



Anti-Dumping Notice No. 2016/100

Public Notice under section 269TD of the Customs Act 1901¹

A4 Copy Paper

**Exported from the Federative Republic of Brazil, the People's
Republic of China, the Republic of Indonesia
and the Kingdom of Thailand**

Investigation into Alleged Dumping and Subsidisation

**Preliminary Affirmative Determination
and Imposition of Securities**

1. Introduction

The purpose of this notice is to set out the reasons why I, Dale Seymour, Commissioner of the Anti-Dumping Commission (the Commissioner) have made a preliminary affirmative determination (PAD) under subsection 269TD(1) of the *Customs Act 1901*² (the Act) on 28 September 2016,³ being not earlier than 60 days after the initiation of the investigation into the alleged dumping of A4 copy paper ('the goods') exported to Australia from the Federative Republic of Brazil (Brazil), the People's Republic of China (China), the Republic of Indonesia (Indonesia) and the Kingdom of Thailand (Thailand) and the alleged subsidisation of the goods exported from China and Indonesia.

In summary, my preliminary determination is:

- I am satisfied there appears to be sufficient grounds for the publication of a dumping duty notice in respect of the goods exported to Australia from China and Thailand, and that it is necessary to require and take securities in relation to exports from China and Thailand to prevent material injury to the Australian industry occurring while the investigation continues;
- I am not satisfied that there are sufficient grounds at this stage to make a PAD in relation to Indonesian and Brazilian exporters as I am not satisfied that there appear to be sufficient grounds for asserting that dumped Brazilian and Indonesian exports have caused injury to the Australian industry; and

¹ This is a public notice under subsection 269TD(4)(a) of the *Customs Act 1901* of the Commissioner's preliminary affirmative determination and a public notice under subsection 269TD(5) of the *Customs Act 1901* of the Commonwealth's decision to require and take securities.

² All legislative references are to the *Customs Act 1901*, unless otherwise stated.

³ Day 60 of this investigation was 11 June 2016, the earliest possible day I could have made a PAD was the following business day, 14 June 2016.

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- I am not satisfied that there are sufficient grounds at this stage to make a PAD in relation to the alleged subsidisation of the goods exported from China and Indonesia, as further analysis is required to adequately consider whether the goods have been exported from China and Indonesia to Australia at subsidised prices.

This notice and the preliminary findings contained in this document reflect the current status of the investigation. My findings may change as a result of further information, submissions, analysis or verification.

1.1. Reasons for making a PAD and for taking of securities

On 14 June 2016, I published my day 60 status report in relation to this investigation. As advised in my report, I did not make a PAD at day 60 because I was not satisfied, under subsection 269TD(1)(a), that there appeared to be sufficient grounds, at that stage of the investigation, for the publication of a dumping duty notice or countervailing duty notice.

Subsequent to publication of my status report, the Anti-Dumping Commission (the Commission) has now completed further injury and causation analysis, verification visits to all cooperating exporters and has completed a further preliminary assessment of dumping margins. In light of this further information and the Commission's analysis I am now satisfied that there appears to be sufficient ground for the publication of a dumping duty notice in respect of goods exported from China and Thailand. I note the following reasons for my decision.

The Commission's further assessment has shown that:

- excluding two Indonesian exporters, exports of A4 copy paper from Brazil, China, Indonesia and Thailand during the investigation period were at dumped prices and the dumping margins were not negligible (i.e. above 2%); and
- the volumes of dumped goods from Brazil, China and Thailand were not negligible (i.e. above 3%).

The Commission's injury analysis to date indicates that injury is being caused by dumped imports from China and Thailand. This is based on the level of the dumping margins the Commission has calculated for exporters of the good from China and Thailand and its undercutting analysis of exports from these two countries. The Commission, in coming to this preliminary conclusion, has undertaken a cumulative assessment of injury caused by exports from China and Thailand, as provided for under subsection 269TAE(2C). The Commission, having considered the conditions of competition, the margins of dumping and the volume of dumped imports in accordance with the requirements of 269TAE(2C), considers it appropriate to consider the cumulative effect of the dumped imports from China and Thailand.

In terms of the goods exported to Australian from Indonesia and Brazil, I consider that there do not appear to be sufficient grounds at this stage of the investigation to make a PAD. I note the following reasons for my decision:

- In relation to Indonesian exporters found to be dumping, the Commission's analysis of import volumes indicates that the volume of dumped goods from Indonesia was less than 3% of the total Australian import volume over the investigation period. Further, at this stage I am of the view that there do not appear to be sufficient grounds to establish that the Indonesian dumped imports, given the small volume, have caused injury to the Australian industry. The Commission is continuing with its analysis of Indonesian imports for the purpose of completing the statement of essential facts (SEF).

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- In relation to Brazil, I am not satisfied that there appear to be sufficient grounds to establish that Brazilian imports have caused material injury to the Australian industry. This assessment for the purposes of this PAD is based on the Commission's analysis of a submission received from the importer of goods from the Brazilian cooperative exporter.⁴
- In relation to the preliminary findings in relation to Brazil and Indonesia, the Commission has not undertaken a cumulative assessment of injury. The reasons for this decision are discussed in section 8.1 of this notice.

Having regard to the application, submissions received concerning publication of the dumping duty notice and other information I considered relevant,⁵ and pursuant to subsection 269TD(1)(a) of the Act, I am satisfied there appears to be sufficient grounds for the publication of a dumping duty notice in respect of the goods exported to Australia from China and Thailand. As a result, I have made a PAD to that effect, pursuant to section 269TD.

Under subsection 269TD(4)(b), I am satisfied that it is necessary to require and take securities in relation to exports from China and Thailand to prevent material injury to the Australian industry occurring while the investigation continues.

The Commonwealth will require and take securities under section 42 in respect of interim dumping duties that may become payable in respect of the goods imported from China and Thailand and entered for home consumption in Australia on or after **Thursday, 29 September 2016**.

The security has been determined using an *ad valorem* duty method and will be imposed on goods exported to Australia from China and Thailand at the rate specified in the table of preliminary dumping margin assessments at Section 5.3 (Table 1).

2. Background

On 12 April 2016, I initiated an investigation into the alleged dumping of the goods from Brazil, China, Indonesia and Thailand and the alleged subsidisation of the goods from China and Indonesia. I initiated the investigation following an application by Paper Australia Pty Ltd (Australian Paper), the sole manufacturer of like goods in Australia. Further details in relation to the initiation of this investigation can be found in Anti-Dumping Notice (ADN) No. 2016/33 at www.adcommission.gov.au.

