



**INVESTIGATION 242**

**NEWSPRINT**

**EXPORTED TO AUSTRALIA FROM  
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**VISIT REPORT - EXPORTER**

**JEONJU PAPER CORPORATION**

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WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

**December 2014**

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<b>2</b>	<b>ABBREVIATIONS</b>
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ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
CTM	Cost to make
CTMS	Cost to make & sell
DIP	De-inked pulp
EQR	Exporter questionnaire response
gsm	Grams per square metre
GUC	Goods under consideration
H <sub>2</sub> O <sub>2</sub>	Hydrogen Peroxide
Hanvit	Hanvit Green Environment Corporation
Investigation period	1 April 2013 to 31 March 2014
Jeonju Energy	Jeonju Energy Corporation
Jeonju Paper	Jeonju Paper Corporation
Korea	Republic of Korea
KRW	Korean Wan
NIP	Non-injurious Price
NSIA	Norske Skog Industries Australia Limited
ONP	Old newspaper
PAD	Preliminary Affirmative Determination
PM	Paper machine
SEF	Statement of Essential Facts
the Act	<i>Customs Act 1901</i>
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
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
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
T/T	Telegraphic Transfer

### 3 BACKGROUND AND PURPOSE

On 24 March 2014, Norske Skog Industries Australia Limited (NSIA) lodged an application for the publication of a dumping duty notice in respect of newsprint exported to Australia from France and the Republic of Korea (Korea). Newsprint is the type of paper used in the printing of newspapers and other publications such as advertising brochures and telephone directories. A detailed description of the newsprint subject to the investigation is at Section 5.

Following consideration of the application, the Commissioner of the Anti-Dumping Commission (the Commissioner) decided not to reject the application and the Anti-Dumping Commission (the Commission) initiated an investigation on 22 April 2014. Public notification of initiation of the investigation (public notice) was made in *The Australian* newspaper on that day.

Anti-Dumping Notice (ADN) No. 2014/34 provides further details of the investigation and is available on the Commission's website at [www.adcommission.gov.au](http://www.adcommission.gov.au).

In respect of the investigation:

- the investigation period for the purpose of assessing dumping is 1 April 2013 to 31 March 2014; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from 1 April 2010.

#### 3.1 Background to meeting

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that Jeonju Paper Corporation (Jeonju Paper) exported newsprint from Korea to Australia in the period 1 April 2013 to 31 March 2014 (the investigation period).

The Commission notified Jeonju Paper of the initiation of the investigation. The Commission sought cooperation with the investigation and provided an exporter questionnaire for the company to complete. Jeonju Paper completed the exporter questionnaire and the non-confidential version of the exporter questionnaire response (EQR) is available on the public record.

#### 3.2 Purpose of visit

The purpose of the visit was to verify information contained in the EQR submitted by Jeonju Paper.

Jeonju Paper's EQR consisted of background information on its activities, export sales data to Australia and other countries, domestic sales data, and cost to make and sell data. The EQR was supported by various appendices and attachments.

Information verified during the visit has been used to make preliminary assessments regarding:

- like goods;

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- who is the exporter and who is the importer;
- export prices and normal values of newsprint manufactured by Jeonju; and
- dumping margins.

### 3.3 Meeting details

Company	Jeonju Paper Corporation
Address	6 <sup>th</sup> Floor, KCCI Building 39 Sejong-daero Jung-gu Seoul 100-743 Republic of Korea
Dates of visit	30 September – 2 October and 6 October 2014

The following were present at various stages of the meetings.

