paper market. These are:

PUBLIC RECORD

- *Home and home office/small office/business sectors;*
- *Medium and large business, the government and education sectors; and*
- *The industrial sector including instant print and in-plant printing operations.*

The key supply channels to market were identified as:

- *Retail sector;*
- *Corporate stationery suppliers;*
- *Resellers; and*
- *The original equipment manufacturer (OEM), and industrial sector.*

The Commission further identified three broad categories of A4 copy paper sold in the Australian market:

- *Manufacturer brands;*
- *Private label/customer brands; and*
- *Plain or generic labelled brands.*

The product, both locally produced and imported, is described variously as white 'cut sheet', 'cut ream', 'cut size', 'office paper', 'copy paper' or 'laser paper' is used in both dry toner and ink jet copying, faxing and printing in offices and in instant printing outlets. Used in a wide variety of commercial outlets including mail houses, digital, instant and commercial printing businesses. It is also used in smaller quantities for offset printing and for general printing, business, educational and home office uses.

Opal Australian Paper reiterates that all white A4 copy paper in the Australian market competes on an equal basis in the Australian domestic market as different brand categories i.e. manufacturer and private labels brands sit directly adjacent to one another on the shelves of major retailers, and online stores. Moreover, all white A4 copy paper used in Australia serves exactly the same functional and commercial purpose and is physically alike in all practical aspects.

Finally, It was demonstrated by the Commission in Report 463, that customers in various channels competed for end users in multiple categories, with multiple product/brand offerings. For example, [customer] supply all categories of copy paper to end users from all demand segments (home/small offices,

PUBLIC RECORD

medium and even large sized businesses, as well as education sector). This market dynamic proliferates a great deal of price transparency and further supports the fact that all brands/grades of A4 copy paper in the Australian market complete directly.

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

Opal Australian Paper does not have access to customer's sales revenue, nor actual volumes sold to customers by import competitors. However OAP can provide market volume estimates and proportion of sales based on OAP sales volume in 2020 plus estimated competitor volumes by end user category, sales channel and grade. These estimates are based on market intelligence and best guesses of OAP sales personnel and should be considered indicative only.

[Confidential Tables 1-3]

Opal Australian Paper's volume estimates associated with the abovementioned sales channels to market and major customers are detailed in Confidential Attachment B-1.1(c). It should be noted that customer volumes are estimates only as Opal Australian Paper does not have access to customer 'actuals', and has used information from RFQs and market intel to estimate. Opal AP does note however that this total market volume estimate for 2020 based on customers comes in at only X per cent above market size market size estimate of XXXXXX tonnes based on cumulative exports to Australia plus domestic sales.

- (d) Describe the factors that influence consumption/demand variability 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;

Annual market consumption estimates are described in section B-1.1(a), however it is worth reiterating that it is more critical than ever that the injurious impact of dumped/subsidised exports to Australia is removed from the now smaller market in order for the domestic industry to operate sustainably.

The Australian market for cut sheet paper has dynamics that can be characterised as follows:

- A high-volume commodity market with little discernible differentiation other than price and brand;*
- "Brand recognition" effects relate primarily to Opal Australian Paper's REFLEX® brand which has been regularly promoted on mass media since 1984;*
- The cut sheet paper market in Australia may be characterised as mature, with overall annual volumes remaining fairly flat between 2008 and 2015, although there was an apparent decrease in the market size in the 2016 calendar year (in terms of imports plus local production being equal to demand). It has been suggested by independent third-*

party research by Industry Edge that some of this sudden decrease in apparent demand was attributed to stock building by a particular importer over the prior 2 – 3 year period. The subsequent draw down of stocks meant decreased demand for new imports and local production which was evident in early 2016. Removing the effect of this market event would suggest that domestic cut sheet consumption is decreasing at a rate of approximately 5 per cent p.a;

- Traditionally, growth in population and in the Australian workforce has somewhat offset declining per capita use of cut sheet paper, keeping the overall market size relatively stable. However, recent data suggests that growth in economic activity is no longer an accurate predictor of copy paper usage;
- The lack of growth in this market creates a situation where competing for market share with competitors is the only way to increase sales volumes; and continued low import pricing continues to lead domestic pricing down.
- Cut sheet paper in Australia is primarily sold through a handful of national key contract resellers and retailers. These include Winc (formerly known as Staples), Complete Office Supplies (COS), Wesfarmers, Woolworths, and Australia Post among others. This creates a highly concentrated procurement dynamic which places the balance of power firmly in the hands of the reseller. Cut sheet paper manufacturers seek to gain Australian market share by targeting direct supply contracts with these organisations and the procurement dynamic remains highly price sensitive with alternate suppliers readily accessible;
- Following the outcomes in Investigation No. 341, importers quickly switched from China, Indonesia, Thailand and Brazil suppliers who were subject to measures to new supply sources – with the countries nominated in a subsequent investigation No. 463 being Austria, Finland, Korea, Russia and Slovakia. Since the outcomes of Investigation 463, importers continue to seek low priced supply from exporters not covered by existing measures, including Tjiwi Kimi an Asia Pulp and Paper ('APP' aka Sinar Mas Group ('SMG')) mill located in Indonesia;
- Opal Australian Paper re-emphasizes that paper mills must, because of their need to service the huge capital base and high fixed costs inherent in their production processes, be competitive with alternate sources of supply, often selling down to their marginal cost to avoid down-time and lay-offs from which it is difficult to recover;
- For Opal Australian Paper to maintain operations and to avoid extended down-time (which would increase fixed costs per tonne of paper) and lay-offs (which would result in permanent loss of the skilled workforce that is critical to continued operations), it must follow the price of the lower priced imports down to the low, severely dumped price levels of some imports. This price depression results in

PUBLIC RECORD

considerable material injury, which, in turn, affects Opal Australian Paper's ability to recover costs, invest in the equipment, facilities and research needed to remain abreast of market developments. The inevitable effect of this, in the long term, is that the Australian industry is faced with either falling volumes/market share or falling prices. Dumped exports to Australia therefore continue to impact the future viability of Opal Australian Paper's production of the like goods and the ~900 FTE jobs that it supports.

