



11 January 2022

The Director - Investigations 3
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

Received 12 January 2022

Investigation into A4 Copy Paper exported from Brazil

Dear Director,

This submission is made on behalf of Jackaroo Paper Pty Ltd (Jackaroo) in response to the preliminary findings outlined in SEF 588. into A4 copy paper exported from Brazil.

At the outset, Jackaroo wishes to express its disappointment and concern with the lack of meaningful analysis and reasoning contained in SEF 588, to support the Commission's preliminary findings. It is clear that the report falls well short of the standard expected for demonstrating a likelihood of continuation or recurrence of material injury, on the basis of 'positive evidence'.

The Commission's assessment fundamentally overlooks that Australian Paper is the sole monopoly local producer with a dominant market share that allows it to be the principal price setter in the Australian market. Instead, the Commission appears to have simply accepted Australian Paper's assertions that '*... it was not the price leader for sales of copy paper in Australia*' and '*... it is a price taker on account that the barriers for customers to seek alternate supply are very low*'.

By ignoring this crucial characteristic of the Australian market (that Australian Paper is the market price leader), the Commission's preliminary analysis is flawed as it incorrectly attributes on-going price and volume related injury to imports from Brazil. This is not far by any reasonable measure.

Beyond this critical deficiency, Jackaroo provides the following comments to specific aspects of the report.

Australian market

Jackaroo notes the indexed import volumes shown in table 20 of SEF 588 and the Commission's observation that sales volumes from Brazil had increased in 2020. Whilst volumes may have increased in 2020, it is important to note that in absolute terms, the increase was immaterial relative to the entire Australian market, representing a mere [REDACTED] increase.

As volumes from Brazil have remained negligible over the injury assessment period, indexed movements between periods will be misleading given the low base volumes. Whilst the Commission acknowledges '*... that the volume of those goods is now much lower than the levels observed for 2015 and 2016*', there is no context

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provided to the higher outlier volumes observed in 2015 and 2016, which would confirm that volumes since the imposition of measures have reverted to normal levels.

As the Commission confirmed in the original dumping investigation (REP 341), approximately █% of the copy paper exported from Brazil in 2015 (the original investigation period), represented orders relevant to Jackaroo Paper's successful tender for the Complete Office Supplies ("COS") private label business.

Outside of those volumes destined for COS in 2015 and 2016, export volumes from Brazil were immaterial, never exceeding █% of the total Australian market.

So, in assessing whether continuation of the measure is warranted in so far as it relates to exports from Brazil, the key question is not whether exports are likely to continue, as posed by the Commission in SEF 588. Instead, the primary question must be whether exports from Brazil are likely to return to levels observed in 2015 and 2016, which was the basis for the imposition of the measures.

In addressing this question, it is important that the Commission be aware that it only found an indirect material injury finding against Brazil in the original investigation. This indirect causal link stemmed from Paper Australia's own decision to refuse to tender for the COS private label business, given its exclusive supply agreement with its primary customer at the time, Staples Pty Ltd.

There is no evidence in SEF 558 that would demonstrate or support a view that Jackaroo's imports would increase sharply to 2015 and 2016 levels in the absence of measures, leading to a recurrence of material injury. To the contrary, it is noted that COS is cooperating with the current dumping investigation into A4 copy paper exported from Indonesia (Case 583), which suggests that Indonesian exports not subject to measures are supplying COS. This would further support the view that imports from Brazil are not likely to return to 2015 volumes, but instead remain at their normal negligible levels.

Exported products

Jackaroo wishes to confirm its previous comments in its submission of 7 October 2021, that it imported products with non-standard characteristics which included:

- copy paper in non-standard weights of 90gsm;
- exclusive supply of HP branded copy paper; and
- fully recyclable copy paper including a 100% recyclable wrapper.

As noted by the Commission in SEF 588, the HP branded paper was 80gsm. As highlighted in Jackaroo's earlier submission, the non-standard characteristic of the HP paper related to its technical attributes and its recommended use with HP inkjet and laserjet printers.