Under subsection 269TD(1) of the Act, I may make a PAD at any time, not earlier than 60 days after I initiate an investigation for the publication of a dumping or countervailing duty notice, if I am satisfied that:

- there appears to be sufficient grounds for the publication of such a notice; or
- it appears that there will be sufficient grounds for the publication of such a notice subsequent to the importation into Australia of such goods.

In accordance with the *Customs (Preliminary Affirmative Determinations) Direction 2015* (the PAD Direction), 60 days after the initiation of such an investigation I must either make a PAD or publish a Status Report outlining the reasons why I have not made a PAD.

⁴ Refer to Case No. 341 on the [Public Record](#) at Item 23

⁵ Refer to Section 3 and Attachment A to this PAD

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Day 60 of this investigation was 11 June 2016. On 14 June 2016, the next business day, I published a Status Report, which can be found on the public record at www.adcommission.gov.au.⁶

Section 9 of the PAD Direction instructs me to reconsider whether or not to make a PAD at least once prior to the publication of the SEF.

3. Evidence relied upon

In deciding to make a PAD in relation to this investigation, I have, in accordance with subsection 269TD(2), had regard to:

- Australian Paper's application;
- importer questionnaire responses received from co-operating importers;
- exporter questionnaire responses received from co-operating exporters;
- government questionnaire responses received from the Government of China and Government of Indonesia;
- submissions received concerning publication of the dumping duty notice including those received after 19 May 2016 that, in my opinion, would have not prevented the timely consideration of the question whether or not to make a PAD;⁷
- information obtained during the course of verification visits to Australian Industry, exporters and importers;
- information received from interested parties, including resellers and retailers visited; and
- any other matters that I considered relevant.

Further details of the evidence relied upon for this PAD can be found in [Attachment A](#).

4. Australian industry producing 'like goods'

4.1. The goods the subject of the investigation

The goods the subject of the application (the goods) are:

uncoated white paper of a type used for writing, printing or other graphic purposes, in the nominal basis weight range of 70 to 100 gsm 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).

In its application, Australian Paper provided the following further details in relation to the goods:

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.

Further information regarding the goods the subject of the investigation can be found in the Australian industry verification report, Consideration Report No. 341 and ADN No. 2016/33.

⁶ Refer to Case No. 341 on the [Public Record](#) at Item 20.

⁷ Under subsection 269TD(3), I am not obliged to have regard to any submission received after 19 May 2016 if to do so would, in my opinion, prevent the timely consideration of the question whether or not to make a PAD.

4.2. Australian Industry

An application can only be made if there exists an Australian industry producing 'like goods' to the goods the subject of the application. Like goods are defined under subsection 269T(1) of the Act. Subsections 269T(2), 269T(3), 269T(4), 269T(4A), 269T(4B) and 269T(4C) are relevant to determining whether the like goods are produced in Australia and whether there is an Australian industry.

Since the initiation of the investigation, the Commission has undertaken a verification visit to Australian Paper to verify information provided in its application. During the course of the verification visit, the Commission undertook an inspection of Australian Paper's manufacturing facility in Maryvale and is satisfied that at least one substantial process of manufacture of A4 copy paper is carried out in Australia.

The Commission has also preliminarily assessed that the locally produced goods closely resemble the goods the subject of the application and are like goods given that:

- the primary physical characteristics of the imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common end users;
- the imported and locally produced goods are functionally alike as they have the same end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

Refer to the Australian Industry verification report for more information on the Commission's assessment of like goods.⁸

4.3. Australian industry producing 'like goods' – preliminary assessment

As a result of the information verified during the verification visit to Australian Paper, I am satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the like goods are produced in Australia.

5. Dumping

5.1. Exporter questionnaires received

The Commission received exporter questionnaire responses from the following exporters:

- APRIL Fine Paper Trading Pte Ltd;
- Asia Symbol (Guangdong) Paper Co., Ltd and Greenpoint Global Trading (Macao Commercial Offshore) Ltd;
- International Paper do Brasil Ltda. and International Paper Exportadora Ltda;
- Phoenix Pulp & Paper Public Co., Ltd;
- PT Indah Kiat Pulp & Paper Tbk;
- PT Pabrik Kertas Tjiwi Kimia Tbk;
- PT Pindo Deli Pulp and Paper Mills;
- Yueyang Forest & Paper Co., Ltd;
- Shandong Chenming Paper Holdings Limited; and
- UPM (China) Co., Ltd.

⁸ Refer to case number 341 Public Record at Item 82

5.2. 'Uncooperative and all other' exporters

Shandong Chenming Paper Holdings Limited and Zhanjiang Chenming Pulp and Paper Co, Ltd ('the Chenming companies')

Pursuant to subsection 8(b) of the *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Customs Direction), I considered that the Chenming companies had failed, within a legislated period, to provide a response and/or failed to request a longer period to provide a response. On 27 July 2016, I notified the Chenming companies of my decision to treat them as uncooperative exporters pursuant to subsection 269T(1).⁹

Yueyang Forest & Paper Co., Ltd ('Yueyang')

Pursuant to subsections 6(b) and 10 of the Customs Direction, I considered that Yueyang's exporter questionnaire response contained deficiencies that could not, in my view, be quickly and easily rectified in a further response and that it had significantly impeded the investigation. On 27 July 2016, I notified Yueyang of my decision to treat it as an uncooperative exporter pursuant to subsection 269T(1).¹⁰

All other exporters that did not provide an exporter questionnaire response

Having regard to the Customs Direction, in relation to this investigation, the legislated period for providing an exporter questionnaire response has expired. Therefore, under subsection 8(b) of the Customs Direction, I must determine all exporters who did not provide a response or request a longer period to provide a response within the legislated period to be uncooperative exporters pursuant to subsection 269T(1).