- The market is not prone to dramatic seasonal volume fluctuations, nor is the underlying end user volume very sensitive to changes in economic factors; being underpinned by the number of Australians in full time office-based employment. Volume growth as discussed is forecast to decline slightly on an annualised basis.*

As indicated above, Opal Australian Paper concurs with the Commission's previous assessments of the three basic categories of end user:

- Home and home office/small office (serviced predominantly by retailers such as Officeworks, K-Mart, Big W, supermarkets, stationers, newsagents and Australia Post);*
- Medium and large business, Government and education (serviced predominantly by contract resellers such as Winc and COS);*
- Industrial users including instant print and in-plant printing operations (serviced predominantly by wholesale paper merchants such as Spicers, Ball & Doggett and contract resellers).*

There are three categories of product (all of which are highly interchangeable):

- Manufacturers brands (e.g. REFLEX®, Australian®, AA, Paper One);*
- Private label products sold (e.g. COS, Winc, Office National branded product); and*
- Plain label copy papers or generic products. These products can be mill or customer owned and compete directly with the abovementioned products, and are often used by resellers and retailers as 'price fighters' to draw in business/customers, or provide a cheap alternative to branded or perceived 'premium' products.*

All categories including branded, private label and generic products can be and are sourced from alternative manufacturers on a contract basis by resellers.

Dumping has been shown by past investigations to occur in all end use sectors and channels of the Australian market and is subject to the common practice of retailers using office paper as a low-priced item to draw in buyers. Resellers in the Australian market issue tenders for stationery supply where the lowest

PUBLIC RECORD

office paper price has a large influence on the outcome. Past investigations have highlighted the fact that there is a high level of price transparency across market channels with major players involved in multiple channels (for example [customer] sells to both small/home office buyers as well as larger corporates). Dumping therefore continues to impact the Australian market leading prices down across all channels.

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

All market segments known to Opal Australian Paper are described in response to questions B-1.1(b) & (d)

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

See response to question B-1.1(c)

- (g) Describe the way in which Australian manufactured, Indonesiaion and other imported goods compete in the Australian market;

As noted by the Commission in its Investigation 463 Final Report¹;

“the primary market acts as an intermediary for the supply of A4 copy paper to the downstream market, where the goods are consumed. Whilst supply channels for the consumer groups remain typical, i.e. B2C will focus on customer, rather than business sales, Investigation 341 identified that sales ‘leakage’ occurs in the primary market segment as consumer groups are not limited to purchases from one market segment, i.e. corporate entities may have a contract with a corporate stationer, however office purchases may still be made with a retailer.”

The Commission went on to state that;

“Sellers of A4 copy paper, particularly in the corporate stationer and retail segments, commonly source a range of A4 copy paper brands and grades from multiple sources, both Australian made and imported. Therefore, consumer groups also have access to and consume A4 copy paper from a variety of sources.”

Opal Australian Paper reiterates that copy paper supply channels are concentrated through a limited number of national resellers and retailers. This concentration places the negotiating power firmly in the hands of the domestic reseller.

Addressing market consolidation the Commission stated in Final Report 463;

¹ Final Report 463, Section 5.2.1, Page 19.

PUBLIC RECORD

“the Commission confirms that as a result of market consolidation and exits in 2016 and 2017, the number of primary market participants has declined, further adding to the concentration of supply channels described by Australian Paper”.

In the SEF relating to Review 551, the Commission summarised the conditions of competition between the Australian produced goods and the Indonesian imports, stating;

“Indonesian exporters enjoy a cost advantage that could either manifest as an increased margin at the prevailing level of competitive pricing in the Australian market, a low export price that undercuts the prevailing level of competitive pricing, or a combination whereby the Indonesian exporter can enjoy a higher margin while still undercutting other participants in the Australian market. Fundamentally, the effect of the market situation benefits and advantages Indonesian exporters competing in the Australian market, and to the extent that benefit manifests as a low price that undercuts the prevailing level of competitive pricing in Australia, to the detriment of all other market participants in that market.”²

It was noted in Investigation 341 that in 2015, 52 per cent of the Australian market was supplied by dumped and/or subsidised goods which undercut the Australian Industry and caused material price depression and suppression, in addition to other forms of injury. Following the imposition of anti-dumping measures stemming from Investigation 341, Opal Australian Paper was not able to achieve price recovery from the injuriously low pricing experienced in the 2015 investigation period, given that importers shifted to sourcing A4 copy paper from other countries which were subsequently found to be dumping in Investigation 463. It was only after measures were applied following Investigation 463 that OAP was able to achieve slight pricing increases in the domestic market, although these price increases were not sufficient to remove injury, nor were they sufficient to counteract its cost increases, because of continuing competition with dumped imports not covered by existing measures i.e. Exports from Indonesian APP mill Tjiwi Kimia named in this application.

Opal Australian Paper has observed that following the imposition of anti-dumping measures on goods exported from Indonesia, the volume of goods exported from two APP mills (namely, Indah Kiat and Pindo Deli), including goods exported from APRIL, declined substantially however, the volume of goods exported from Tjiwi Kimia (which was exempt from the anti-dumping measures) increased.

According to export statistics obtained through TradeData International,³ the prices of the goods exported by Tjiwi Kimia in 2020 were the lowest prices of all market participants, including other exporters, in the Australian market.

Opal Australian Paper contends that injury commenced from 2016 when the APP group switched to exporting virgin grades of A4 copy paper to Australia

² SEF 551 Section 4.6.3.3 Page 37.

³ This data was submitted to the commission as a confidential attachment to the application.

PUBLIC RECORD

from the Indah Kiat and Pindo Deli paper mills to Tjiwi Kimia. However, in 2020, OAP sales and production volumes, prices and profit decreased substantially as a result of competition with Tjiwi Kimia's dumped goods exported to Australia. OAP has provided the Commission with evidence in support these facts, which demonstrates the adverse influence that Tjiwi Kimia's dumped exports had on its volumes and prices.