This supports the view the imports of HP branded paper have no impact on the prices and volumes of paper sold by Paper Australia.

Likely effect on prices

The Commission relies on the price comparative analysis depicted in Figures 15 and 16, to conclude that '*... the continued availability of dumped and subsidised goods from the subject exporters will likely prevent Paper Australia increasing its prices if the measures were to expire*'. The Commission appears to give considerable weight to the observed undercutting to support its preliminary conclusion.

Jackaroo contends that the comparative undercutting analysis undertaken by the Commission is flawed as it does not provide for a fair comparison of comparable products in the market. In particular, it appears

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that the Commission has compared weighted average prices of all products sold by local and exporting producers. The inclusion of different products in a single weighted average price results in the distorted undercutting levels observed for exports from Brazil.

To highlight more clearly, it is noted that the Commission confirms in the industry verification report, that Paper Australia sold goods with the following model control codes (“MCC”) during the investigation period:

Australian Sales	Export Sales	Costs	Relevant Category
80-R100	80-R100	80-R100	Category 3
80-R50	80-R50	80-R50	Category 2
80-R10	80-R10	80-R10	Category 1
80-N	80-N	80-N	Category 1

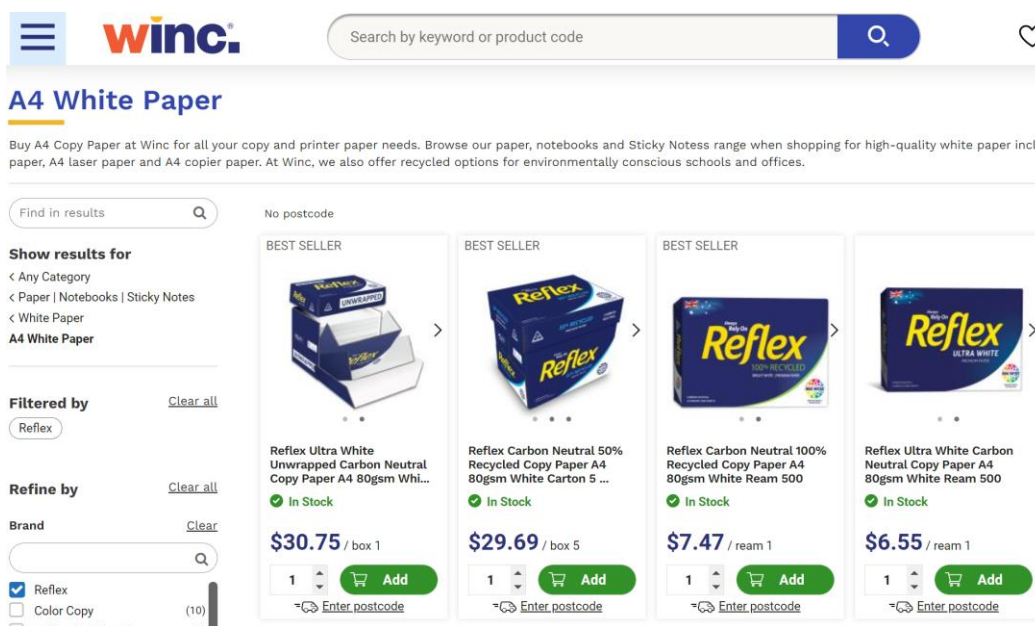
Table 4 Paper Australia Sales and Cost MCCs

By comparison, Jackaroo has only imported MCCs classified to 80-N and 90-N. By including all products in the undercutting analysis, the Commission has incorrectly included recycled paper products manufactured by the Australian industry, to compare with Sylvamo’s products containing no recycled content. In addition, price comparison does not discern between the product categories identified in the market, being:

- manufacturer brands;
- private label/customer brands; and
- plain or generic labelled brands.