5.3. Dumping margins

Having regard to the exporter questionnaire responses received, verifications completed and submissions received, the Commission has preliminarily determined the following exporter specific dumping margins in relation to A4 copy paper exported from Brazil, China, Indonesia and Thailand to Australia during the investigation period (1 January 2015 to 31 December 2015):

⁹ Refer to Case No. 341 Public Record at Item 49

¹⁰ Refer to Case No. 341 Public Record at Item 53

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Country	Exporter	Export Price ¹¹	Normal Value ¹²	Dumping Margin ¹³
Brazil	International Paper Do Brasil Ltda. & International Paper Exportadora Ltda.	269TAB(1)(a)	269TAC(1)	5.7%
	Uncooperative and all other exporters	269TAB(3)	269TAC(6)	24.4%
China	UPM	269TAB(1)(a)	269TAC(1)	4.0%
	Asia Symbol & Greenpoint ¹⁴	269TAB(1)(a)	269TAC(1)	4.4%
	Uncooperative and all other exporters	269TAB(3)	269TAC(6)	17.8%
Indonesia ¹⁵	Pt Indah Kiat Pulp & Paper Tbk	269TAB(1)(c)	269TAC(1)	2.7%
	Pt Pindo Deli Pulp And Paper Mills	269TAB(1)(c)	269TAC(1)	18.8%
	Pt Pabrik Kertas Tjiwi Kimia Tbk	269TAB(1)(c)	269TAC(1) & 269TAC(2)(c)	-5.0%
	RAK (APRIL)	269TAB(1)(a)	269TAC(1)	-20.0%.
Thailand	Double A (1991) Public Company Limited	269TAB(1)(a)	269TAC(1)	18.8%
	Phoenix Pulp & Paper Co. Ltd	269TAB(1)(a)	269TAC(1)	18.4%
	Uncooperative and all other exporters	269TAB(3)	269TAC(6)	23.1%

Table 1 Preliminary Dumping Margin Summary

5.4. Dumping Investigation – preliminary assessment

Given the dumping margins presented in Table 1, I am satisfied that A4 copy paper exported to Australia from Brazil, China and Thailand during the investigation period was at dumped prices because:

- the margins of dumping were not negligible;¹⁶ and
- the volume of dumped goods from each country was not negligible.¹⁷

¹¹ Export prices for goods exported to Australia by some of the exporters specifically named in Table 1 have been determined under subsection 269TAB(1)(a) as the price paid by the importer to the exporter in an arms length transaction, less transport and other costs arising after exportation. In some instances export prices were determined in accordance with 269TAB(1)(c) due to the involvement of an intermediary in the export sales to Australia. Export prices for 'uncooperative and all other' exporters were determined having regard to all relevant information in accordance with subsection 269TAB(3) in accordance with subsection 269TACAB(1). In particular, for each of China, Brazil and Thailand, the Commission used the annual weighted average export price.

¹² Normal value of goods exported to Australia by the exporters specifically named in Table 1 have, for the majority of models, been determined under subsection 269TAC(1) based on exporters' domestic sales of comparable models (i.e. the price paid for sales of like goods) in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions. Normal values for the remaining models were established under subsection 269TAC(2)(c) on the basis that there was an absence or low volume of sales of these models in the market of the country of export that would be relevant for the purpose of determining a price under subsection 269TAC(1) (subsection 269TAC(2)(a)(i)). In relation to 'uncooperative and all other' exporters, the normal value has been determined having regard to all relevant information under subsection 269TAC(6) in accordance with subsection 269TACAB(1). In particular, for each of China, Brazil and Thailand, the Commission used a normal value without any favorable adjustments of a cooperative exporter.

¹³ Dumping margins were calculated for all exporters by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period, in accordance with subsection 269TACB(2)(a). Where appropriate, adjustments were made pursuant to subsections 269TAC(8) (where normal values were calculated under subsection 269TAC(1)) and 269TAC(9) (where normal values were calculated under subsection 269TAC(2)(c)) to ensure the comparability of normal values to export prices.

¹⁴ The Commission has calculated this rate based on unverified data. The Commission has completed a verification visit to Asia Symbol & Greenpoint. However, at the time of this PAD this verification has not been finalised. This number will be amended upon calculation of a verified dumping margin.

¹⁵ Subsequent to receiving further submissions from Australian Paper, Pt Indah Kiat Pulp & Paper Tbk, Pt Pindo Deli Pulp And Paper Mills, and Pt Pabrik Kertas Tjiwi Kimia Tbk, the Commission has modified the preliminary dumping margins for these exporters. The reasons for these changes are included in [Attachment B](#).

¹⁶ Subsection 269TDA(1)

¹⁷ Subsections 269TDA(3) and (4)

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The Commission has investigated the alleged dumping of A4 copy paper from Indonesia and has preliminarily assessed that the quantity of A4 copy paper exported at dumped prices during the investigation period was a negligible volume.

The Commission is yet to fully complete its preliminary consideration of the allegations made by Australian Paper in relation to a particular market situation existing in China and Indonesia. As a result, the basis for establishing normal values and corresponding dumping margins may change from those determined for this PAD.

5.5. Countervailing Investigation– preliminary assessment

At the time of making this report, further analysis is required to adequately consider whether the goods have been exported from China and Indonesia to Australia at subsidised prices.

6. Injury to the Australian Industry

6.1. Preliminary findings

The Commission's preliminary findings are that the sole manufacturer of A4 copy paper in Australia is Australian Paper and, therefore, Australian Paper constitutes the Australian industry.

Based on the Commission's verification of the information provided by the Australian industry, I am satisfied that there appears to be sufficient grounds to support the claims that the Australian industry has suffered injury in the investigation period in the form of:

- loss of sales volumes;
- price suppression;
- price depression;
- reduced profits and profitability;
- reduced revenue from A4 copy paper; and
- reduced employment related to the production of A4 copy paper;

6.2. Sales volumes

In its application Australian Paper submitted that it has suffered material injury in relation to lost sales volumes of copy paper due to increased volumes of imports at dumped and subsidised prices from China and Indonesia, and dumped prices from Brazil and Thailand.

Figure 1, below, illustrates Australian Paper's sales volume of copy paper in the domestic market over the injury analysis period.

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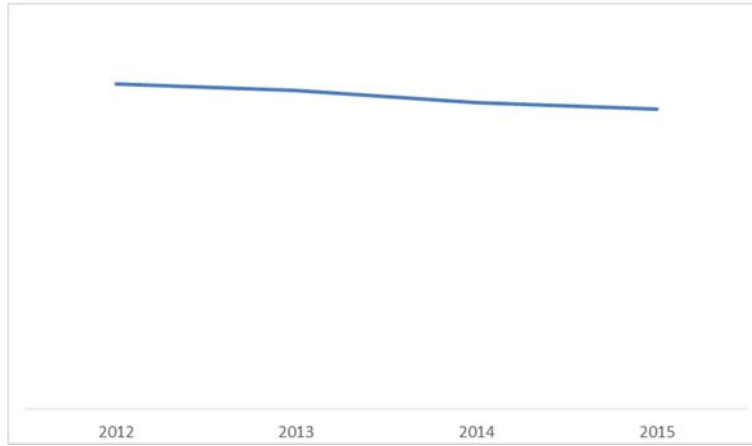


Figure 1: Australian Paper's sales volume of the goods 2012-2015

The Commission's preliminary assessment is that during the investigation period (2015 calendar year) Australian Paper suffered injury from reduced sales volumes.