<b>Jeonju Paper Corporation Representatives</b>	
Mr Sang-Jun (SJ) Park	Director Head of Export Sales
Mr Young Lee	Team Manager Export Sales Team
Mr Han-Gu Lee	Team Manager Newsprint Sales Team
Ms Jacqueline Jang	Senior Manager Export Sales
<b>Bong-Yong International Pty Ltd Representatives</b>	
Mr Bongoh Yu	Managing Director
Mr Henry Yu	Director
<b>The International Trade Consulting Consultants</b>	
Mr CW (Chaewon) Jung	CPA / Director , FTA – Origin Advisor
Ms Jiyeon Lim	KICPA / Analyst
<b>Moulis Legal Consultants</b>	
Mr Daniel Moulis	Principal
Mr Charles Zhan	Lawyer
<b>Anti-Dumping Commission</b>	
Mr Carl Halpin	Senior Investigator, Operations 3
Ms Thalia Brazdil	Senior Investigator, Operations 1

### **3.4 SEF and due dates**

The public notice released upon initiation of the investigation advised that the Statement of Essential Facts (SEF) for the investigation would be placed on the public record by 11 August 2014. However, the Commissioner requested that the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary)<sup>1</sup> extend the prescribed 110 days for publication of the SEF, as the timeframe proved to be insufficient.<sup>2</sup>

On 8 August 2014 the Parliamentary Secretary granted an extension of 80 days to the date for the publication of the SEF. That extension required the SEF to be published by 29 October 2014, and the final report and recommendations to be provided to the Parliamentary Secretary by 13 December 2014.

On 22 October 2014, the Parliamentary Secretary approved the Commission's request to further extend the publication date of the SEF by 50 days. The SEF is now due on 18 December 2014.

### **3.5 Investigation process and timeframes**

At the visit, we provided Jeonju Paper a summary of the investigation process and timeframes whilst referring to ADN 2014/34.

Key points are as follows:

- The investigation period is from 1 April 2013 to 31 March 2014.
- For the purpose of the Commission analysing the condition of the Australian industry, the injury analysis period is from 1 April 2010.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (21 June 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The SEF for the investigation is due to be placed on the public record by 18 December 2014, or such later date as the Parliamentary Secretary allows under section 269ZH1.

The SEF will set out the material findings of fact on which the Commissioner intends to base his recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

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<sup>1</sup> In December 2013, the Minister for Industry (the Minister) delegated responsibility for decision making on operational matters under Parts XVB and XVC of the *Customs Act 1901* and other anti-dumping legislation to the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary).

<sup>2</sup> The extensions of time granted to issue the SEF are detailed in ADN 2014/67 and ADN 2014/109.

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- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide its final report and recommendations to the Parliamentary Secretary.

This final report is due no later than 1 February 2015, unless an extension to the SEF or that final report is approved by the Parliamentary Secretary.

### **3.6 Visit report**

We informed Jeonju Paper that following the verification visit, we would prepare a report of our visit (this report). A draft of the report would then be provided to Jeonju Paper so as to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

### **3.7 Cooperation**

Jeonju Paper was well prepared and co-operative during the verification visit, and supplied documentation as requested.



## **4 COMPANY INFORMATION**

### **4.1 Company background**

Jeonju Paper is a limited liability public company incorporated in Korea and is owned by two private investment funds, MSPE Tattoo Holdings AB and SHPE Holdings One LLC. Established in 1965 and originally named Saehan Paper, Jeonju Paper is a major paper producer in Asia.

Jeonju Paper manufactures, distributes and sells standard, improved and coloured newsprint and other paper products, including print and writing products.

The newsprint products are manufactured at two sites in Korea:

- Jeonju Mill; and
- Cheongwon Mill.

For further information on the products produced and Jeonju Paper's manufacturing facilities, see section 5.2.

Jeonju Paper sells its paper products to customers in Korea, Australia and to several other countries.

In addition to paper products, Jeonju Paper produces electricity and sells the excess supply.

### **4.2 Related Parties**

#### **4.2.1 Suppliers**

Jeonju Paper purchases all of its solid fuel as a biomass raw material to convert to electricity from its two wholly owned subsidiaries, Jeonju Energy Corporation (Jeonju Energy) and Hanvit Green Environment Corporation (Hanvit). This is further discussed in Section 8.5.1.

Jeonju Paper advised that it is not related to any other suppliers.

We found no evidence of any relationship other than with the two subsidiaries and a commercial buyer/seller relationship between Jeonju Paper and any of its suppliers.