- (h) Describe the ways that the goods are marketed and distributed in the Australian market; and

A detailed overview of the sales and distribution channels in the Australian market has been provided above in responses B-1.1 (b) & (d).

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

It is noteworthy that after experiencing some temporary relief from the injurious impact of dumping in terms of volumes (with only marginal price recovery) since measures have been in place, that volumes and pricing have dropped close to levels seen in 2016; a period significantly affected by dumped and subsidised exports.

It has been established by the Commission in Investigations 341 and 463 that a contracting A4 copy paper market creates a situation where market share can only be retained or increased by winning supply volume at competitive prices. The more dramatic contraction in apparent consumption in 2020 increases the importance of volume retention and has further increased market competitiveness in terms of pricing.

Whilst all market participants will have been equally impacted by the market contraction in terms of market share in 2020, the fact that there has little price recovery over the injury analysis period indicates that the market is still affected by dumping. i.e. APP's Indonesian Tjiwi Kimia exports to Australia continue to constrain Opal Australian Paper's ability to recover pricing, as evidenced Section A-9 of the application.

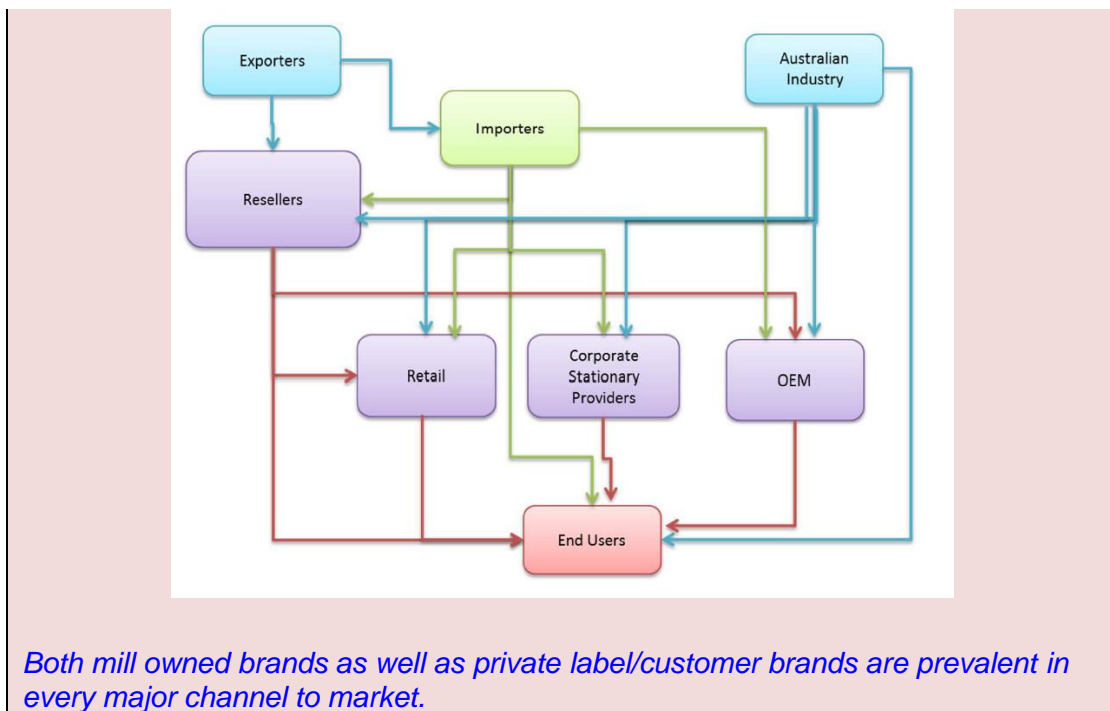
The impacts of the Covid 19 pandemic on all market participants cannot explain why price recovery has not been experienced by Opal Australian Paper over the long term (since 2010 when Opal Australian Paper alleges that dumping in the market had commenced with peak volumes in 2014), and following the imposition of measures in 2016 and 2019.

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 the goods, 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.

Opal Australian Paper agrees with the Commissions graphical representation of the market contained in Section 5.2.1 (page 19) of Final Report 463. This graphic has been replicated below.

PUBLIC RECORD



3. Describe the commercially significant market participants in the Australian market for the goods at each level of trade over the investigation 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.

Opal Australian Paper is the only domestic manufacturer of the like goods.

Confidential Attachment B-1.1(c) details Opal AP's estimates of major customer volumes by sales channel. As outlined above, the major sales channels include Retail, Commercial (or Contract), Independent Resellers (or States), and Other (including Industrial and OEM's).

Individual channel market share estimates should be taken as indicative only since the Commission has determined in previous investigations that Australian market participants compete across multiple channels. For example retailers like [customer] compete against resellers like [customer] for supply to small and medium businesses, as well as home offices, and education customers. Additionally, medium and even large businesses which could source supply of copy paper from the commercial channel can, and will purchase from resellers like [customer] and retailers like [customer]. It is therefore true that dumping which occurs in the retail channel say at [customer], will also have an impact on sales in the commercial and reseller channels, since the end customers in most if not all channels overlap considerably. Another example is that dumped goods sold through [customer], will also impact its competitors in the independent resellers like

PUBLIC RECORD

[customer] given that they both target medium business/corporate and education segments for example.

Major Australian retailers include Officeworks, Woolworths, Australia Post, Big W, Coles, Kmart, and Metcash. Opal Australian Paper does not have customer's actual sales data in order to formulate reliable market share information, however based on OAP sales and market intelligence it is estimated that the retail market for A4 copy paper sales is roughly represented by Confidential Table 4.

[Confidential Table 4]

All major Australian retail market participants compete at the same level of trade and are not related parties to OAP or vertically integrated with any producer of the like goods.

Major Australian resellers include Office Choice, Office Brands, ASA, GNS, as well as a number of other smaller independent resellers (or 'IR'). Opal Australian Paper does not have customer's actual sales data in order to formulate reliable market share information, however based on OAP sales and market intelligence it is estimated that the reseller market for A4 copy paper sales is roughly represented by Confidential Table 5.