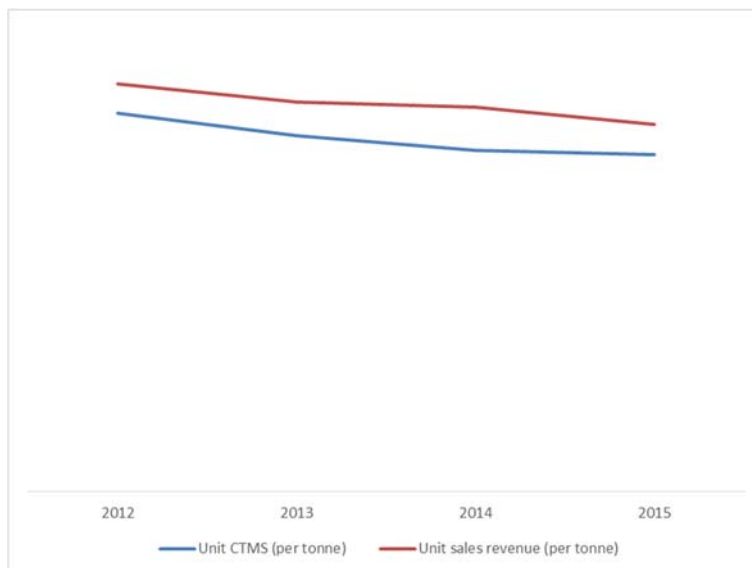
6.3. Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented.

In determining whether price suppression has occurred the Commission may examine:

- a comparison of prices with costs to assess whether over time (e.g. the injury analysis period) or within a specified period (e.g. the investigation period) - prices have not increased at the same rate as cost increases; and/or
- an assessment as to whether the prices for the Australian industry's product are lower than prices that may have been achieved in the absence of dumping.

Figure 2, below, illustrates movements in Australian Paper's domestic weighted average unit costs and prices for A4 copy paper over the injury analysis period¹⁸.



¹⁸ Australian Paper's verified sales data used for this analysis excluded export sales and sales of copy paper imported by Australian Paper.

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Figure 2 – Australian Paper’s unit CTMS & unit domestic sale prices

Australian Paper claimed in its application that it had implemented a number of cost reduction measures in 2013 to compete with increased import competition. As shown in Figure 2, unit CTMS decreased in 2013 and 2014, while a less substantial decrease was recorded in 2015. During this period, the unit price was also decreasing. From 2012 to 2014, the differential between CTMS and price increased. However, in 2015 this differential decreased due to a more substantial decline in unit price relative to unit CTMS. In its application Australian Paper stated that further cost reductions, such as those in 2013 and 2014, were not possible in 2015. This is indicative of price suppression, as the decrease in Australian Paper’s prices was not matched by a decrease in CTMS.

The Commission’s preliminary assessment is that during the investigation period (2015) Australian Paper suffered injury in the form of price suppression.

6.4. Price Depression

As indicated in Figure 2, Australian Paper’s unit pricing has declined consistently across the injury analysis period, and specifically in the investigation period (2015), which is indicative of price depression.

6.5. Reduced Profit and profitability

In its application Australian Paper claimed that it was suffering injury in the form of reduced profit and profitability. Figure 3 below shows Australian Paper’s profit and profitability for A4 copy paper over the injury analysis period.



Figure 3 – Australian Paper unit profit & profitability 2012 to 2015

As illustrated in Figure 3, Australian Paper’s unit profit and profitability was increasing from 2012 to 2014. In 2015, however, Australian Paper’s unit profit and profitability decreased relative to 2014 and 2013.

The Commission’s preliminary assessment is that during the investigation period (2015) Australian Paper suffered injury in the form of reduced profit and profitability.

6.6. Reduced Revenue

While revenue from sales of like goods remained relatively unchanged between 2012 and 2013, as shown below in Figure 6, it declined year on year from 2013 to 2015. Over the course of the injury analysis period, revenue derived from sales of A4 copy paper in 2015 was approximately 10 per cent below the level recorded in 2012.

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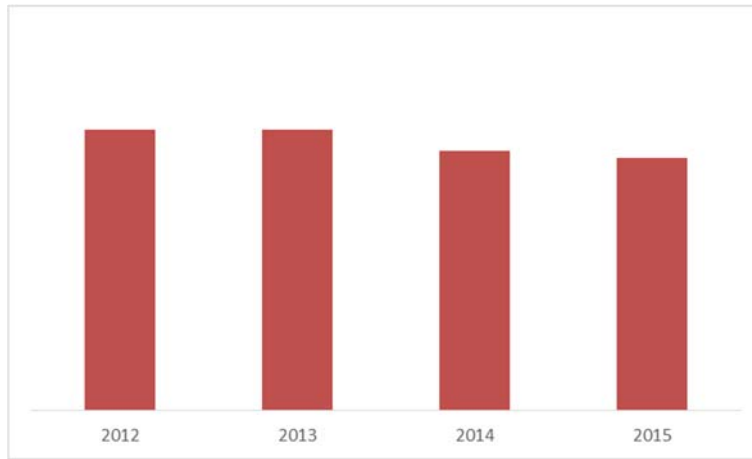


Figure 4 – Australian Paper's revenue from copy paper sales

The Commission's preliminary assessment is that during the investigation period (2015) Australian Paper suffered injury in the form of reduced revenue.

6.7. Reduced Employment

Australian Paper's employment numbers dedicated to A4 copy paper production continually decreased over the injury analysis period.

