



Australian Paper

a member of the Nippon Paper Group

307 Ferntree Gully Road Locked Bag 87
Mt Waverley Victoria 3149 Australia
Telephone +61 3 8540 2300
Facsimile +61 3 8540 2280
ABN 63 061 583 533

www.australianpaper.com.au

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The Director, Operations 2
Anti-Dumping Commission
5th Floor, Customs House
5 Constitution Avenue
CANBERRA ACT 2601

**Re: Dumping investigation ADC 225
Copy paper exported from China
Non-Injurious Price**

The following submission addresses the question of calculation of an appropriate unsuppressed selling price (USP) and non-injurious price for copy paper imports from China.

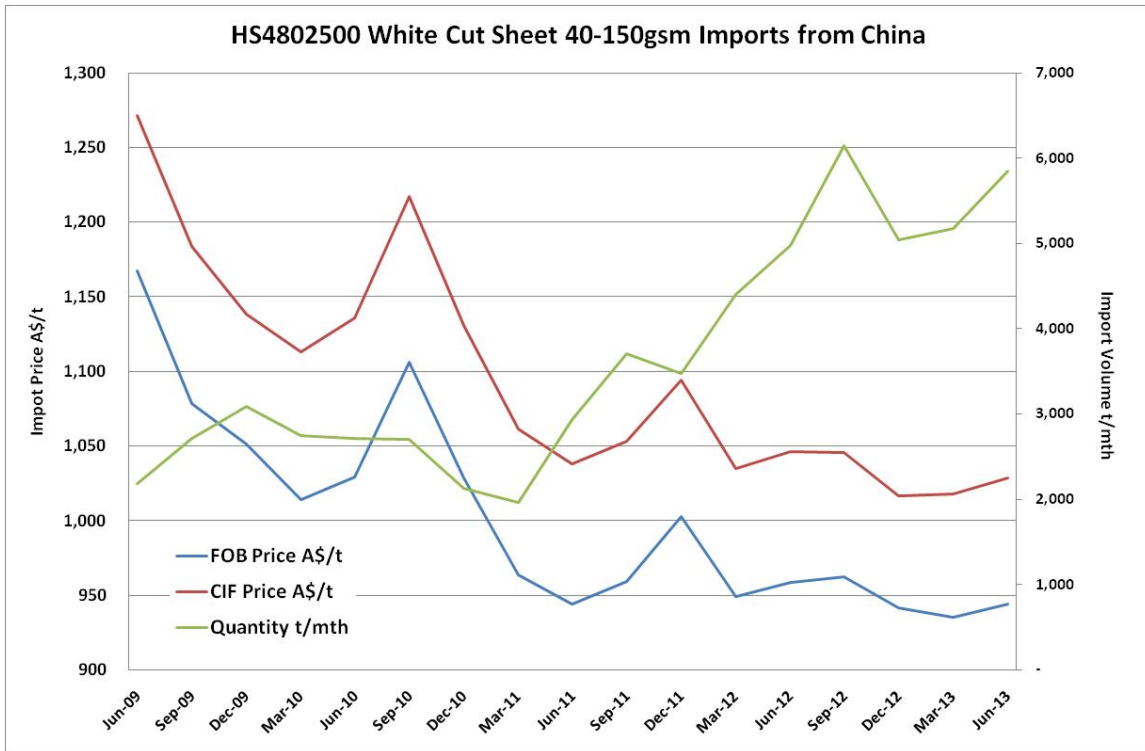
1. Background

Chinese import prices have been steadily declining from 2009, but it was not until early 2011 that volumes from China began to rapidly escalate. On this basis, we estimate that the material injury from Chinese dumped imports commenced in 2011.

The rapid escalation in volume began with Fuji Xerox progressively switching their paper supply to China which had recently become a manufacturer of quality copy paper with good environmental credentials (UPM-Kymmene, a Scandinavian headquartered company).

This attracted the interest of other paper buyers and also provided the critical mass for UPM-Kymmene to provide market support in Australia and put focus on developing and serving the Australian market for its Chinese-manufactured papers including copy paper.

