



Anti-dumping Actions against Imported A4 Copy Paper and other Paper Products

Introduction

Anti-dumping measures against the import of A4 copy paper and other communication papers have been in place since February 1994. They constitute the largest single group of trade measures imposed against any Australian imports. They have also been subject to administrative and judicial review at various times. In 1999–2000, the market for A4 copy paper was worth over \$400 million. A4 copy paper is manufactured in Victoria at PaperlinX's Maryvale mill, which employs 478 people.

This Research Note examines two new anti-dumping applications by PaperlinX, the sole producer of A4 copy paper, and an anti-dumping application by Moore Business Systems, a local manufacturer of continuous computer paper (CCP) concerning the alleged dumping of imported A4 copy paper and CCP from Indonesia. The final Customs reports into both investigations are with the Minister for a decision and it seems unlikely that any measures will be imposed against the imports from Indonesia, given that dumping margins were small and the volume of dumped imports was negligible.

The Research Note also examines the takeover of Spicers, an importer of competing paper products, by PaperlinX and its implications for competition in the paper industry.

A4 Copy Paper from Indonesia

Following an anti-dumping action in 1993 by Australia Paper Pty Ltd, an Amcor subsidiary (later renamed PaperlinX), anti-dumping measures

were imposed against imports of A4 copy paper from various countries, including Indonesia. Tjiwi Kimia was the sole Indonesian supplier at the time of the anti-dumping action and it gave an undertaking to supply A4 copy paper at or above certain export prices.

Despite these measures, imports of A4 copy paper from Indonesia rose 60 per cent between 1993 and 1999. Although the Australian market for A4 copy paper increased by 50 per cent, PaperlinX's share fell from 60 per cent to just over half the market. Indonesian imports held close to 40 per cent of the market, compared to 20 per cent in 1996. By 1999, they accounted for 75 per cent of all A4 copy paper imported into Australia, compared to 35 per cent in 1993. In the same period, imports sourced from other countries were replaced by imports from other Indonesia suppliers and the volume of imports from Tjiwi Kimia doubled.

In December 1999, Customs began an investigation into imports from Indonesia (excluding Tjiwi Kimia) after an anti-dumping application by PaperlinX. A second investigation was initiated after PaperlinX lodged a separate application against Tjiwi Kimia soon after the Federal Court set aside the price undertaking from Tjiwi Kimia. In July 2000, with the two investigations merged, Customs released a draft report or Statement of Essential Facts relating to both investigations.

The five major Indonesian suppliers of copy paper accounted for 99 per cent of exports of A4 copy paper to Australia from Indonesia. With the

exception of imports from Kertas Leces and Riau Paper, imports from Pindo Deli, Tjiwi Kimia and Indah Kiat were not dumped. Although the imports were priced well below PaperlinX's prices for copy paper, the volume of dumped imports was small, representing just over 2 per cent of all imports and 0.5 per cent of the Australian market.

Dumping margins were also small, ranging from about 3 to 10 per cent for certain types of coloured copy paper only through to 8 per cent for standard grade copy paper.

Although the market for A4 copy paper had grown steadily by 8 per cent per year, PaperlinX's sales did not increase in a growing market. It suffered a consequent fall in profits, increased stock levels and reduced cash flow. Customs, however, was not 'satisfied that dumping has caused the material injury suffered by PaperlinX ... and that future exports are likely to be dumped to the extent of causing material injury to PaperlinX in the near future'.¹

It noted that 1995 was a peak period in the industry's cycle and although prices and profits declined, the level of profitability of PaperlinX's A4 copy paper for 1998 and 1999 was higher than other paper segments of Amcor and four times the average profitability of the manufacturing sector.

Continuous Computer Paper (CCP) from Indonesia

On 6 April 2000, Customs initiated an anti-dumping investigation into CCP imported from Indonesia. The

investigation was the result of an anti-dumping application by Moore Business Systems Australia, which until 1998 was a subsidiary of the Moore Corporation Canada.² CCP is produced by Moores at its Wodonga 2 plant, which employs 300 people. Although Moores has a dominant position in the market, sales of CCP declined by 35 per cent from 1995 to 1999.

