

PUBLIC RECORD



Australian Government
Anti-Dumping Commission

INVESTIGATION 225

**ALLEGED DUMPING OF WHITE UNCOATED A4 AND A3 CUT
SHEET PAPER (COPY PAPER)**

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

FOLLOW UP VISIT REPORT - IMPORTER

Fuji Xerox Australia Pty Ltd

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

June 2014

Copy Paper – Follow up Visit Report – Fuji Xerox Australia Pty Ltd

PUBLIC RECORD

CONTENTS

CONTENTS.....	2
ABBREVIATIONS.....	3
1 BACKGROUND AND PURPOSE.....	4
1.1 BACKGROUND.....	4
1.2 PURPOSE OF VISIT	4
1.3 MEETING DETAILS	4
1.4 VERIFICATION	5
2 APPENDICES AND ATTACHMENTS.....	10

PUBLIC RECORD

ABBREVIATIONS

\$	Australian dollars
ADN	Australian Dumping Notice
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Australian Paper	Paper Australia Pty Ltd
CFR	Cost and freight
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
FOB	Free On Board
Fuji Australia	Fuji Xerox Australia Pty Ltd
GAAP	Generally accepted accounting principles
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry
USP	Unsuppressed Selling Price

PUBLIC RECORD

1 BACKGROUND AND PURPOSE

1.1 Background

On 17 September 2013, an application was lodged by Paper Australia Pty Ltd (Australian Paper) requesting that the relevant Minister publish a dumping duty notice in relation to white uncoated A4 and A3 cut sheet paper (copy paper) exported to Australia from the People's Republic of China (China).

Australian Paper alleges that the Australian industry has suffered material injury caused by copy paper exported to Australia from China at dumped prices.

Australian Paper claims that, although imports of copy paper from China have been present (and their export prices steadily declining) since 2009, in 2011 the volume of these imports began to rapidly escalate and injury to Australia Paper has occurred as a result (estimated to have begun in mid-2011).

The application identified the injurious effects from dumping as including:

- loss of sales volumes;
- loss of market share;
- price depression;
- reduced revenue;
- reduced return on investment; and
- reduced employment

Public notification of the initiation of the investigation was made on 10 October 2013 in *The Australian* newspaper and Anti-Dumping Notice No. 2013/79.

1.2 Purpose of visit

The purpose of the visit was to clarify information provided by Fuji Xerox Australia Pty Ltd (Fuji Australia) in respect of its net selling prices to Australian customers of copy paper imported from China.

1.3 Meeting details

Company	Fuji Xerox Australia Pty Ltd Level 1, 101 Waterloo Road Macquarie Park, NSW Australia
Dates of visit	10 June 2014

The following were present at various stages of the meetings.

Fuji Xerox Australia Pty Ltd	Ian Bowden – Business Manager Craig Flavell – Executive General Manager
------------------------------	--

PUBLIC RECORD

	Lincoln Glendining – Legal Counsel Fuji Australia
Anti-Dumping Commission	Joanne Reid – Director Michael Kenna – Manager – Operations 4

1.4 Verification

We explained to Fuji Australia that we were seeking to ensure that we had reliable information in relation to its net selling prices of Chinese copy paper in Australia to allow the Commission to assess the profitability of sales in Australia. We explained that where goods are sold at a loss, the Minister may treat the sales at a loss as indicating that the importer or an associate of the importer will, directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or part of the price paid. If the Minister treated the sales in this way they would not be treated as arms' length transactions.

Net selling prices to Officeworks

We sought to reconcile information we had received from Officeworks indicating that it received a rebate of XX on the invoice value of copy paper purchases in the investigation period with information supplied by Fuji Australia that it paid a XX rebate to Officeworks. We referred to Schedule 3 of Fuji Australia's supplier contract with Officeworks (**confidential attachment 1**) and asked Fuji Australia to explain the rebate arrangements with Officeworks by reference to the Schedule.

Fuji Australia explained that it had only included the XXXXXXXXXXXXXXXXXXXX in line by line sales information provided to the Anti-Dumping Commission as it did not recognise other amounts deducted from the invoiced price as 'rebates'. Fuji Australia had earlier provided the Anti-Dumping Commission with a copy of the rebate agreement with Officeworks applying to sales in the investigation period which included all price adjustments. Fuji Australia advised that profit and loss information provided had included all price adjustments.

Fuji Australia confirmed that discounts or subsidies other than the XXXXXXXXXXXX were allowed in relation to sales to Officeworks and that the amounts paid to Officeworks were as follows:

- XXXXXXXXXXXXXXXXXXXX;
- XXXXXXXXXXXXXXXXXXXX;
- XXXXXXXXXXXXXXXXXXXX;
- XXXXXXXXXXXXXXXXXXXX.