[Confidential Table 5]

All major Australian reseller market participants compete at the same level of trade and are not related parties to OAP or vertically integrated with any producer of the like goods.

Major Australian commercial stationers include Winc and Complete Office Supplies (COS). Opal Australian Paper does not have customer's actual sales data in order to formulate reliable market share information, however based on OAP sales and market intelligence it is estimated that the commercial stationery market for A4 copy paper sales is roughly represented by Confidential Table 6.

[Confidential Table 6]

All major Australian commercial stationery market participants compete at the same level of trade and are not related parties to OAP or vertically integrated with any producer of the like goods.

Major Australian industrial printers and OEM's include Ball & Doggett, Spicers, Special Equipment, and Fuji Xerox. Opal Australian Paper does not have customer's actual sales data in order to formulate reliable market share information, however based on OAP sales and market intelligence it is estimated that the industrial printer and OEM market for A4 copy paper sales is roughly represented by Confidential Table 7.

[Confidential Table 7]

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All major Australian industrial printer and OEM market participants compete at the same level of trade and are not related parties to OAP or vertically integrated with any producer of the like goods.

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

Opal Australian Paper contends that Paper Force (Oceania) Pty Ltd (“Paper Force”) is the relevant importer in relation to the exportation of dumped goods produced by Tjiwi Kimia in Indonesia. Whilst OAP does not have access to the sales records of the importer, nor import statistics due to the relevant tariff code being made confidential by the Australian Bureau of Statistics, it is estimated based on Indonesian exports to Australia⁴ that Paper Force volumes represented approximately 25% of the exports to Australia in 2020, or around 9 percent of the Australian market. It is known that Paper Force has been the predominant supplier of [customer] in the commercial channel over the injury analysis period as well as a number of other Australian customers over the years.

*Paper Force states on its website that “(Paper Force) have been in Australia for more than two decades as the **exclusive business partner of APP** and its mills, including Ningbo Zhonghua Paper Co., LTD (China), **PT. Pabrik Kertas Tjiwi Kimia Tbk. (Indonesia)**...”⁵ (emphasis added).*

Opal Australian Paper contends that Paper Force’s admission of being an ‘exclusive business partner’ with Tjiwi Kimia’s parent company APP, draws into question whether the companies are related parties and that trade is conducted at arm’s length. Opal Australian Paper encourages the Commission to investigate whether Paper Force’s ownership structure, management and directorship links in any way to that of APP. Additionally OAP encourages the Commission to assess whether transactions between APP and Paper Force are profitable not only for the like goods, but also across other grades to ensure that the goods aren’t being traded as a ‘basket of goods’ in order to hide a lack of profitability on the like goods. If the Commission establishes that across all trade between the two entities (a full basket), that there is limited or no profitability (regardless of the level of profit applied to the like goods), that the companies should be treated as related parties.

In addition to the evidence supplied to the Commission as part of the application, OAP has observed sales of the dumped goods manufactured by Tjiwi Kimia in the injury analysis period, through Australian [customers] i.e. importation and sales of the dumped goods have been in the retail, commercial, and reseller channels.

Other significant importers of the like goods to Australia during the investigation period:

Importer:	Source (if known)
<i>Central National Australia Pty. Ltd.</i>	<i>Thailand (Double A)</i>

⁴ Obtained from TradeData International as detailed at length in the application.

⁵ <https://paperforce.com.au/>

PUBLIC RECORD

Jackaroo Pty Ltd

Brazil (International Paper)

Winc Australia Pty Limited

China (UPM)

Importer market shares are not known as OAP does not have access to reliable data at this level of trade.

5. Describe the regulatory framework of the Australian market for the goods as it relates to competition policy, taxation, product standards and the range of the goods.

Provide a copy of any regulation described, if available.

Opal Australian Paper is not aware of any specific restrictions or regulation placed on market participants and sales their products other than those described under Australian law, and aside from the exports from countries which are subject to tariffs and Anti-Dumping measures of which the Commission will be aware.

6. Describe any entry restrictions for new participants into the Australian market for the goods. 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).

Opal Australian Paper is not aware of any specific restrictions or regulation placed on market participants and sales their products other than those described under Australian law, and aside from the exports from countries which are subject to tariffs and Anti-Dumping measures of which the Commission will be aware.

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

B-2 Like goods in the Australian market

1. Generally describe the range of products/models of the goods 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.

PUBLIC RECORD

The Australian market for cut sheet paper (copy paper, office paper or laser paper) is predominantly A4 (210 x 297 mm) size and 80 gsm (401 A4 reams/tonne) with a much smaller quantity sold in other sizes (i.e. A3 and A5), with the old imperial quarto and foolscap sizes having fallen out of use. As well as 80gsm, cut sheet paper is also sold at small quantities in other sheet weights of 70 gsm (458 A4 reams/tonne), 75 gsm (427 A4 reams/tonne), 85 gsm (377 A4 reams/tonne), 90 gsm (356 A4 reams/tonne) and 100 gsm (320 A4 reams/tonne).

This application is limited to A4 copy paper.

As described in Opal Australian Paper's application, it has been demonstrated in past investigations that there is little discernible physical difference in the like goods which give rise to distinguishable or material differences in price.

Whilst recycled content gives rise to an increased cost to make the like goods, due to the required de-inking of recovered Uncoated Woodfree papers (UCWF), this does not translate to any corresponding increase in selling price in the Australian market place.

The Australian market is overwhelmingly dominated by the sale of 80gsm A4 copy paper, with relatively small volumes of other basis weight papers being sold domestically. As such Opal Australian Paper only produces like goods which are 80gsm and imports a small volume of supplementary copy paper weights given that domestic demand does not justify production. However all copy paper in the basis weight range of 67-100gsm are considered to be like goods in terms of the physical, functional, commercial and production likeness of the goods. A full description of the of the physical, functional, commercial and production likeness of the goods can be found in the application in section A-3.4.

Opal Australian Paper contends that all indiscernible physical differences do not materially impact price comparability of the like goods domestically, as supported by the Commission in previous investigations.

