

20 August 2014

Mr Geoff Gleeson
Director
Anti-Dumping Commission
1010 La Trobe Street
DOCKLANDS Victoria 3008

Email: Geoff.Gleeson@adcommission.gov.au

For Public File

Dear Mr Gleeson

Investigation No. 242 – Newsprint exported from France and Korea – Norske Skog Industries (Australia) Limited comments re Public File documents

Introduction

Norske Skog Industries (Australia) Limited (“Norske Skog”) provides the following comments concerning recent submissions placed on the Public file concerning injury to the Australian industry manufacturing newsprint. Norske Skog reserves the right to provide the Anti-Dumping Commission (“the Commission”) with further representations concerning the identified public file submissions as appropriate.

Relevant Considerations

Submissions on behalf of Bowater Korea¹ (“Bowater”), Jeonju Paper Corporation² (“Jeonju”), and Seven West Media³ (“SWM”) attribute material injury sustained by the Australian industry to declines in demand in newsprint in Australia, factors not associated with competition from imports, and a failure of Norske Skog’s business model. The interested parties would be aware that the issue for consideration by the Commission is whether the dumped imports have caused material injury to the Australian industry producing like goods. There may be injury from factors other than dumping that have impacted the Australian industry’s performance during the investigation period, however, the key consideration for the Commission is whether dumping has caused material injury.

Norske Skog’s application demonstrates that it has experienced injury during the investigation period and that the injury caused by the dumping is material.

It is Norske Skog’s view that many of the points raised in the submissions are simply not relevant to the Commission’s investigation and the time period covered by the investigation. It appears to Norske Skog that the submissions from the exporters/importers are using the public submission process to raise unrelated concerns about their inability to compete effectively with Norske Skog over the past decade both in Australia and other markets. Whether or not the parties have found it difficult to compete in Australia with the local industry cannot be used as a justification for dumping. In general there appears to be very little effort in the public submissions to defend the claim that newsprint has been supplied to Australian users at dumped prices.

¹ Submission dated 14 July 2014.

² Submission dated 3 July 2014.

³ Submission dated 3 July 2014.

Norske Skog (Australasia) Pty Ltd

Australian market

An issue raised repeatedly in the submissions is that any damage to Norske Skog in recent years is related to the effect of a declining newspaper market and not competition from dumped newsprint imports. Norske Skog has been very clear in its application to acknowledge that it is operating in a declining market and that the market decline has impacted Norske Skog's profit and profitability. Norske Skog has also claimed that in addition to the impact of the declining market it has been further damaged by imported newsprint sold at dumped prices. Norske Skog has in fact survived in the declining market by increasing exports, reducing costs and closing production capacity. Norske Skog's aim in seeking anti-dumping measures is only to ensure it is competing in a fairly-priced market. Over the longer-term, Norske Skog will continue to reduce costs and adjust production capacity and ensure it delivers value to its Australian customers. However where Norske Skog evidence's instances of dumping, it will seek relief from the injurious exports as appropriate.

The following are some of the further issues raised in the public submissions on which Norske Skog would like to provide a specific response.

1. Several submissions suggested that 42gsm newsprint produced by Norske Skog was not interchangeable with imported newsprint made from 100% recycled paper

- a. Norske Skog produces paper from either 100% virgin fibre or a combination of virgin and recycled paper. Norske Skog newsprint has been used successfully at every major newspaper publisher in Australia for decades. During this time many newspaper publishers have trialled other sources of paper including newsprint made from 100% recycled paper. While there have been occasional variances in performance, both positive and negative, to Norske Skog's knowledge its newsprint has never been considered unsuitable for use in any press room in Australia (or overseas).
- b. This issue was specifically raised by Jeonju⁴ and SWM⁵. It should be noted that Norske Skog was invited by [company] to participate in a newsprint tender in December 2013. Norske Skog submitted a tender response and was selected for a shortlist interview with the [company] team. At no time during the tender process or any of the meetings were any issues raised to suggest that Norske Skog's newsprint was not considered interchangeable with paper made from 100% recycled paper. Norske Skog was ultimately unsuccessful in this tender and was advised by [company] that the only issue was the final price.
- c. Norske Skog has had many discussions with [company] since losing share at this customer. In these discussions Norske Skog was continually advised that the only issue preventing [company] from buying newsprint from Norske Skog was that of price.

2. Lower cost of producing 100% recycled newsprint

- a. The assertion that importers of 100% recycled newsprint are able to sell at a lower base due to the lower cost of production is both irrelevant and untrue. Norske Skog's anti-dumping application suggests that imported newsprint from Korea and France

⁴ Jeonju submission of 3 July 2014, P. 9-10.