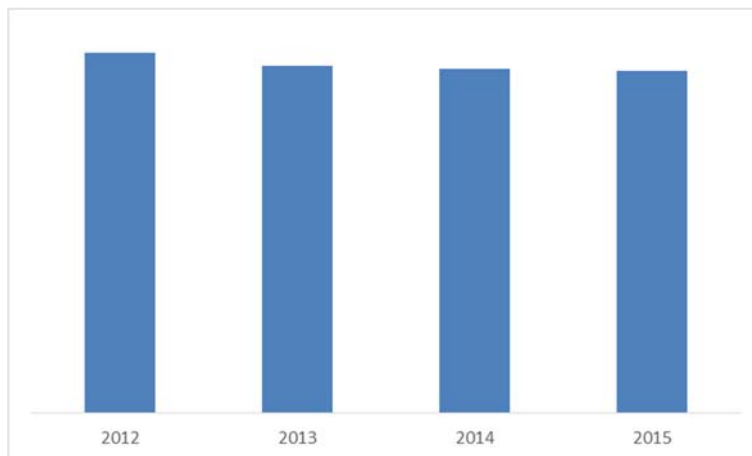


Figure 5 – Australian Paper's total employment in A4 copy paper production

6.8. Other economic factors

The below conclusions, as they relate to the other economic factors provided by Australian paper in its A7 Appendix and verified by the Commission, were also observed:

- increase in net capital investment between 2012 and 2015;
- net increase in the value of assets from 2012 to 2015;
- increase in research & development expenditure between 2012 and 2015;
- downwards trend in relation to return on assets;
- decline in closing stock between 2012 and 2015; and
- no discernible trend as it relates to accounts receivable.

6.9. Injury to the Australian industry – preliminary assessment

I consider that there appears to be sufficient grounds to support Australian Paper's claims that injury has been experienced in the forms listed above at Section 6.1.

7. Cause of injury

In determining whether material injury to an Australian industry has been or is being caused because of any circumstances in relation to the exportation of goods to Australia, the Minister may have regard to the matters set out in section 269TAE, to which I have had regard.

7.1. Cumulative effects of exportations

Subsection 269TAE(2C) sets out the requirements for assessing the cumulative effects of goods exported to Australia from different countries. In relation to a dumping investigation, where exports from more than one country are the subject of investigations resulting from applications under section 269TB that were lodged on the same day (as is the case in this investigation), the cumulative effects of such imports may be assessed if:

- the margin of dumping established for exporters in each country is not negligible; and
- the volume of imports from each country is not negligible; and
- cumulative assessment is appropriate having regard to the conditions of competition between the imported goods and between the imported goods and like goods that are domestically produced.

Having regard to the size of the dumping margins determined to date, the volume of imports and the conditions of competition between the goods exported from China and Thailand and like goods produced by Australian Paper, the Commission considers it appropriate to consider the cumulative effect of the dumped imports from China and Thailand in accordance with the requirements of subsection 269TAE(2C).

Having considered the low volume of dumped imports from Indonesia and the requirements of subsection 269TAE(2C)(d) of the Act, the Commission has not for the purposes of this PAD cumulatively assessed the injury caused by Indonesian dumped goods in its injury and causation analysis.

Having considered the requirements of subsection 269TAE(2C)(e) of the Act and the submission received from the importer of the goods from the cooperative Brazilian exporter, the Commission at this stage considers it is not appropriate, having regard to the alleged conditions of competition between the goods imported from Brazil and like goods produced by Australian Paper, to cumulate the exports from Brazil. The Commission is continuing to assess the information provided in the aforementioned submission and may change its assessment as a result of further information, submissions, verification or analysis.

7.2. Size of the dumping margins

Subsection 269TAE(1)(aa) provides that regard may be given to the size of each of the dumping margins, worked out in respect of goods of that kind that have been exported to Australia.

The dumping margins outlined above under section 5.3, ranging between 4 per cent and 18.9 per cent are above negligible levels (i.e. above 2 per cent). The Commission considers that the magnitude of dumping provided exporters with the ability to offer A4 copy paper to importers at lower prices than would otherwise have been the case, as is demonstrated in the price undercutting analysis at section 7.3.1 of this PAD.

7.3. Volume effects caused by dumping

In its application, Australian Paper submitted that it has suffered material injury in relation to lost sales volumes of copy paper and loss of market share due to increased volumes of imports at dumped and subsidised prices from China and Indonesia, and dumped prices from Brazil and Thailand.

During the course of the verification visit, Australian Paper presented evidence to the Commission illustrating the sensitivity of sales volumes to changes in pricing. Australian Paper also presented evidence of lost sales either directly or through resellers to imported copy paper sourced from the countries nominated in this investigation.

The Commission is continuing to validate and assess the information provided.

7.4. Price and profit effects caused by dumping

Australia Paper sets prices relative to imports, and this was verified at the Australian industry visit by evidence of pricing negotiations and by a comparison of prices. In particular, Australian Paper's prices and the prices of the imported goods show a degree of correlation that indicates strong market competition in a market that is price sensitive.

Given this, the Commission has undertaken a preliminary undercutting analysis to consider whether the injury described above is caused by dumping. The methodology used by the Commission:

- compared weighted average prices, net of rebates and discounts, for the imported goods sold by importers to Australian Paper's weighted average prices, net of rebates and discounts;
- compared prices at a comparable level of trade, which for the purposes of Australian Paper was identified as the Commercial and Contract Stationer divisions (These were selected because the customers serviced by Australian Paper in these divisions resembled those serviced by importers from Brazil, China, Indonesia and Thailand, and made up a substantial portion of Australian Paper's overall A4 copy paper sales); and
- was conducted on the basis of the pricing of 80 gsm¹⁹ paper, as this is the most common product sold in Australia.

The primary conclusions of that undercutting analysis are shown in table 2, below.

Country	Dumping Analysis	Percentage of Imports	Undercutting Analysis ²⁰
Brazil	<i>Dumping</i>	4.4%	<i>Between 0% and 14.3%</i>
China	<i>Dumping</i>	46.2%	<i>Between 0% and 22.5%</i>
Indonesia	<i>De minimis volumes of dumping</i>	22.8%	<i>Between 0% and 29.8%</i>
Thailand	<i>Dumping</i>	20.8%	<i>Between 0% and 31.3%</i>

Table 2: Preliminary Undercutting Analysis Summary

¹⁹ Grams per square metre.

²⁰ This assessment summary is based on the analysis of multiple parties at differing levels of trade completed on a month to month basis during the investigation period.

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The Commission's assessment is that the price undercutting by the countries found to be dumping is material in volume, as is the size of the undercutting. The volumes imported from non-dumping exporters is either insufficient to materially influence prices or is not undercutting Australian Paper's prices. The Commission is continuing to validate and assess the information provided and, as a consequence, the Commission's assessment of the impact of undercutting may change.

Based on the Commission's preliminary price undercutting analysis, verification of Australian Paper's injury claims and the preliminary dumping margin calculations, the Commission considers that:

- Australian Paper's prices and the prices of the imported goods show a degree of correlation that indicates strong market competition in a market that is price sensitive;
- importers are provided a competitive advantage due to the ability to purchase the goods at what appear to be dumped prices, which allows importers to be more competitive on price than otherwise would be the case;
- dumping is allowing importers to exert pressure on the Australian industry's prices, which in turn has adverse effects on the industry's revenue, profit and profitability;
- in the absence of dumping, it is likely that the Australian industry would be in a better position to maintain pricing at levels necessary to achieve a greater profit; and
- the price and profit injury caused by dumping is material.