In the application under section A-3.10.1.2 OAP included an in depth analysis on the impact of recycled content and GSM on its cost and sell price domestically.

Opal Australian Paper has fully described the Australian market in relation to brand and grade segmentation to the best of its understanding within the application, and also its responses to section B-1 of this questionnaire.

2. Describe the end uses of the goods in the Australian market from all sources.

The goods subject to this application are uncoated white paper of a type used for writing, printing or other graphic purposes, in the nominal basis weight range of 67 to 100 gsm (grams per square metre) and cut to sheets of metric size A4 (210mm x 297mm) (also commonly referred to as cut sheet paper, copy paper, office paper or laser paper).*

The paper is not coated, watermarked or embossed and is subjectively white. It is made mainly from bleached chemical pulp and/or from pulp obtained by a mechanical or chemi-mechanical process and/or from recycled pulp.

PUBLIC RECORD

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.

Opal Australian Paper has described the Australian market as a high volume commodity market with little readily discernible differentiation other than price. This has supported by the analysis undertaken by the Commission in all previous investigations and reviews. However, some limited “brand recognition” effects relate to Opal Australian Paper's REFLEX® brand which has been regularly promoted on mass media since 1984.

Given the highly commoditised market place, where product's physical characteristics are largely indiscernible to the end user (and indeed to industry experts unless products are placed side by side), and the high prevalence of pricing transparency (as recognised by the Commission in Investigation 463); pricing is the single most powerful influence on customer purchasing decisions. Given the highly competitive nature of the downstream market in Australia, which include price beat guarantees at major/dominant retail market players like [customer], aggressive price-pointing (or price-fighter) strategies are implemented to maximise sales in the ultra price sensitive market by offering ‘good, better, best’ product alternatives. Customers or ‘resellers’ will often use the largely indiscernible product differences to justify these price-pointing strategies despite there being little no practical difference between the goods.

A4 copy paper is also used by retailers, commercial stationers and independent resellers as a ‘foot in the door’ product, knowing the customers who are lured by low priced paper, will often spend more on a basket of goods which contain other higher margin products. For example, [customer] advertising low priced copy paper (a high volume and essential office product) will lead to more customers in store. Additionally commercial stationery companies understand that large corporate and government stationery contracts can be won and lost on the basis of A4 copy paper prices.

4. Identify if there are any commercially significant market substitutes in the Australian market for the goods.

While mechanical papers, tinted papers, embossed papers, watermarked papers, pre-printed papers and coated papers are on rare occasions substituted for plain white uncoated cut sheet papers, these constitute separate markets which sell generally at significantly higher prices. These products are rarely chosen as a substitute for white uncoated cut sheet paper unless there is an explicit requirement. In practice, there are no significant market substitutes.

5. Identify if there are any commercially significant market complements in the Australian market for the goods.

Opal Australian Paper notes that cut sheet paper in other dimensions such as A5 and A3 which are not part of the subject goods are also sold in smaller quantities by Australian market participants. Indeed OAP also manufactures these products for sale at smaller volumes in the same way it does A4 copy paper. Additionally, tinted or coloured A4 copy paper, hole punched paper, as well as heavier grades (above 100gsm) can also be sold alongside the standard white A4 copy paper grades. OAP estimates that the total market volume for all of the aforementioned

compliment products would be around XXXX tonnes per annum, or roughly X per cent of the combined market.

6. Have there been any changes in market or consumer preferences in the Australian market for the goods in the period 1 January 2016 to 31 March 2021?

If **YES**, provide details including any relevant research or commentary on the industry/sector that supports your response.

Anecdotally, Opal Australian Paper is aware that consumers have broadly become more interested in the sustainability of their purchases in recent years. This expectation led Opal Australian Paper to construct a De-inked Pulp plant at its Maryvale mill which was commissioned in 2014. However, OAP has not observed any resulting increase in market volume for recycled grades nor any corresponding price increases. OAP has provided domestic sales data to the Commission which supports this view.

Unfortunately for OAP, the consumer preference for low and competitively priced goods continues to outweigh their aspirational preference for sustainably produced recycled goods.

B-3 Relationship between price and cost in Australia

1. Is your organisation/business entity the price leader of the goods in the Australian market?

If **NO**, please explain the reasons behind your response and specify the name(s) of the price leaders.

No, market pricing expectations are determined at all times by Opal Australian Paper's import competitor pricing which is available to customers and all market participants through import/export statistics as well as the many examples of import price offers made to Australian customers. In order to remain competitive and retain customer volumes OAP must monitor pricing closely and ensure that it competes vigorously with imports when entering pricing negotiations with customers. Opal Australian Paper has consistently demonstrated to the Commission since 2015 that it has lost contracts to supply Australian customers to importers when it does not match the importers pricing which influence the customer's expectations and decisions. In recent times, price leaders in the downstream market have been [customer] due to market size and reach (and indeed their access to dumped imports) in the domestic retail and B2B marketplace. [customer] also promotes a 'price beat guarantee'⁶ which promises to beat any advertised price on a stoked item by 5%. [customer] as large importer of copy paper operating in the mid-market, government and educational marketplaces also maintains its highly competitive position as a price leader and particularly so given its history of supplying dumped goods to the Australian market.

During negotiation for supply, Opal Australian Paper's customers will often refer to import competition directly in setting their price expectations. Numerous practical examples of this market dynamic were provided to the Commission during

⁶ [customer website]

PUBLIC RECORD

Investigation No. 341 and 463 respectively, as well as AP's application for review of measures Review 551 and of course this application relating to Tjiwi Kimia.

2. 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.

Whilst all A4 copy paper products available in the Australian market compete directly for market share, there are examples of price differentiation associated with branding in the domestic market. For example, Reflex pricing is at a premium to other OAP mill brands (Australian Office, Brilliant, Victory) and also customer private label brands. This is due to the sustained marketing campaigns for the Reflex brand in Australia over the last 35 years, however, even Reflex pricing is affected by low priced imports since they compete in the same channels and are directly substitutable products with little discernible difference to the end user. Despite its brand reputation, Reflex is sold on shelves at retailers directly adjacent to dumped imports, as well as online through reseller's websites and competes directly on price.