#### **4.2.2 Customers**

Jeonju Paper advised that it has no relationship with any of its domestic, third country or Australian customers.

In respect of domestic sales and sales to Australian customers, we found no evidence of any relationship other than a commercial buyer/seller relationship between Jeonju Paper and any of its customers.

Details of these sales transactions are in Chapters 7 and 9 of this report.

### **4.3 Accounting structure and details of accounting system**

Jeonju Paper's financial year is the calendar year, 1 January to 31 December.

Jeonju Paper explained that its accounts are maintained with one company-wide profit centre and three major cost centres:

- Jeonju Mill;
- Cheongwon Mill; and
- SG&A.

In Jeonju Paper's EQR, the following documents were provided:

- a diagram of its cost calculation system (**Confidential Attachment GEN 1**);
- a copy of its internal management report for the first quarter of 2014, being the 2014Q1 Balance Sheet and 2014Q1 Income statement;
- Jeonju Paper's audited unconsolidated financial statements for the financial years:
  - 2012; and
  - 2013.

Jeonju Paper explained that it maintains one set of audited accounts which is prepared according to Korean Generally Accepted Accounting Principles. Jeonju Paper uses a single, customised accounting information system sourced from **[CONFIDENTIAL TEXT DELETED – accounting system]**.

We examined these audited statements and observed these to be kept in accordance with the relevant accounting standards and principles applicable to each period.

## 5 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

### 5.1 The goods

The goods under consideration (the goods) are:

*newsprint in roll or sheet form having a weight within the range 40 grams per square metre (gsm) to 46 gsm (inclusive) and brightness below a measure of 70 ISO.*

#### Additional product information

The application states that newsprint is classified to:

- tariff subheading 4801.00.20 with statistical code 02;
- tariff subheading 4801.00.31 with statistical code 04; and
- tariff subheading 4801.00.39 with statistical code 19.

Goods classified to tariff subheading 4801.00.31, statistical code 04, must have the following characteristics:

- weigh more than 57 gsm; or
- have ash content by weight of more than 8%.

The applicant advised that it is aware that some of the imported newsprint from Korea has ash content more than 8%.

The ACBPS has provided tariff advice that in order for the goods to be correctly classified to the above tariff subheadings they also must comply with the requirements of Notes 3, 4 and 8 of the tariff Chapter 48.

The general rate of duty applied to goods exported from France and Korea are:

- goods classified under 4801.00.20 and 4801.00.31, a duty rate of 5% applies; and
- goods classified under 4801.00.39, statistical code 19, goods are duty free.

#### 5.1.1 Tariff classification

There are no Tariff Concession Orders in place for the nominated goods.

#### 5.1.2 By-Laws

In its application, the applicant states that there are a number of Policy By-Laws applicable to paper that may be used by newspaper end-users. The by-laws have been operational since the reductions in tariffs from the late 1980s. At that time, the Australian production of newsprint was supplemented with imported newsprint.

The applicant has indicated that it considers that imported newsprint would likely qualify for concessional entry under Customs By-law No. 1303878. The by-law states that:

- *the by-law shall take effect on and from 1 March 2013;*

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- *for the purposes of item 48 of Schedule 4 of the Customs Tariff Act 1995, paper classified under headings 4801 or 4802 of Schedule 3 of the Customs Tariff Act 1995, is prescribed; and*
- *the application of item 48 to the goods in paragraph 3 is subject to the condition that the paper is for use in the production of newspapers, periodicals, posters and other printed matter of a kind that, if imported, would be classified within Chapter 49 in Schedule 3 to the Customs Tariff Act 1995, under security.*

In addition to the conditions specified in paragraph 4 of By-law No. 1303878, condition 5 requires that the paper must:

- (a) contain more than 55% mechanical pulp and weigh less than 34 gsm;
- (b) contain more than 55% mechanical pulp, weigh less than 48 gsm but more than 40 gsm and have a water absorbency when tested by the one min Cobb method of not less than 45 gsm;
- (c) contain more than 25% mechanical pulp, contain no bleached chemical pulp and have a weight not exceeding 205 gsm; or
- (d) contain not less than 70% mechanical pulp; have a weight not exceeding 205 gsm and a water absorbency when tested by the one min Cobb method of not less than 45 gsm.