We asked Fuji Australia to demonstrate that the total rebates allowed for sales to Officeworks in the investigation period were XXXX as shown above. Fuji Australia provided a schedule of Officeworks' 'claims' for off-invoice amounts for each month of the investigation period (**confidential attachment 2**). Fuji Australia explained that from 1 July 2013, the XXXXXXXXXXXX paid to Officeworks had increased to XXX and that this

PUBLIC RECORD

probably explained why Officeworks had reported a total rebate amount of XXX (excluding the XXXXXXXXXXXXXXXXXXXX, which is paid annually).

Fuji Australia provided copies of three remittance advices from Officeworks for the periods 1 December 2012, 1 May 2013 and 2 July 2013 (**confidential attachment 3**). Each remittance advice lists details of Fuji Australia invoices covered by the remittance from Officeworks. The advices show Officeworks claiming a XXXXXXXXXXXXXXXXXXXX equivalent to XXX of each invoice value as well as an amount equivalent to XX of total invoice values as a XXXXXXXXXXXX and XXX as a XXXXXXXXXXXX. The rebate amounts shown on the Officeworks remittance advices can be traced back to the schedule of Officeworks's monthly claims for the investigation period (**confidential attachment 2**).

We asked Fuji Australia to provide evidence from its bank supporting the receipt of funds from Officeworks for two of the rebate periods (periods ending 3 December 2012 and 1 May 2013). Fuji Australia provided transaction detail reports showing the receipt of amounts that matched the remittance advices provided (**confidential attachment 4**).

We selected two transactions from the remittance advices and asked Fuji Australia to demonstrate from its accounting records the amounts of rebate accrued.

For transactions selected for October 2012, Fuji Australia provided:

- an extract from its accounting system of transaction by transaction sales data for sales to Officeworks for October 2012 (**confidential attachment 5**) showing accrual of XXX (XX); and
- an extract from Fuji Australia's general ledger showing each sale to Officeworks with a negative amount equivalent to XXXX being accrued for the rebate amount (**confidential attachment 6**);
- a summary document showing a reconciliation of sales data records to the general ledger account to the amount of rebate – partly accrued in the general ledger and partly accrued by journal (**confidential attachment 7**);
- an extract from Fuji Australia's accounts showing the journal entry for the amount of rebate not accrued on a transaction by transaction basis (**confidential attachment 8**);
- the tax adjustment note for the XXXXXXXXXXXXXXXXXXXX for October 2012 (**confidential attachment 9**);
- the general ledger transaction record for the XXXXXXXXXXXXXXXXXXXX (**confidential attachment 10**).

Fuji Australia explained that in October 2012, its computer system did not accurately accrue the full amount of rebate and that a manual journal was necessary to correct the amount of rebate. This issue had been corrected by March 2013.

For transactions selected for March 2013, Fuji Australia provided:

PUBLIC RECORD

- a copy of the first and last pages of the Officeworks remittance advice (**confidential attachment 11**),
- the posting of the rebate to the paper revenue sub-ledger account (**confidential attachment 12**),
- the tax adjustment note for the XXXXXXXXXXXXXXXXXXXX amount (**confidential attachment 13**); and
- the general ledger transaction record for the purchasing rebate (**confidential attachment 14**).

We asked Fuji Australia to provide evidence of the amount of XXXXXXXXXXXXXXXXXXXX rebate paid to Officeworks for sales in the investigation period. Fuji Australia provided a tax adjustment note showing total purchases by Officeworks for the period July 2012 to June 2013 and the payment of a XXXXXXXXXXXXXXXXXXXX based on the sales amount (**confidential attachment 15**).

From the information provided we were satisfied that the total amount of rebate claimed by Officeworks from Fuji Australia in relation to sales over the investigation period was XXXX.

Net selling prices to Woolworths Limited

We asked Fuji Australia about advice from Woolworths Limited (Woolworths) that it received a XXX rebate on one-off purchases of copy paper in early 2014. Fuji Australia explained that it had offered the XXX rebate to Woolworths in respect of small quantities of high priced specialty graphic papers. Fuji Australia said that Woolworths had mistakenly understood that the rebate had applied to copy paper purchases.

Fuji Australia provided an email trail showing communications with Woolworths seeking payment of the wrongly deducted rebates (**confidential attachment 16**). On the information provided, and noting that the supposed rebate related to sales outside the investigation period, we consider that Fuji Australia has satisfactorily explained the discrepancy between its advice about rebates offered to Woolworths and the information supplied by Woolworths.