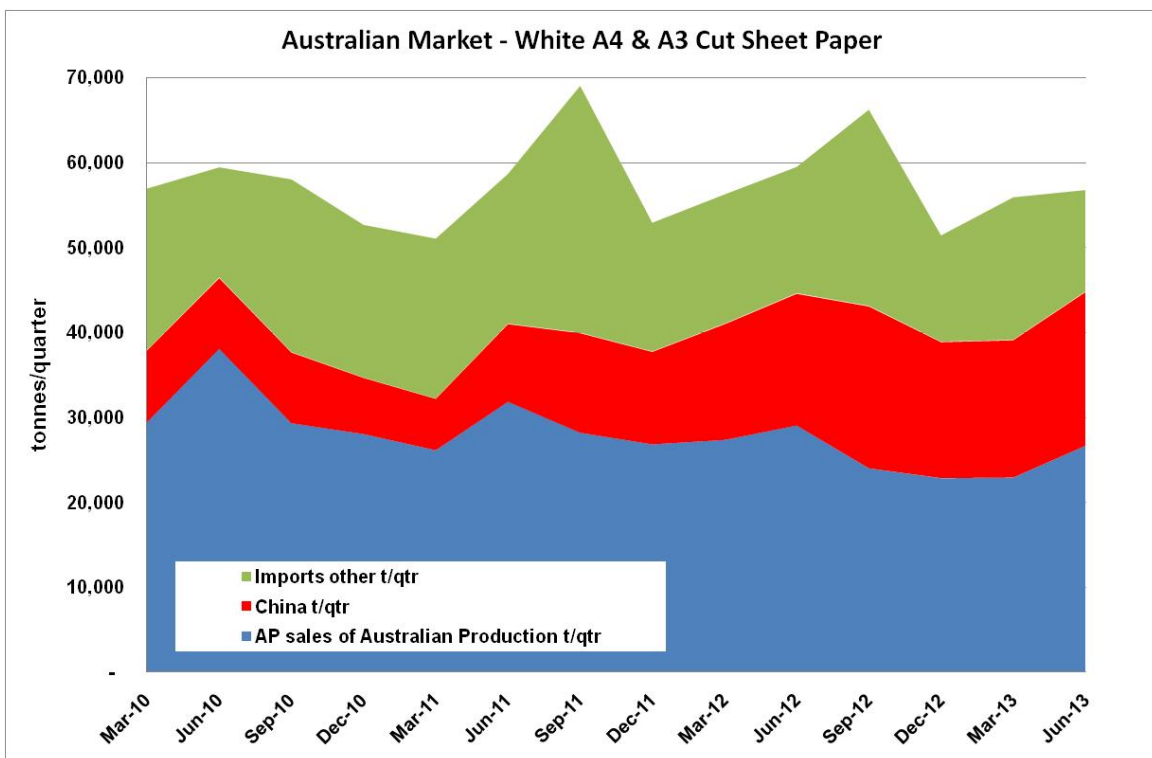
Copy paper exported to Australia from China now accounts for the majority of imports and, in the June quarter 2013, made up one third of the Australian market.



Over the period 2009-2013, we have calculated that the dumping amount based on domestic price has risen from A\$234/t to A\$557/t and the dumping margin has risen from 22% to 59%.

From 2011, the volume of dumped imports from China has increased significantly, reducing the volumes both of the domestic product (Australian Paper) and imports from other sources. By June 2013, the Chinese import volumes had grown to exceed the volume of all imports from other sources.

The dumped imports from China have displaced volume and market share previously held by both the domestic producer (Australian Paper) and imports from other sources.



2. Calculation of a Non-Injurious Price by the Commission in Consideration Report No.225

As an additional test of whether there is a causal link between the alleged dumping and material injury, the Commission sought to compare export prices from each of the nominated countries to estimates of a non-injurious price (NIP) for the year ending June 2013.

In assessing how to calculate this NIP, the Commission considered the most reasonable method to arrive at an unsuppressed selling price (USP) for Australian Paper for the year ending June 2013. Having regard to the fact that the Chinese products have been present in the market for several years (prior to the commencement of the injury period) and the alleged quantum of the dumping discussed in this report, the Commission, based on the information then available to them considered that it is most reasonable to rely on Australian Paper's current costs plus a profit from a period that the company considers it was not being injured by dumping (prior to mid-2011) to derive a USP.