⁵ Seven West Media submission of 3 July 2014 identifying Western Australian Newspapers ("WAN") as business unit within SWM that consumes newsprint.



has been sold in Australia at prices below the equivalent domestic prices in Korea and France. Even if production costs were lower from these countries that in itself is not a justification for dumping. In any event Norske Skog's global knowledge and experience in newsprint manufacturing suggests that the decisions by newsprint producers to use recycled paper instead of virgin fibre are driven by the availability of a local forest industry which generates low cost fibre sources compared to the high cost of sourcing recycled fibre as well as the availability of low cost energy. As a result the lowest cost solution will vary from country to country and manufacturer to manufacturer.

- b. It should be noted that *[comments concerning Norske Skog's knowledge of recycled raw material costs in Korea]*. The cost of recovered paper can be quite variable but in recent years the delivered cost to Korea is has been between US\$170 and US\$200 per tonne. At this price the variable cost to manufacture newsprint in Korea is likely to be similar to that of Australia.

3. Barriers to competition in major markets due to "skate" delivery systems

- a. Norske Skog worked closely with it's major customers in the early 1990's to install a loading and unloading system that minimised the potential for roll damage while maximising loading and unloading efficiency. The final system selected is what has been referred to as the skate system and as such has been in place for approximately 20 years.
- b. Norske Skog does not own any skate compatible transport vehicles. The transport vehicles used for delivery of Norske Skog's newsprint to skate compatible press sites are all owned by a number of private transport companies. Any newsprint importer is able to access these private companies to transport their newsprint.
- c. Norske Skog has also for many years imported newsprint from New Zealand for use at skate compatible sites. To do this Norske Skog developed a low cost re-useable container insert that can be used to unload containers directly at customer sites.
- d. While overcoming the issue of delivering to skate compatible press sites may be a challenge it is not up to Norske Skog to suggest solutions to it's competitors and if they have been unable to develop a solution that does not mean an unfair barrier to entry exists.

4. Norske Skog injury relates to the decline in the Australian newsprint market

- a. Many of the public submissions suggest that any damage to Norske Skog's Australian business relates to the decline in the newsprint market in Australia over the last 5 years. It should be noted that Norske Skog's application relates only to damage in the period April 2013 to March 2014. During this period the Australian newsprint market did continue the declining trend of the previous 5 years, however, during the application period the presence of imported newsprint at dumped prices had the effect of reducing the price in the Australian market causing injury to Norske Skog in addition to that caused by the overall decline in Market size. The details of this are well covered in Norske Skog's application and the visit by the Commission to Norske Skog.
- b. Further, to the note above, it is clear to Norske Skog that there would have been an opportunity in earlier years than the current application where damage was clearly evident to our Australasian business results. However, Norske Skog's response to the declining market and reduced market share was to reduce imports from it's New Zealand operation. Reducing the NZ imports had the effect of making the Australian operations appear to avoid injury. In reality Norske Skog's combined Australian and New Zealand business has suffered injury resulting from dumped imported newsprint

into Australia for many years. Norske Skog has waited until there was clear evidence effecting only it's Australian manufacturing operations before proceeding with a formal application for measures.

5. Certain imports compete with Norske Skog in a limited way

- a. It is argued by Jeonju that it competes with the Australian industry in a limited manner as the "overwhelming majority" of its exports were to states other than New South Wales and Victoria. Norske Skog would highlight the loose interpretation of the words 'overwhelming majority' indicating that not all exports are limited to the states of Queensland and W.A., with some exports to the other states also.
- b. Additionally, the newsprint market is a transparent and price sensitive, with import prices the key driver for negotiations at all customers. Jeonju's claims that it competes with the Australian industry on a limited basis therefore cannot be sustained.

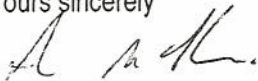
Closing remarks

Norske Skog rejects the assertions of the exporters/importers contained in submissions that injury experienced by the Australian industry has been due to the decline in demand for newsprint. Norske Skog highlights with the Commission that the impact of dumped exports in a contracting market is far more damaging to an industry than during a period of growth and expansion. As has been demonstrated, the investigation period coincides with a period of contraction in demand for newsprint and the impact of the dumped exports from France and Korea has had significant price impact during this period (impacting profit and profitability).

The claims of interested parties that injury to the Australian industry can be attributed to the decline in the newsprint market cannot be considered as the sole cause of injury to the Australian industry. Norske Skog has demonstrated to the Commission that it has suffered price injury due to dumped exports from France and Korea and that the injury is both material and substantial to Norske Skog.

If you have any questions concerning this request, please do not hesitate to contact me on (02) 8268 2037, or Norske Skog's consultant John O'Connor on (07) 3342 1921.

Yours sincerely



Andrew McKean
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