It is confirmed that Jackaroo imported only private label / customer brands, whereas the majority of products sold by Paper Australia are understood to relate to its own ‘Reflex’ brand.

In SEF 558, the Commission notes that ‘... examination of retail price found 0% recycled and 100% recycled paper sell for similar prices even though 100% recycled paper costs more to produce’, with the only reference to support this view being a link to the Officeworks website. This is refuted by prices reported on Winc’s website showing a 14% premium for 100% recycled paper (\$7.47/ream) compared to non-recycled paper (\$6.55/ream).



Likewise, a 6% premium is evident between Winc’s private label 20% recycled paper (\$5.53/ream) and its non-recycled paper (\$5.23/ream), both of which are understood to be manufactured and sold by Paper

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Australia. Further, the Winc's prices also confirm a 25% premium between Paper Australia's own 'Reflex' non-recycled brand and the Winc's private label non-recycled brand manufactured by Paper Australia.

The screenshot shows the Winc website interface. At the top, there is a search bar with the text "Search by keyword or product code". Below the search bar, a navigation menu includes "Buy A4 Copy Paper at Winc for all your copy and printer paper needs. Browse our paper, notebooks and Sticky Notes range when shopping for paper, A4 laser paper and A4 copier paper. At Winc, we also offer recycled options for environmentally conscious schools and offices." The main content area displays search results for "A4 White Paper". On the left, there are filters for "Show results for" (Any Category, Paper | Notebooks | Sticky Notes, White Paper, A4 White Paper) and "Filtered by" (Reflex, Winc, \$5 - \$7). Below these are "Refine by" options for Brand (Reflex, Winc). The main product listings are:

Product Name	Price / ream 1	Stock Status
Winc Carbon Neutral Copy Paper A4 80gsm White Ream 500	\$5.23	In Stock
Winc Carbon Neutral 20% Recycled Copy Paper A4 80gsm White Ream 500	\$5.53	In Stock
Reflex Ultra White Carbon Neutral Copy Paper A4 80gsm White Ream 500	\$6.55	In Stock

By simply ignoring these obvious and known price variations in the market, the Commission's price undercutting analysis is flawed and misleading. This is confirmed by the Commission's own price undercutting analysis performed in the original investigation, which compared the products sold by the importer with the most relevant products sold by Paper Australia, taking into consideration recycled content and the product categories specified in section 5.2.1, being:

- manufacturer brands;
- private label / customer brands;
- plain or generic labelled brands.

It's worth noting that the Commission's policy guidelines require that it '*... will undertake a price undercutting analysis that focuses on data that covers transactions made during the investigation period. This analysis compares the price of the imported goods with the sales price of the locally produced goods, ensuring that the transactions are made under the same conditions (e.g. timing, volume, discounts, delivery, credit, same customer etc.)*'.

The Manual also highlights that the Commission ought to '*... have regard to the MCC structure in its assessment of material injury to the Australian industry, such as for an undercutting analysis*'. By ignoring the MCC structure for undercutting purposes, the Commission is relying on analysis that is distorted by physical and product characteristics that have a significant influence on selling prices.

The Commission is therefore requested to reconsider its undercutting analysis by matching comparable MCCs.

Likely effect on volumes

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The Commission has preliminarily found that ‘the Australian industry experienced a reduction in its sales volumes whilst measures were in place. The reduction in sales volume was due to customers switching their source of supply to subject exporters’. The Commission further concludes:

The commission has observed that certain Australian customers who imported copy paper before the implementation of measures continue to trade. The commission considers it reasonable that these entities may revert to sourcing their inventory from the subject exporters if the measures expired.

Based on the volumes of sales observed for 2020, any one of the subject exporters would individually possess the ability to supply each large Australian customer or a cohort of smaller customers. The likely effect of this being that Australian industry would experience a decline in its sales volumes and market share.