The applicant advised that in its opinion imported newsprint the subject of the application could fall under any of criteria (b) to (d) of the above.

## 5.2 Jeonju Paper's product range and manufacturing facilities

### 5.2.1 Product range

During the investigation period, Jeonju Paper produced a range of paper products.

These paper products can be broadly categorised as follows:

- newsprint;
- printing and writing papers; and
- electricity.

Newsprint was sold domestically and to numerous export countries, whilst print and writing papers and electricity was only sold on Jeonju Paper's domestic market.

Jeonju Paper manufactured these products across its two Korean facilities, Jeonju Mill and Cheongwon Mill, with the use of its **[CONFIDENTIAL TEXT DELETED – number]** paper making machines (PM):

- **[CONFIDENTIAL TEXT DELETED – details of paper making facilities].**

The paper products are manufactured from the following raw material inputs

- Recycled paper products (ONP);
- Wood chips; and

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- Sub Materials – Hydrogen Peroxide (H<sub>2</sub>O<sub>2</sub>)

Which is then turned into:

- de-inked pulp (DIP), being from the fibre contained in the ONP; and
- thermal mechanical pulp, being made from the new fibre contained in the wood chips.

The electricity is **[CONFIDENTIAL TEXT DELETED – production process of non-GUC by Jeonju’s affiliated company]**.

In addition to the above finished product sales, Jeonju Paper made small volumes of sales of scrap paper, **[CONFIDENTIAL TEXT DELETED – details of commercial information]**.

In its EQR, Jeonju Paper supplied a company brochure listing the features of all of the paper products within the company’s product range (**Confidential Attachment GEN 2**).

The product range made on each of these paper machines is outlined in Table 1 (using Jeonju Paper’s product classifications).

Mill	Jeonju Mill	Cheongwon Mill
Paper Machines	<b>[CONFIDENTIAL TEXT DELETED – sales and production details]</b>	
Product		

Table 1: Summary of Jeonju Paper’s newsprint production

**[CONFIDENTIAL TEXT DELETED – details of production arrangements]**.

As described in section 5.1 of this report, the goods under consideration are certain types of newsprint between 40 and 46 gsm, with brightness below 70 ISO.

We note that during the investigation, the Australian industry suggested that the goods under consideration description should exclude all coloured newsprint by virtue of the inclusion of the 70 ISO requirement in the goods description. However, this claim was not supported by the information collected on the visit to Jeonju Paper.

The goods subject to the investigation is a sub-set of the above range of products manufactured at the Jeonju Mill and Cheongwon Mill, and is produced **[CONFIDENTIAL TEXT DELETED – number]**PMs. Specifically, we consider that Jeonju Paper’s range of ‘newsprint’, as defined by the goods description to be:

- ‘standard newsprint’ manufactured up to 46gsm; and
- ‘coloured newsprint’ manufactured up to 46gsm and up to 70 ISO brightness.

### 5.2.2 Production process

During the verification meetings, Jeonju Paper explained the production process as well as provided a diagram depicting these processes (**Confidential Attachment GEN 3**).

This production process (from raw material to finished newsprint) is summarised as follows:

**[CONFIDENTIAL TEXT DELETED – details of production process]**

Jeonju Paper explained that its newsprint products can be used for both heatset and coldset printing. **[CONFIDENTIAL TEXT DELETED – comparison between Jeonju’s newsprint product and other non-GUC products]**

Jeonju Paper explained that there are no differences between Australian and Korean standards. Rather, there are International Guidelines for newsprint and any difference between the products is dependent on the customer’s specifications on grade and colour.

**[CONFIDENTIAL TEXT DELETED – customer requirement and production arrangement].**

The opportunities for price difference was summarised by Jeonju Paper as follows:

- **[CONFIDENTIAL TEXT DELETED – commercial information].**

### 5.2.3 Model comparability

Jeonju Paper submitted that newsprint sold on the domestic, third country and Australian markets that match in **[CONFIDENTIAL TEXT DELETED – product comparison]**.