Selling, general and administrative expenses

Fuji Australia advised that it had reviewed the level of selling, general and administrative expenses (SG&A) it had allocated to sales of copy paper (XXX) and considered that redundancy expenses should be excluded from the SG&A expenses. It calculated that without the redundancy expenses, SG&A expenses represented XXXXX of revenue over the investigation period. Fuji Australia provided a revised profit and loss report for its commodity paper segment as well as a printout of redundancy costs incurred by the company in the 2012/13 financial year (**confidential attachment 17**).

We consider that, although the redundancy expenses incurred by Fuji Australia, are possibly not recurring costs, they are an expense incurred by the company and that an amount of those costs should be reasonably allocated to the sale of copy paper in the period to determine a fully absorbed cost of importing and selling copy paper in Australia.

Copy Paper – Follow up Visit Report – Fuji Xerox Australia Pty Ltd

PUBLIC RECORD

We consider that an amount of SG&A expenses inclusive of redundancy costs should be allocated to the costs of importing and selling copy paper. We have assessed the profitability of Fuji Australia's selected sales using an SG&A expense equivalent to XXXX of sales revenue.

Overall profitability on Chinese copy paper sales

During the visit, we discussed information provided previously by Fuji Australia which purported to show that sales of commodity paper were profitable over the investigation period. We noted that the data provided related to all commodity paper sold (essentially copy paper) and that if we were to be able to place any weight on the analysis it would need to relate only to Chinese imports of copy paper. We also advised that we would need to be able to verify that the information included in the analysis was accurate.

Following the meeting, Fuji Australia provided a revised analysis of its profitability on Chinese copy paper sold over the investigation period (**confidential attachment 18**). The analysis shows that sales of A4 copy paper imported from China was, on average, profitable at a rate of XXX per ream and that sales of A3 copy paper was profitable at a rate of XXX per ream.

In support of its analysis Fuji Australia provided query reports from its Phocus 5 sales posting system to support the number of reams of Chinese copy paper sold in the investigation period (**confidential attachment 19**). However, no support was provided for the average cost price per ream of the imported paper and on this basis our preference is to test Fuji Australia's profitability of copy paper imported from China based on the selection of sample shipments.

Correction to profitability analysis

In reviewing the profitability analysis provided by Fuji Australia in its importer questionnaire response, we detected an error whereby sales in a period in 2012 were compared with an import shipment arriving in 2013. We advised Fuji Australia of the error who provided a revised analysis including sales in the correct period.

Profitability on sample shipments

Having satisfied ourselves that we had an accurate understanding of rebates offered by Fuji Australia on its sales of copy paper during the investigation period, we reviewed our the profitability analysis for Fuji Australia's sample of nine selected shipments over the investigation period.

We found that, although some of the selected sales were not profitable, on a weighted average basis, the selected sales were sold at a profit of XXX. As an additional check, we took the profitability rates determined from the sample shipments for Officeworks sales and other customer sales and applied these to the volumes of all copy paper sold to Officeworks and other customers over the investigation period. This analysis showed that, using these assumptions, Fuji Australia's sales of copy paper imported from China in the investigation period had a profitability of XXXX. Our revised analysis of profitability is at **confidential appendix 1**.

Conclusion

Copy Paper – Follow up Visit Report – Fuji Xerox Australia Pty Ltd

PUBLIC RECORD

We consider that, taking into account Fuji Australia's net selling prices, the company's sales of copy paper imported from China appear to be, overall, marginally profitable and that therefore there is no indication that Fuji Australia or an associate of Fuji Australia will, directly or indirectly be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or part of the price paid for the goods by Fuji Australia.

PUBLIC RECORD

2 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Revised profitability analysis
Confidential Attachment 1	Schedule 3 of supply contract between Fuji Australia and Officeworks
Confidential Attachment 2	Schedule of Officeworks off-invoice rebates
Confidential Attachment 3	Officeworks remittance advices
Confidential Attachment 4	Transaction detail reports for remittances
Confidential Attachment 5	Officeworks sales data for October 2012
Confidential Attachment 6	General ledger extract
Confidential Attachment 7	Reconciliation of sales data to rebate amount
Confidential Attachment 8	Journal entry for balance of rebates
Confidential Attachment 9	Tax adjustment note for purchasing rebate
Confidential Attachment 10	General ledger entry for purchasing rebate
Confidential Attachment 11	Officeworks remittance advice March 2013
Confidential Attachment 12	Posting to paper revenue sub-ledger
Confidential Attachment 13	Tax adjustment note for purchasing rebate
Confidential Attachment 14	General ledger record for purchasing rebate
Confidential Attachment 15	Tax adjustment note for long term incentive rebate
Confidential Attachment 16	Emails with Woolworths Limited
Confidential Attachment 17	Revised profit and loss report
Confidential Attachment 18	Revised analysis on copy paper profitability
Confidential Attachment 19	Evidence of reams sold in 2012/13