In its application, Moores claimed that it experienced injury beginning in the September quarter of 1996, lost sales, a decline in market share and profitability, reduced workforce and price undercutting as a result of the alleged dumping. It identified Tjiwi Kimia as the sole supplier of imported CCP. Tjiwi Kimia's sales to the Australian market are made to paper merchants, such as Spicers and Commonwealth Paper through a subsidiary company, Asia Pulp & Paper (Australia) Pty Ltd.

On 25 July 2000, Customs issued a Statement of Essential Facts, which found that exports to Australia from Indonesia increased significantly in 1999. Dumping margins were very small (0.3 and 0.9 per cent) only for some types of imports, but imports of other narrow and wider grades of CCP were not dumped. In relation to Moores' claim of injury, Customs confirmed a fall in market share and profitability from its CCP business, some price depression and a 30 per cent fall in production its Wodonga 2 plant, compared with production in 1998, but it was not satisfied that 'the dumping has caused material injury to Moores'.³

PaperlinX Acquisition of Spicers

Late last year PaperlinX launched a takeover bid for Spicers Paper Ltd. It already had a 42 per cent majority interest in Spicers, which it acquired as a result of the Amcor demerger in April 2000. The scrip-for-scrip offer valued Spicers at more than

\$500 million and drew the attention of the Australian Competition and Consumer Commission (ACCC) because of the potential impact on competition in the industry.

Sales by PaperlinX and importers are made through merchants, such as Spicers, Edwards Dunlop Paper (a PaperlinX business), Dalton Fine Paper and Commonwealth Paper, a division of the Spicers Paper group. Spicers supplies over 50 per cent of the copy paper sold by merchants. It is also a major supplier of imported CCP to wholesalers and stationers. The ACCC ruled that the proposed takeover of Spicers would likely breach s. 50 of the *Trades Practices Act 1974* by 'substantially lessening competition in the market for the supply of fine paper by merchants'. Although PaperlinX had agreed to divest its Edwards Dunlop business, the ACCC was not satisfied that the undertaking sufficiently addressed the industry's competition concerns.

At the end of January, PaperlinX was able to secure full ownership of Spicers, with 90 per cent of Spicers' shareholders agreeing to accept the scrip-for-scrip offer. Final approval by the ACCC was conditional upon PaperlinX's agreement to divest its Commonwealth Paper business and to a process for assessing the merits of future anti-dumping applications.

Conclusions

Despite the inability of PaperlinX and Moores to prove a causal link between the material injury to their businesses and the alleged dumping, neither industry will be affected to any large degree by their failure to have measures imposed against the competing Indonesian imports.

PaperlinX's successful acquisition of Spicers will create an expanded fine paper distribution network and deliver substantial efficiency returns to PaperlinX, which will earn about \$90 million from the forced sale of its merchant paper businesses.⁴

In the case of Moores, although it recorded overall losses for sales of CCP, its results have improved each quarter since the second quarter of 1998. Its CCP business accounts for about 10 per cent of total sales and profit and profitability levels have not deteriorated. As Customs noted, two factors that have contributed to a decline in the market for CCP, are changes in technology and the shift in consumer preference away from continuous paper to cut-size paper.

1. Australian Customs Service, Statement of Essential Facts, *A4 Copy Paper from Indonesia*, SEF No. 22, 4 July 2000, paragraph 8.4.
2. On 31 December 1998, it sold its Australian business to a consortium, which included the existing local management.
3. Australian Customs Service, Statement of Essential Facts, *Continuous Computer Paper from Indonesia*, SEF No. 27, 25 July 2000, paragraph 8.3.
4. Its Edward Dunlop business and Commonwealth Paper are valued at between \$70 and \$90 million and \$8 and \$9 million respectively.

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