### 5.2.4 Sales volume

In the investigation period, Jeonju Paper sold **[CONFIDENTIAL TEXT DELETED – number]** tonnes of newsprint that meets the goods description.

### 5.2.5 Goods exported to Australia

In the investigation period, Jeonju Paper sold **[CONFIDENTIAL TEXT DELETED – number]** tonnes of newsprint that meets the goods description.

## 5.3 Like goods – preliminary assessment

We consider that newsprint produced by Jeonju Paper for domestic sales have characteristics closely resembling those of the goods under consideration and are therefore ‘like’ goods in accordance with subsection 269T(1).

## 6 DOMESTIC AND EXPORT SALES – GENERAL MATTERS

### 6.1 Data provided

#### 6.1.1 Australian sales

In its EQR, Jeonju Paper provided an *Australian sales* spreadsheet, listing sales data of all exports of newsprint to Australia during the investigation period (generated on invoice date) (**Confidential Attachment SALES 1**).

This data included details as to the:

- customer name;
- level of trade;
- model details (product, gsm);
- Jeonju Paper's product code;
- invoice number, date and invoice price in **[CONFIDENTIAL TEXT DELETED – currency]**;
- date of sale and order number;
- shipping and payment terms;
- actual weight (in tonnes);
- exchange rates and the converted net invoice price in South Korean Won (KRW) based on **[CONFIDENTIAL TEXT DELETED – commercial arrangement]** (see Section 7.2.5);
- ocean freight, marine insurance and destination terminal handling costs;
- packing costs;
- inland freight, handling and other costs; and
- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]** and credit expenses.

Verification of this sales data is discussed in Chapter 7 of this report.

#### 6.1.2 Domestic sales

In its EQR, Jeonju Paper provided a *Domestic sales* spreadsheet, which listed all domestic sales of Jeonju Paper invoiced during the investigation period.

This data included details as to the:

- customer name;
- level of trade;
- model details (product, gsm);
- Jeonju Paper's product code;

- invoice number, date and gross invoice value in KRW;
- date of sale and order number;
- delivery and payment terms;
- actual weight (in tonnes);
- net invoiced value in KRW;
- packing costs;
- inland transport;
- warranty expenses; and
- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**, credit and inventory carrying expenses.

Verification of this sales data is discussed in Chapter 9 of this report.

### 6.1.3 Third country sales

In its EQR, Jeonju Paper also provided aggregate (by country) volume and value data for sales to other export (third) countries.

## 6.2 Product coding system

Within its Australian and domestic sales listings, Jeonju Paper provided a product code for each line of its sales data.

Jeonju Paper explained that, in preparing its EQR, it had **[CONFIDENTIAL TEXT DELETED – reporting method]**. It is these characteristics that Jeonju Paper consider to define the quality of its product. The following table summarises the reported product code by **[CONFIDENTIAL TEXT DELETED – reporting method]**

Table 2: Jeonju Paper's newsprint product codes

### 6.3 Jeonju Paper's sales data – inclusions and exclusions

As discussed in Section 5.2.1, Jeonju Paper's range of paper products includes:

- newsprint with grammage and brightness too high to be considered the goods; and
- print and writing papers (not the goods – excluded in the goods description).

Accordingly, these above-mentioned products do not appear in the domestic and Australian sales listings and therefore, these sales do not affect export price analysis or normal values based on domestic sales.

We examined the product details in the Australian and domestic sales listings (which have been verified for their accuracy – see Sections 7.4 and 9.5). Therefore, we are



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satisfied that no sales were of newsprint with a grammage and brightness too large, and print and writing papers have been considered 'the goods'.

## 7 EXPORT SALES TO AUSTRALIA

The *Australian Sales* spreadsheet (see section 6.1.1) forms **Confidential Attachment SALES 1**).