The Commission is continuing to validate and assess the information provided and develop its analysis. However, the Commission considers there is sufficient evidence at this time to establish that it was necessary for the Australian industry to reduce prices in order to compete with imported A4 copy paper imported from China and Thailand at dumped prices. This has led to the Australian industry suffering material injury in the form of price depression, price suppression, reduced revenue, reduced profits and reduced profitability.

8. Other causes of injury

8.1. Australian market

Australian Paper stated in its application that the Australian market for A4 copy paper is considered to be a mature market and that it generally produces growth of 2% per annum, with contractions in some periods. Australian Paper advised that 2015 was a period in which the market contracted. Australian Paper further advised that the Australian dollar fell during 2015 and, as consequence, the devaluation of the Australian dollar should have seen a rise in sales of domestic production, as locally produced goods become increasingly competitive with higher-priced, imported, goods. Australian Paper stated that this did not occur.

The Commission's preliminary assessment of the Australian market is consistent with Australian Paper's analysis. During the period 2012 to 2014 the Australian market grew before contracting in 2015. This is illustrated in Figure 6, below.

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Figure 6: Australian A4 Copy Paper Market 2012-2015

Overall, the size of the market in 2015 is larger than the market in 2012. Both Australian Paper's sales volume and import volumes declined in 2015 when compared to 2014. Import volumes declined both from the countries alleged to have dumped and other countries. Proportionally, the decline in imports was greater than the decline in Australian Paper's sales which resulted in Australian Paper gaining a small increase in its market share.

Figure 7, below, illustrates movements in market share between 2012 and 2015.

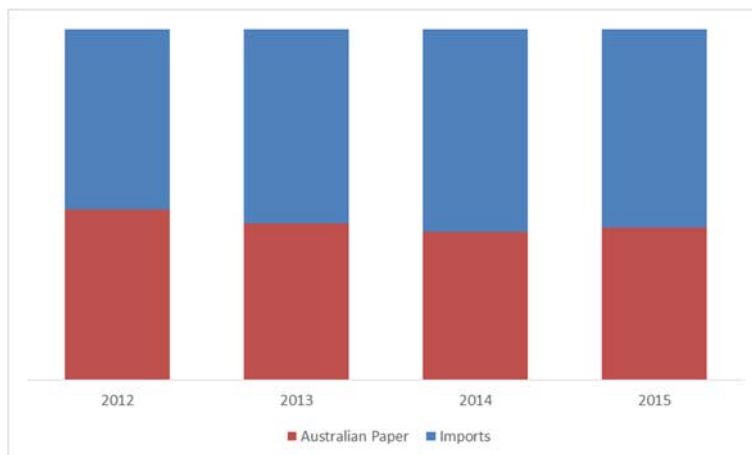


Figure 7 – Proportional Market share

Figure 3 illustrates that Australian Paper's market share has declined during the injury analysis period, with the most significant decrease occurring from 2012 to 2013. Australian Paper's market share increased slightly in 2015, however, still remains below the level recorded in 2012.²¹

Overall, in comparing the market between 2012 and 2015, imports and market share from the countries alleged to have dumped imports have grown significantly in the same period in which Australian Paper's market share and sales volume have declined.

²¹ Copy paper imported by Australian Paper was excluded from the import data analysed. Paper imported by Australian Paper are not models manufactured by themselves and tend to be more speciality type papers.

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The Commission's assessment is that the decline in the Australian market in 2015 may have contributed to Australian Paper's reduction in sales volume during the investigation period. The Commission will continue to examine this factor in relation to the injury suffered by Australian Paper.

8.2. Imports from other countries and exporters not dumping

Of the remaining 22 other countries recorded as having imported A4 copy paper into Australia during the investigation period, the largest country not alleged to be dumping, accounted for less than 2.5% of imported copy paper. Given the large number of countries not alleged to be dumping and the individual country import volumes, the Commission considers that these countries have imported insufficient volumes to have materially influenced prices in the market generally.

In relation to exporters from Indonesia which, at this stage, have been found not to have dumped A4 copy paper during the investigation period, the Commission is continuing to analyse the impact of these imports in relation to the causation of the injury to Australian Paper.

8.3. Depreciation of Australian Dollar

It is noted that the Australian dollar declined against the United States dollar and the Reserve Bank of Australia's trade weighted index over the injury analysis period. As a consequence, the Commission sought to assess the impact of fluctuations in the Australian dollar over the injury analysis period on Australian Paper's costs.

Details of the Commission's assessment of the impact of the depreciation in the Australian Dollar is included in the Australian industry verification report.

The Commission's assessment, in summary, is that in the context of a reduction on a reliance on imported raw materials and the overall reduction in CTMS during the period the Australian dollar declined, movements in the Australian dollar have not materially impacted on the injury claims made by Australian Paper.

8.4. De-Inking Plant

During 2015 Australian Paper commissioned the operation of a de-inking plant (DIP) at the Maryvale mill. The Commission sought to establish the impact of the commissioning of this plant on the cost to manufacture A4 copy paper during 2015.

Details of the Commission's assessment of the impact of the DIP is included in the Australian industry verification report.

In summary, the Commission assessment is that the commencement of the DIP marginally impacted the cost to manufacture A4 copy paper during 2015. However, the DIP has also assisted in reducing the impact of the decline in the Australian dollar when Australian Paper switched from imported recycled pulp to DIP sourced pulp during 2015.

8.5. Impact of United States Anti-Dumping Investigation

Australian Paper was subject to a United States anti-dumping investigation (US investigation) concerning certain uncoated paper exported from Australia, Brazil, China, Indonesia and Portugal. The US investigation was initiated in February 2015, with a preliminary determination made in relation to Australia during August 2015 and a final determination made in January 2016. The preliminary dumping margin applicable to

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Australian Paper was 40.65% and the final dumping margin determination was 222.46%. It is noted that the final determination was made outside of the investigation period.

Details of the Commission's assessment of the impact of the US Investigation is included in the Australian industry verification report.

The Commission's preliminary assessment is that the US investigation may have caused some general injury to Australian Paper but did not have an adverse impact on Australian Paper's cost to manufacture A4 copy paper or on domestic sales of A4 copy paper during the investigation period. On this basis it is not considered to have impacted on the specific claims of injury made by Australian Paper in its application.