In so far as it relates to exports from Brazil, the preliminary conclusions are baseless and illogical, and confirms that the Commission has not had any regard to the particular and unique circumstances relevant to imports from Brazil. Instead, the Commission appears to have simply lumped subject imports into a single group and attributed the combined effects to each individual subject exporter, without proper regard to each exporter’s particular circumstances. For the purposes of assessing likely recurrence of material injury, it is only reasonable to combine the effects of individual exporters from within a country subject to the notice.

To that end, Jackaroo presents the following particular circumstances relevant to imports from Brazil, which as noted by the Commission, Sylvamo accounts for approximately 95% of the total volume from Brazil.

First, the information contained in Figure 17 and Table 30 does not adequately isolate, or accurately portray the absolute import volumes from Brazil, which would provide a clear understanding of the negligible volumes. This is particular critical given the Commission’s original material injury findings from REP 341, and the events that have occurred since the imposition of measures.

In REP 341, the Commission found that imports from Brazil caused indirect material injury to Paper Australia, as Jackaroo’s imports in 2015 and 2016 were connected to the supply of “COS Premium” paper following the invitation by Complete Office Supplies (“COS”) to tender. As confirmed during the original investigation, Paper Australia declined to participate in the COS tender and did not offer a supply proposal for consideration. The industry’s decision to not offer supply of virgin private label copy paper to COS was due to their agreed exclusive arrangement with Staples, Australia’s largest office supply reseller at the time, which prevented Paper Australia from tendering or offering to produce and supply virgin paper private label products for offer in the Australian market.

In assessing the materiality and causal link of Jackaroo’s imports in 2015 and 2016, the Commission¹ concluded that:

In the context of the 2014 COS tender to supply private labelled paper and Australian Paper’s decision to not compete for the 2014 tender for specified reasons, the Commission still considers that Australian Paper was **indirectly** facing downstream competition in the B2B market from A4 copy paper sourced from Brazil, **through its aligned customer** in this segment during the investigation period. [emphasis added]

¹ Final Report 341, page 107.

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Again, the key question in this continuation inquiry is whether imports from Brazil are likely to lead to a recurrence of the material injury that measures were intended to prevent. The available evidence outlined below clearly does not support such a finding.

- i) it is clear that Paper Australia continues to refuse to supply virgin private label products to COS as is evident from the current dumping investigation into A4 copy paper from Indonesia. Therefore, there can be no direct effect on volumes.
- ii) Paper Australia's exclusive supply arrangement with Staples ended with the company's acquisition in 2017. As such, there is no possibility of a recurrence of indirect injury.
- iii) supply of COS private label paper is supplied by exporters from Indonesia that are not subject to measures. There is no prospect of Jackaroo supplying COS with imports from Brazil.

Second, the import volumes from Brazil outside of the paper supplied to COS in 2015 and 2016, reflects the normal trade volumes, confirming that the 2015 and 2016 volumes were irregular. This is relevant given that the normal trade from Brazil reflects volumes which are consistently below █% of the total Australian market and therefore negligible. Again, this is part is a reflection of the atypical products offered by Jackaroo.

Finally, Jackaroo's import and sale of 80gsm HP branded product into the Australian market can in no way be considered injurious. As noted in Jackaroo's previous submission, the HP branded volumes have always been miniscule as they are a targeted at customers with HP printers wishing to following HP's recommendation for use of the ColorLok paper.

Given, the circumstances highlighted above, there can be no suggestion that imports from Brazil have or would likely cause material injury in the absence of measures. Instead, the evidence clearly demonstrates that imports from Brazil are an immaterial portion of the Australian market that has no effect on Paper Australia's selling prices.

It is clear then that the Commission's preliminary findings are not based on positive evidence, but instead merely attributes behaviour and effects from other subject exporters to imports from Brazil, without any attempt to examine the individual circumstances of each country subject to the notice.

Jackaroo urges the Commission to revisit and reconsider its material injury analysis by ensuring that the likelihood test is properly applied to each individual country, and not having the combined effects attributed broadly to all subject exporters.

Yours sincerely

John Bracic