OAP manufactured customer private label brands and generic brands are even more closely aligned to import competition-based pricing in order to retain business. [detail on OAP pricing]. All A4 copy paper products are priced with import competition in mind, and indeed many ongoing supply agreements use import pricing metrics to ensure that OAP's products remain competitive, although this is a challenge recent times where market prices have been affected by dumping.

Over the years major customers in the Australian market have moved towards a three category price pointing methodology of price differentiation as described earlier in questionnaire response B-2.3. It should be noted that this methodology is used for a range of product categories not just copy paper. Customers often refer to these price points in the form of – "good", "better", "best" and will assign relatively arbitrary perceived quality or brand parameters to each despite the fact that for A4 copy paper the product differences are indiscernible unless placed side by side. The reality is that this price-pointing/price-fighter strategy was developed by the Australian resellers in order to maximise volume in the highly price sensitive market, as well as serving as a 'foot in the door' product grade previously described.

3. Explain the process for how the selling prices of the goods for the Australian market by your business are determined.

Provide copies of internal documents which support how pricing is determined.

As referenced previously and demonstrated in Investigation No. 341 and No 463, Opal Australian Paper remains a price taker in the domestic market given that the barriers for customers to seek alternate supply are very low, and the import prices

PUBLIC RECORD

have been shown to undercut the domestic industry in recent history. Customers routinely demonstrate their ability and willingness to circumvent Opal Australian Paper supply by threatening (and actually) moving to import competitors for the sake of even small price reductions.

Such is the strength of the customers' bargaining position that OAP must vigilantly monitor and manage costs upstream of the supply to ensure sell prices are as competitive with the import competition as they possibly can be.

For example, OAP's full cost to serve is assiduously managed by establishing cost of manufacture and distribution method to OAP's customer, [detail related to price settings]. If competitor pricing undercuts OAP's to an extent where the pricing falls below this baseline, it is inevitable that OAP will lose the business to its competitor.

If method of distribution is simple and direct from the mill (point of manufacture) the cost saving of no warehousing is reflected in lower pricing than if the product requires warehousing before shipment to OAP's customer. Costs are also lower if quantities shipped to the customer is in Full Truck Loads (FTL's or +28 pallets per delivery), versus smaller customer that require smaller quantities of say 4 pallets or 8 pallets. Lowest cost to serve is achieved if the customer can guarantee volume of +5,000 tonnes per annum and take delivery of copy paper direct from the mill. Cost increases if the customer needs warehousing and delivery in less than Full Truck Loads or Full Container Loads (FCL's).

4. 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.

Pricing is usually reviewed annually, and usually in line with annual budget setting which occurs in August to September. In addition to import prices and competitive pressure, cost to serve (described above), and input cost factors are also considered such as reviews in wood/ fibre pricing, utilities such as gas, electricity and water, chemical inputs along with logistics and warehousing. Key OAP personnel which are involved in these reviews include;

[OAP personnel]

Various segment sales and account managers related to each review.

5. 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

PUBLIC RECORD

- 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]

[confidential price setting considerations]

6. Describe the relationship between selling price and costs to make and sell in the Australian market. Does your company maintain a desired profit margin for the goods?

If **NOT**, does your company seek to maintain a desired profit margin for the goods?

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

Opal Australian Paper looks to set price in order to win and maintain business with customers meaning that competitiveness with import alternatives is absolutely key. However, if input costs increase OAP will consider this in the annual price review activity [cost and price setting considerations] In many instances and particularly in recent years this results in no increase being issued due to competitive market pressure.

Opal Australian Paper has not been able to maintain a profit on A4 copy paper sold in the domestic market in 4 of the last 5 years as it has continued to face the injurious effects of dumped imports on pricing and profit through depression and suppression.

7. 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 the cost to make and sell are considered in establishing these price reductions.

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

Opal Australian Paper in its normal day to day trading has a preference for no price reductions in the form of commissions, rebates allowances etc., i.e. net pricing is the preferred method. The company does however provide rebates to customers whom request this in their pricing. Some customers request rebates due to internal systems not being able to hide the true cost of a product from their internal sales teams. In these cases rebates from OAP are utilised as a method of shielding this information in order to ensure customer profit margins are achieved when on selling to their subsequent customer base.

PUBLIC RECORD

At times discounts maybe offered to support marketing activities to drive volumes for a set period of time. This activity is targeted at existing OAP customers and is offered to support price discount to the end consumers / user for incremental purchasing or to incentivise trial in the case of a newly launched product.

8. Do you offer bundled pricing in the Australian market?

If **YES**, explain how the pricing for bundled A4 copy paper is determined.

Explain how the costs to make and sell 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

9. 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 the costs to make and sell 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.

Potentially yes, insofar as it relates to the associated cost to make and sell as well as the cost to serve highlighted in OAP's response to question B-3.3. If the annual volume for a single product is greater than 5,000 tonnes, the cost to make and sell is likely to be slightly lower than if the annual volume was 1,000 tonnes. In practice, this means that production and supply chain efficiencies could allow for a more competitive pricing offer to the customer and will therefore be more competitive with any import alternative. The most significant production efficiency relates to machine time allocation, i.e. the larger quantity of product to be purchased allows for longer manufacturing runs which deliver efficiencies in production of the goods. Costs per unit are also reduced in the purchasing of packaging with regards to wrapper and carton lids and bases which the A4 copy paper is contained. Finally, supply chain efficiencies are achieved when FCL and few delivery points can be achieved, all combining to allow for a slight decrease in the marginal cost to make and sell, and potentially better pricing for the customer subject to the negotiation.

10. 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?

Opal Australian Paper sells to customers on both contracted and non-contracted or a general buying agreement and in some circumstances a spot buy basis.

PUBLIC RECORD

Proportionally, by sales revenue for 2020 the split between the various types of purchasing arrangements are represented in Confidential table 8 below.