8.6. Bushfire & Chemical Spill Incidents during 2015

Media reports relating to Australian Paper's Maryvale mill indicated that the mill was affected by a bushfire in February 2015 and a chemical spill in June 2015.

Based on information provided by Australian Paper, the Commission considers that the costs associated with these events did not have a material impact on the injury claims made by Australian Paper.

8.7. Australian Paper's imports of A4 copy paper

Australian Paper imports small volumes of specialist cut sheet paper as a compliment to its range. These imports are not considered to be material to the cause of the injury suffered by Australian Paper due to the low volumes and the speciality nature of these products.

8.8. Restructuring and cost reduction activities

In its application Australian Paper disclosed that it had gone through a restructuring program during the injury analysis period. Australian Paper also advised that these activities had contributed to the reduction in its CTMS during the analysis period. The Commission has examined information provided by Australian Paper and is satisfied that these activities have not adversely impacted on the injury claims made by Australian Paper.

8.9. Cause of injury – preliminary assessment

Based on the Commission's price undercutting analysis for Chinese and Thai exporters, verification of Australian Paper's injury claims and the preliminary dumping margin calculations for Chinese and Thai exporters, and for the purposes of this PAD, I consider that:

- importers are provided a competitive advantage due to the ability to purchase the goods at what the Commission has preliminarily found to be dumped prices, which allows importers to be more competitive on price than otherwise would be the case;
- the Australian industry's prices were depressed and suppressed due to competition with the goods exported from China and Thailand at dumped prices, which in turn has caused injury in the forms of price depression, price suppression, reduced profit and reduced profitability;

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- in the absence of dumping, it is likely that the Australian industry would be in a better position to achieve pricing at levels necessary to achieve an increased profit; and
- the number of injury factors and their magnitude is such that the injury suffered by the Australian industry is material.

As such, I am satisfied at this point in the investigation there appears to be sufficient grounds to support the conclusion that A4 copy paper exported from China and Thailand at dumped prices has caused material injury to the Australian industry.

9. Non-injurious price

The non-injurious price (NIP) is relevant to subsection 8(5B) of the *Customs Tariff (Anti-Dumping) Act 1975*, which requires consideration of the desirability of fixing a lesser amount of duty if sufficient to remove injury to the Australian industry. The Commission also utilises the NIP as an additional test to establish whether there is a causal link between the alleged dumping and material injury.

Australian Paper made a submission on 2 September 2015 in relation to setting what it considered to be an appropriate unsuppressed selling price (USP) from which a NIP can be determined. In its submission, Australian Paper submitted that selling prices in the periods 2012 to 2014 were representative of the levels the Australian industry could achieve in the absence of injurious dumping and subsidisation. On this basis it submitted that it was appropriate to use the weighted average selling price for copy paper over the years 2012 to 2014, adjusted for the CPI to 2015 to determine a USP.

The Commission's *Dumping and Subsidy Manual* specifies that "...The Commission will generally derive the NIP from an unsuppressed selling price (USP). The USP is a selling price that the Australian industry could reasonably achieve in the market in the absence of dumped or subsidised imports....". The Commission's *Dumping and Subsidy Manual* further provides the following hierarchy for determining a USP "...In calculating the USP, the Australian industry's selling prices will normally be used at a time unaffected by dumping. If there are sound reasons for not using this approach, a price may be constructed based on the industry's cost to make and sell, plus a profit. If either of these methods is not appropriate, the selling prices of undumped imports in the Australian market will be used."

The Commission considers that the proposal to use selling price data that is not older than five years and in circumstances where there is no other information to indicate that the industry or market structure has changed subsequently to materially affect these prices, is reasonable. The Commission further considers that Australian Paper's submission that these prices should be adjusted for CPI increases is reasonable given the extended time period that the selling prices have been derived from.

The Commission has calculated a NIP on this basis and compared it with the weighted average normal values for each of the cooperating exporters and determined that the NIP exceeds those normal values. As a result, the Commission proposes that securities be taken at the amount of the dumping margins as ascertained in this notice, rather than at the amount of the NIP.

Given that the NIP exceeded the export prices, this analysis also supports the conclusion that dumped A4 copy paper exported to Australia from China and Thailand has caused material injury to the Australian industry.

10. Other matters considered relevant – subsection 269TD(2)(b)

In accordance with section 7 of the PAD Direction and for the purposes of subsection 269TD(2)(b) of the Act, I have considered the desirability of providing relief to an injured Australian industry, as quickly as possible, where warranted.

11. Provisional Measures

11.1. Form of duty

The forms of duty available under the *Customs Tariff (Anti-Dumping) Regulation 2013* include:

- combination fixed and variable duty method ('combination duty method');
- fixed duty method;
- floor price duty method; and
- *ad valorem* duty method (i.e. a percentage of export price).

These forms of duty all have the same objective of removing the injurious effects of dumping; however in achieving this objective certain forms of duty will better suit the particular circumstances of some investigations more so than other forms of duty.

The current proposed securities are recommended to be taken as an amount worked out in accordance with the *ad valorem* duty method. These securities will be imposed in relation to the goods exported to Australia from China and Thailand at the rates specified in Table 1 of preliminary dumping margins.

For the purposes of this PAD, I have had regard to the *Guidelines on the Application of Forms of Dumping Duty – November 2013* (the Guidelines)²² and note that there are multiple models of A4 copy paper on the Australian market and that there are pricing differences between those models. The guidelines specify that a floor price duty method and fixed duty method may not suit those situations where there are many models or types of the good with significantly different prices.

Further, under the *ad valorem* method, as described in the Guidelines, export prices may be lowered by exporters to avoid the effects of the duty. The above considerations may become more relevant for the purposes of publishing a dumping duty notice, therefore I will reassess the most appropriate form of measures should a recommendation be made to publish a dumping duty notice.

Affected parties should contact www.business.gov.au on telephone number 13 28 46 or +61 2 6213 6000 (outside Australia) for further information regarding the actual security liability calculation in their circumstance.

12. Anti-Dumping Commission Contact

Enquiries about this notice may be directed to the case manager on telephone number +61 3 8539 2447, fax number +61 3 8539 2499 or email at operations2@adcommission.gov.au.

²² Available at www.adcommission.gov.au

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Dale Seymour
Commissioner
Anti-Dumping Commission

29 September 2016

Evidence relied upon

The table below summaries the information submitted to the Commission by interested parties and the verification status of that information.