Consequently, the Commission has calculated the USP for Australian Paper for the year ending June 2013 as:

- the company's full weighted average cost to make and sell for all products in aggregate for the period January – June 2013; plus
- the profit achieved (as an all product aggregate) by Australian Paper in the period January to June 2011

as reported in Appendix A-6.1 in Australian Paper's application.

The Commission then deducted amounts from that USP for a reasonable estimate of importer SG&A and profit, as well as importer 'into-store' costs, customs duty and overseas freight. These calculations provided for a NIP at an FOB level, which is suitable for comparison to an FOB export price.

3. Most Appropriate Non-Injurious Price

Since the original application, Australian Paper has, at the Commission's request, amended Appendix A-6.1 to include quarterly data for calendar year 2010.

Through sample collection and examination by Australian Paper, it has also been confirmed that imported copy paper from China predominantly corresponds to the first category, i.e. 0-20% recycled.

Australian Paper therefore proposes two alternatives for calculation of unsuppressed selling price for the year ending June 2013.

Option 1:

- For A4 papers, the USP be calculated as follows:
 - the company's full weighted average cost to make and sell for A4 0-20% recycled products in the period January – June 2013; plus
 - the profit achieved for A4 0-20% recycled products by Australian Paper in the period January to June 2010
- For A3 papers, the USP be calculated as follows:
 - the company's full weighted average cost to make and sell for A3 0-20% recycled products in the period January – June 2013; plus
 - the profit achieved for A3 0-20% recycled products by Australian Paper in the period January to June 2010

all as reported in the amended Appendix A-6.1 provided to the Commission at their request on 14 November 2013.

Option 2:

- For A4 papers, the USP be calculated as follows:
 - the company's full weighted average net sales revenue for A4 0-20% recycled products in the period January – June 2010;
- For A3 papers, the USP be calculated as follows:
 - the company's full weighted average net sales revenue for A3 0-20% recycled products in the period January – June 2010;

both as reported in the amended Appendix A-6.1 provided to the Commission at their request on 14 November 2013.

To calculate the NIP, we suggest deducting importer 'into-store' costs, customs duty at 5% and overseas freight at the level revealed by the difference between CIF and FOB prices provided by ABS import statistics for copy paper. These calculations would provide a NIP at an FOB level, which would then be suitable for comparison to an FOB export price.

The import agency is for each major exporter related to that exporter and has its costs covered by that exporter or its parent company rather than charging a premium on the landed price for its service. This service is therefore included in the declared FOB price and so it is not appropriate to deduct it for comparison purposes.

Confidential Appendix 1 to this submission provides Australian Papers calculation of USP and NIP for A4 and for A3 copy papers under both options set out above.

4. Use of the price of other exporters to Australia imports as NIP would not be appropriate

As well as imports from China, there are significant (but lesser) volumes from Indonesia and Thailand.

Despite the low pricing, higher profile resellers or retailers such as Coles, Woolworths, Big W, Kmart, Target, Officeworks, Staples, OfficeMax, Australia Post, Lyreco and others are not purchasing Indonesian copy paper due to the reputational risk associated with being publicly exposed for supporting the alleged environmental destruction caused by Indonesian paper manufacturers, loggers and related palm oil businesses.

It is this reputational risk which means that Indonesian goods, while 'like' in most if not all physical characteristics, cannot be regarded as a substitute for either Chinese or Australian Made Paper. The FOB price of these imports is therefore inappropriate for use as a non-injurious price.

Imports from Thailand are believed to be dumped, but we have not yet set up the market intelligence which would provide us with selling prices from mill to large distributors nor do we yet have sufficient information on production costs in Thailand to be able to assemble a case. We are in the process of acquiring the necessary information, but, particularly in respect of ex-mill market prices, this will take time.

In addition, the FOB prices of both the Indonesian and Thai exports to Australia are very likely to have been depressed by the artificially low price of Chinese exports to Australia.

The FOB prices for copy paper exports from other countries to Australia are therefore inappropriate for use as a non-injurious price.

Garry Jones

Planning & Development Manager

Australian Paper

Attached:

Confidential Appendix 1 - Calculation of USP and NIP for copy paper exported from China