[Confidential Table 8]

Confidential Attachment B-3.10(a) contains data which supports the split of revenue by contract or other agreement. OAP has included business as being “contracted” when there was a formal contract or trading terms agreement in place for that customer in 2020. In 2020 no [segment] customer has a contract which states the customer ‘must’ purchase a certain amount of branded product per annum and the majority of agreements allow OAP to trade under the trading terms agreed upon by both parties including price, delivery, rebates etc. The only exception to this is private label where a contract for a fixed term is the norm and OAP are the exclusive supplier of the product for that term.

By net revenue the approximate proportion of OAP’s 2020 sales which came from formalised contracts was around XX per cent. These contracts are usually negotiated with OAP’s larger customers seeking to lock down supply for 1 – 3 years. Historically contracted volumes have constituted the largest proportion of OAP’s sales, however, in 2020 sales through both [customers] operated on an ongoing agreement without a signed contract as terms could not be agreed. A significant divide in pricing expectations between OAP and these customers as a result of import competitor offers created a situation where these contracts had not been agreed to and sales operated under informal agreements.

In 2020, XX per cent of sales revenue for copy paper came from customers which OAP had some kind of agreement or arrangement whether through individually negotiated purchase orders or orders received by email but no formal contract. 2020 sales to [customers] are included here since the previous contract had expired and agreed terms to a new contract could not be reached before OAP finally lost the [product segment] business with [customer] in late 2019 (approx. XXXXX tonnes per annum). The remaining X per cent of sales are to customers who buy from OAP on individual order basis similar to a ‘spot buy’.

This shift away from formalised agreements by OAP’s major customers represents a significant increase in commercial risk, in that a vastly larger portion of its sales are no longer secured with contracts. This means that Opal Australian Paper is exposed more so than ever to price undercutting by importers as XX per cent of sales revenue was derived from sales arrangements which were not formalised in any commercial contract.

(b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?

No, Opal Australian Paper do not offer any exclusivity on supply.

(c) How frequently are sales contracts renegotiated?

Minimum of 1 year, target is 3 years

(d) How frequently are price reviews conducted between contracts?

PUBLIC RECORD

Contracts include price review if the contract period is greater than 1 year.

- (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.

Yes, if the period of the contract is greater than 12 months, a period of review is then annual and likely to be 12 months from the commencement date. Customers usually request the review is based on import pricing data at set periods, and changes to the contract commencement price may occur if the import pricing data fluctuates accordingly. A proportional percentage price change could be applied to establish the forward pricing for the future periods.

- (f) Do changes in your costs to make and sell enable you to review prices for customers within contracts?

No, cost changes cannot trigger price reviews within contracts, however, if the contract has a mandated price review, then costs may be considered as part of a justification.

- (g) Provide a list of the customers under contract during the investigation period and copies of the two largest contracts in terms of sales revenue.

OAP 2020 contracted customers by sales channel:

Independent resellers: [customers]

Commercial stationers: [customers]

Retailers: [customers]

OAP's 2 largest contracts by sales revenue for 2020 were [customers]. Copies of the contracts are included as confidential attachments:

Confidential Attachment B-3.10(g) [customer contract], Confidential Attachment B-3.10(g) [customer contract].

Confidential Attachment B-3.10(g) [customer contract], Confidential Attachment B-3.10(g) [customer contract].

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

Opal Australian Paper does not issue a market wide price list, however as part of an individual contract negotiation a price list will be stipulated under the agreement. These price lists are considered confidential to the parties to the agreement, however, given that buying groups can represent a large number of individual businesses, it is not uncommon for these price lists to be shared

PUBLIC RECORD

amongst market participants without AP's knowledge or approval. OAP has included copies of relevant price lists:

IR channel: Confidential Attachment B-3.11.1 Price List – [customers]

Retail: Confidential Attachment B-3.11.2 Price List – [customer]

Commercial: Confidential Attachment B-3.11.3 Price list - [customer]

12. How do you differentiate pricing for different A4 copy paper products in the Australian market?

- (a) Describe how your products are grouped for price differentiation and the methodology used.
- (b) Describe any cost to make or selling cost differences between differentiated products.
- (c) Describe how these cost differences (if any) influence pricing decisions.

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

Opal Australian Paper believes that these questions have been adequately addressed within the application, as well as in response to questions in sections B-1, B-2 and B-3 in this questionnaire.

13. 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
- (c) explain how cost to make and selling 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.

Australian Paper believes this issue has been adequately addressed in above responses.

14. 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 copies of any internal documents relevant to establishing pricing to related parties.

No

B-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.).

A copy of an internal communications memo relating to current Reflex marketing campaigns has been included in Confidential Attachment B-4.1.

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.

Opal Australian Paper recognises that aside from price, brand perception is the primary differentiator in the Australian market however OAP reiterates that there is little to no physical or discernible difference among brands to end users. All A4 copy paper in the Australian market competes directly regardless of brand, given that imports and Australian produced goods are prevalent in every channel to market (commercial, retail, printer and OEM), and there are examples of resellers of imports and Australian products competing in multiple channels to market as recognised by the Commission in Investigation 463. OAP has included a breakdown of its 2020 sales split into Reflex, other mill owned brands, and private label (or customer owned) brands by revenue, contained in Confidential table 9 below.

[Confidential table 9]

Supporting data has been included in Confidential Attachment B-4.2

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 investigation period.

This information is included in OAP's response to question B-4.1.

4. Provide the following about your Australian sales function;
 - (a) How many people are in your Indonesian sales team and where are they located?
 - (b) In general terms, how are they remunerated?
 - (c) 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.

Remuneration is base salary with no more than XX per cent paid in bonus. Bonuses are paid on the basis of achieving volume, revenue and margin targets annually and are limited to staff directly involved in the sales i.e. customer service and analysts are not eligible. Additional incentives are also offered

PUBLIC RECORD

based on targeted marketing campaigns at seasonal periods throughout the year.

Head Office Accounts Team:

[sales team]

State Sales Network:

[sales team]

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.

Pricing is set at head office level and deviations from the pricing provided needs to be approved at head office level. Deviations are minimal if at all.