Interested party	Verification Status	Details
Applicant	Verified	The Commission has undertaken a verification visit to the applicant, Australian Paper, and is satisfied that the information it provided is relevant, accurate and complete. A verification visit report will be uploaded to the electronic public record in due course.
Importers	Verified	<p>The Commission invited 10 importers to complete an importer questionnaire. The Commission received nine completed importer questionnaire responses from:</p> <ul style="list-style-type: none"> • BJ Ball Pty Ltd • Central National Australia Pty Ltd • Double A (1991) Public Company Limited • Fuji Xerox Asia Pacific Pte Ltd • Fuji Xerox Australia Pty Ltd • Jackaroo Pty Ltd • OfficeMax Australia Limited • Paper Force (Oceania) Pty Ltd • UPM-Kymmene Pty Ltd <p>At the time of publishing this notice, the Commission has undertaken six importer verification visits. Verification visit reports are in the process of being uploaded to the electronic public record.</p>
Exporters	Verified, one partially verified	<p>Refer to the above heading 5.1 for further details regarding exporter questionnaire responses received.</p> <p>The Commission has undertaken seven exporter verification visits. Verification visit reports are in the process of being uploaded to the electronic public record.</p>
Governments	Considered	Government questionnaire responses were received from the Governments of Indonesia and China. These submissions, insofar as they are relevant to the dumping and injury aspects of the investigation, have been considered. The Commission is continuing with its assessment of the Applicant's claims in relation to a particular market situation and subsidisation in those countries.
Other interested parties	Considered	<p>Prior to making this PAD, the Commission received submissions from:</p> <ul style="list-style-type: none"> • APRIL Fine Paper Trading Pte Ltd • Australian Paper • Central National Australia Pty. Ltd. • Construction Forestry Mining & Energy Union National Office • Double A Public Co Ltd • Fuji Xerox Australia • Government of Brazil • Government of China • Government of Indonesia • IP Brazil • Jackaroo Paper Pty Ltd • Phoenix Pulp & Paper Public Co. Ltd –Thailand • PT Indah Kiat Pulp, Paper Tbk, PT Poindo Deli Pulp and Paper Mills and PT Pabrik Kertas Tjiwi Kimia Tbk • Sinar Mas Group: PT Indah Kiat Pulp, Paper Tbk, PT Poindo Deli Pulp and Paper Mills and PT Pabrik Kertas Tjiwi Kimia Tbk • UPM (China) Co. Ltd. <p>These submissions, insofar as they are relevant to the dumping and injury aspects of the investigation, have been considered where, in my opinion, consideration would have not prevented the timely consideration of the question whether or not to make a PAD. The Commission is continuing with its assessment of the Applicant's claims in relation to particular market situation and subsidisation.</p>

Normal value adjustments for Sinar Mas Group exporters from Indonesia

The Anti-Dumping Commission (the Commission), on 19 August 2016, published exporter verification reports for the Sinar Mas Group companies. These reports provided for the following preliminary dumping margins:

- PT Indah Kiat Pulp and Paper TBK (Indah Kiat) – negative 1.4 per cent;
- PT Pindo Deli Pulp and Paper Mills (Pindo Deli) – positive 14.0 per cent; and
- PT Pabrik Kertas Tjiwi Kimia TBK (Tjiwi Kimia) – negative 8.6 per cent.²³

All three exporters make domestic sales through their related entity PT Cakrawala Mega Indah (CMI). The verification team found that domestic sales from the exporters to CMI were not at arms length and consequently based normal values for all three exporters on domestic sales from CMI to unrelated customers, being arms length sales made in the ordinary course of trade by another seller of like goods, with the following adjustments:

Adjustment	Exporter	Description
Level of trade	All	Deduct the fixed distributor margin applied to domestic sales
Domestic credit	All	Deduct cost of domestic credit
Domestic inland transport	All	Deduct cost of domestic inland transport
Export inland transport	Pindo Deli & Tjiwi Kimia	Add cost of export inland transport
Specification adjustment	Tjiwi Kimia	Deduct/add amount for specification adjustment to price of surrogate model

Australian Paper Pty Ltd (Australian Paper) submits that the Commission has allowed certain adjustments which are inconsistent with normal practice and did not make certain adjustments which are considered to be appropriate.²⁴

Level of trade adjustment:

The Commission has considered the submission from Australian Paper and a subsequent submission from the Sinar Mas Group²⁵ regarding the distributor margin adjustment for domestic sales by CMI. In considering such an adjustment for differences in the level of trade between domestic and export sales, the Commission notes that the *Dumping and Subsidy Manual* states that, in circumstances where ‘downstream’ sales of an associated distributor are used for determining normal value, “*the Commission will not adjust those downstream prices by the related distributor for the amount of the related domestic distributor’s gross margin. [...] The Commission will, however, consider what adjustments*

²³ Exporter verification reports can be found on the electronic public record (EPR 341) at items no. 58, 59 and 60 (<http://www.adcommission.gov.au/cases/Pages/CurrentCases/EPR-341.aspx>)

²⁴ See EPR 341 at item no. 65

²⁵ See EPR 341 at item no. 69

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are warranted based upon the relevant expenses incurred having regard to the principles above”.

The Commission previously considered a similar adjustment for one of these exporters (Pindo Deli) in the investigation into the alleged dumping of toilet paper exported from China and Indonesia (Investigation 138). In that case the then Australian Customs Service (Customs) found that of CMI's selling expenses, one such expense, for supermarket shelf rental, was an expense which, on the face of it, would not have been incurred in relation to sales to Australia. Consequently, Customs made an adjustment to normal value for supermarket shelf rental expenses.

In considering the above, the Commission has reviewed CMI's verified selling expenses and again identified supermarket shelf rental as an expense that reasonably would not have been incurred in relation to sales of A4 copy paper to Australia. The Commission has therefore reversed the distributor margin adjustment made by the verification team and included an adjustment for supermarket shelf rental expenses incurred by CMI.

Other adjustments:

Australian Paper seeks an upward adjustment for export inland transport for exports by Indah Kiat and upwards adjustments for export credit terms, containerisation and export packaging for exports by all three exporters. The Commission has relied on verified data in making appropriate adjustments where required in the exporter verification reports and is satisfied that the correct adjustments were made.

Preliminary dumping margins:

As a result of the amendment to the level of trade adjustment outlined above, the Commission has calculated preliminary dumping margins for the purposes of the PAD as follows:

- Indah Kiat – positive 2.7 per cent;
- Pindo Deli – positive 18.8 per cent; and
- Tjiwi Kimia – negative 5.0 per cent.