

## **Newsprint exported from France and Korea**

### **Jeonju Paper Corporation, Korea**

#### Introduction

Jeonju Paper Corporation (“Jeonju”) has paper production capacity at its Jeonju mill of 850,000 tonnes p.a. (newsprint and GWS paper) and 180,000 tonnes (newsprint) at its Cheongwon Mill. Jeonju sells approximately 40 per cent of its newsprint production domestically, with remaining sold on export markets. Jeonju’s Exporter Questionnaire Response (“EQR”) indicates that the company has exported newsprint to Australia manufactured at both sites.

Jeonju produces newsprint with more than 90 per cent recycled paper. The company is the largest newsprint manufacturer in Korea and it is claimed exports more than 500,000 tonnes per annum<sup>1</sup>.

#### Like Goods

According to the Jeonju website, the company manufactures 45gsm, 46gsm, and 48.8gsm newsprint. The goods exported to Australia by Jeonju are understood to be 45gsm newsprint. However, the APN importer visit report indicates that APN – a customer of Jeonju, purchases mainly 42gsm paper. It is further understood from industry publications that the predominant newsprint grade sold domestically in Korea is 46g newsprint.

#### Exports to Australia

For fair comparison purposes, an adjustment to Jeonju’s normal value will be required to allow for the differences in grammage in newsprint sold domestically and for export. This is evidenced by Jeonju’s EQR (at P.28) that refers to a comparison table for grades sold domestically and those sold for export. Norske Skog would highlight that adjustments to normal value can be made to account for gsm grade differences between domestic and export sales.

#### Normal values

Jeonju sells newsprint domestically to end-use customers (i.e. some of the 1000 newsprint publishers in Korea) and potentially via distributors. The Jeonju EQR has details of comments relating to claims for “level of trade” adjustments, however, it is likely to be asserted that a level of trade price differential exists.

Norske Skog urges the Commission to be satisfied that price differences can be evidenced between alleged sales at differing levels of trade on the domestic market in Korea, before any adjustment to normal value is permitted.

Jeonju’s EQR suggests that Jeonju is the exporter of the goods to Australia. The APN importer visit report indicates that there is an intermediary between Jeonju and the Australian importer. It is therefore likely that a sales commission is paid to the intermediary. The payment of any commission should be reflected in Jeonju’s normal value.

It is also noted in Jeonju’s EQR that comments have been redacted from Section E-2.9 concerning warranties. Norske Skog submits to the Commission that any warranties that are guaranteed by Jeonju would also apply equally for exported goods, hence no adjustment to Jeonju’s normal value is required.

---

<sup>1</sup> PPI Forest Bio-Insight, 12 May 2010.

### Jeonju – Cost to make and sell

The Jeonju verification visit will involve verifying the costs of newsprint manufactured at both the Jeonju mill and the Cheongwon mill. The Jeonju mill produces paper products in addition to newsprint, so there will be allocations made in respect of certain fixed expenses and overheads. The Commission is requested to assess the basis for allocation of the goods and fully understand whether it is appropriate to allocate on basis of production volumes or some alternate basis (a basis that may take account of differing production times between products).

The Jeonju mill operates 5 paper machines. Three machines are dedicated to newsprint production, with the fourth producing newsprint on a shared basis. Cost allocations for newsprint manufactured on this machine (JJ PM5) must be scrutinized for reasonableness.

Jeonju's corporate brochure comments upon various types of pulp used to meet customers' specifications. Additionally, reference is made to "various grades of thermo mechanical pulp (TMP and de-inked pulp (DIP))" using "different raw materials as well as processing through different manufacturing and bleaching processes". The complexity associated with differing processes and pulp will impact Jeonju's CTM&S newsprint. It is important that the Commission fully understand the newsprint manufacturing process to ensure all relevant costs are included in the CTM&S verification.

In 2010, Jeonju formally opened its US\$45 M Biomass cogeneration facility at the Jeonju mill. The Commission will evidence the new cogeneration mill in Jeonju's assets register, along with the relevant depreciation write-downs for the investigation period.