SECTION C PRODUCTION AND PRODUCTION COSTS

C-1 Production of A4 copy paper

1. Describe how your company determines its volume of production for A4 copy paper, product mix of production and the factors that contribute to these decisions.

How frequently are production volumes determined for A4 copy paper?
How frequently is the product mix determined for A4 copy paper?

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

The volume of production is determined by the market, customer base and the brand mix to serve across Australia and New Zealand. Opal Australian Paper has a production cycle process that broadly aligns with the 12 calendar months of the year. Customers are required to provide forecast to OAP as well as providing orders to a communicated production schedule for the cycle being planned. As an example customers must provide orders in line with production schedule by the 20th of April for the month of June. Alternatively OAP produces a range of our own brands that we supply direct to customer through a CPS process as well as stock across the warehouse network in Australia. Additionally OAP services the agreements with their own brands stocked through the Opal Australian Paper warehouse network.

2. What lead times are typically needed to adjust volumes of production for A4 copy paper? Provide copies of internal documents which support your claims in response to this question.

The lead times to produce A4 copy paper are determined by the lead times of packaging materials from supplier such as ream wrapper and cartons. Ream Wrapper printing and production is approximately 20 working days from order to delivery, hence the need for OAP to lock in production schedule as above by end April for June production. Finalisation of this program and allowance for late orders from customer base under normal process sees packaging requirements locked and ordered for delivery across the June month of production. With regards to the production of base papers the production is highly flexible with regards to the availability of base production as outlined in Question C-1.5 below and is well within the packaging lead times.

3. Do you have warehousing facilities for A4 copy paper? If no, what do you do with excess inventory?

If **YES**:

- (a) What is the volume capacity of these facilities?
- (b) What was the monthly volume of inventory maintained during the investigation period?
- (c) What is the average period of time that inventory is retained (describe how this is calculated)?

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

PUBLIC RECORD

Opal Australian Paper has a network of warehouses across Australia to service a broad range of customers across OAP's production from all machines at Maryvale, import traded goods such as some stationery items and envelopes from Preston manufacturing facility and overprint services for the envelope market.

Monthly total inventory (Maryvale manufactured A4) held over 2020 to end of 1st quarter 2021 was as follows across the OAP network:

[Confidential Table 10 – CSS A4 inventory, all regions, combined plants]

[Confidential Table 11 – CSS A4 Sales]

It should be noted that the inventory totals listed includes all Maryvale A4 CSS (converting line) finished inventory, and therefore contains stock for Domestic, New Zealand and Exports.

Apart from overflow store '2500' warehousing for the period remained the same. [detail related to inventory management in 2020, and subsequent production levels]

The volume capacities of OAP warehouses were unchanged over the period. OAP's average monthly total inventory for all regions was XXXXX tonnes. Over the period CSS sales to all regions were XXXXXX tonnes, divided by XXXXX tonnes which was the average CSS A4 inventory (daily), which equals X turns of the stock.

4. Have there been any changes to the type of capital or technology utilised by your company in the manufacturing of A4 copy paper in the last five years?

If **YES**, provide details.

During the last 5 years Opal Australian Paper has incorporated some minor additional product technologies into some of the A4 copy paper products it produces. The technologies have provided features of minor incremental quality improvements which result in higher print quality outcomes for consumers when the paper is used for the printing of documents. [confidential technical detail]. OAP products with this technology is limited to a number of products sold with associated claims of improved print quality, including Reflex. The feature is identified by the 'Inkwise' logo and claim.

The feature was identified as a consumer-valued addition, initially to our Reflex papers, as a way to provide differentiated and improved quality copy paper. Benchmarking of competitive products indicated a number of papers were available which could provide consumers with similar outcomes under certain similar methods of use – hence, the application of the minor technology improvement did not add a large incremental benefit to quality, nor provide a notable competitive advantage to the copy paper compared to competitors.

PUBLIC RECORD

5. For each paper plant capable of producing paper that could be utilised to make A4 copy paper, provide the date that production facility came into operation and the production capacity of the plant over the past five years. The production capacity should be based on an actual production capacity, not a budgeted production capacity. Provide copies of internal documents which support your claims in response to this question.

OAP has two paper machines that are capable of producing the base paper that can be converted to A4 copy paper. M3 was commissioned in 1971 as a packaging papers machine and first produced office papers in 1987. M5 was commissioned in 1998 for white office papers as well as printing and publishing papers.

- M3 which on average net actual production over the last 5 years has produced 80,000 tonnes per annum due to the mix of papers produced to meet customer demands of the machines product range. This machine is capable of producing 106,000 tonnes per annum net of Office 80GSM copy paper on budget NTPH (Net Tonnes Per Hour) if required based on machine hours available in 2020. Currently this machine has not been called upon to produce base paper for white A4 copy papers this year and due to market demand is not expected to do so. It continues to produce the small quantities of base papers for the Reflex range of coloured A4 copy papers.*
- The second and primary machine that produces base paper for converting into A4 is the M5 machine which on average net actual production over the last 5 years has produced 200,000 tonnes per annum due to the mix of papers produced to meet customer demands of the machines product range. The mix and output is consistently around the 80gsm mark.*

6. List any significant investments in the past five years to either upgrade, refurbish or build any of the following types of plants:
- wood chipping;
 - pulp production;
 - paper manufacturing; and
 - paper cutting or rolling facilities.

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

There have been no significant investments related to A4 copy paper production capability in the last 5 years.

7. Confirm whether management reports are prepared on production costs.

If **YES**:

- specify how often these cost reports are prepared;
- describe the level of detail in those reports and whether they enable the establishment of costs of producing A4 copy paper;
- specify to whom within the company these reports are provided; and
- provide copies of these reports for each month of the investigation period.

PUBLIC RECORD

Opal Australian Paper's financials reports are run monthly and are distributed to all upper and lower level management, including General Managers, CFO, production and maintenance managers. As Maryvale is a continuous running plant OAP's main cost reports are mainly down to a machine cost per month rather than a grade cost. OAP does run quarterly reports down to a grade level which supports data provided in the confidential financial appendices related to cost to make and sell and will be provided as part of the verification due to large file size.