### 7.1 Sales to Australia

#### 7.1.1 Goods exported

During the investigation period Jeonju Paper exported **[CONFIDENTIAL TEXT DELETED – number]** tonnes of standard or coloured newsprint to Australia that was either **[CONFIDENTIAL TEXT DELETED – sales information]** gsm, with an ISO brightness of **[CONFIDENTIAL TEXT DELETED – sales information]**.

Jeonju Paper explained that the Australian newsprint was produced on **[CONFIDENTIAL TEXT DELETED – number]** of its PMs which, we verified as part of our verification of Jeonju Paper's export sales data as discussed further in this section.

### 7.2 Export sales process

There are **[CONFIDENTIAL TEXT DELETED – number]** customers in Australia that purchased newsprint manufactured by Jeonju Paper during the investigation period. **[CONFIDENTIAL TEXT DELETED – customer details]**

These customers **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**, which is discussed further in this section.

Jeonju Paper provided the table on the following page as a summary of its sales process with its Australian customers.

**[CONFIDENTIAL TEXT DELETED – commercial terms]**

Table 3 – Jeonju Paper’s summary of its Australian sales process

### 7.2.1 Role of sales agent

Jeonju Paper advised that **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**.

**[CONFIDENTIAL TEXT DELETED – commercial arrangement]** (Confidential Attachment SALES 2). This is further discussed in Section 7.4.13.

### 7.2.2 Sales process

The following is a summary of the Australian sales process that was described by Jeonju paper:

- **[CONFIDENTIAL TEXT DELETED – details of sales process]**

### 7.2.3 Level of trade

In Jeonju Paper’s EQR, Jeonju Paper identified that of its **[CONFIDENTIAL TEXT DELETED – number]** Australian customers, **[CONFIDENTIAL TEXT DELETED – customer details]**.

### 7.2.4 Delivery terms and payment terms

During the investigation period, the goods were either sold to the Australian customers at **[CONFIDENTIAL TEXT DELETED – trading term]** terms or **[CONFIDENTIAL TEXT DELETED – trading term]** terms. The **[CONFIDENTIAL TEXT DELETED – trading term details]**.

Payment terms apply from the **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**

Export charges, shipping and marine insurance of the goods is arranged by Jeonju Paper.

As outlined earlier, the goods destined for Australia are containerised at the factory by **[CONFIDENTIAL TEXT DELETED – freight company]** and then moved to the port via road transport for shipment to Australian ports. For **[CONFIDENTIAL TEXT DELETED – trading term]** transactions, Jeonju Paper engages a third-party **[CONFIDENTIAL TEXT DELETED – logistics arrangement]**.

### 7.2.5 Date of exchange

Jeonju Paper’s *Australian Sales* worksheet listed the **[CONFIDENTIAL TEXT DELETED – currency]** price of the invoice newsprint to **[CONFIDENTIAL TEXT DELETED – customer]** and the **[CONFIDENTIAL TEXT DELETED – currency]** price for the invoiced newsprint to the other **[CONFIDENTIAL TEXT DELETED – number]** Australian

customers. Jeonju Paper then converted these amounts to KRW [CONFIDENTIAL TEXT DELETED – commercial arrangement] (Confidential Attachment SALES 3).

Jeonju Paper explained that most of its sales are to overseas markets and [CONFIDENTIAL TEXT DELETED – commercial arrangement].

We were able to verify that the invoice value conversion to KRW was calculated by using [CONFIDENTIAL TEXT DELETED – details of currency conversion].

We consider this approach to be reasonable and have adopted the Jeonju Paper's approach to the exchange rate in converting Australian export prices to KRW equivalents for the purposes of section 269TAF.

### **7.3 Verification to audited financial statements - export sales and domestic sales**

*Note: for the purposes of this report, the 'upwards' verification of export and domestic sales is discussed collectively in this section. Separate discussion of domestic sales generally and the verification of those sales to source documents is found in Chapter 9 of this report.*

Jeonju Paper prepared a comprehensive sales reconciliation package to demonstrate how the detailed export and domestic sales listings can be traced to the company's audited income statements. Using this package, we were able to reconcile Jeonju Paper's Australian and domestic sales listings to the company's audited accounts.

We were satisfied that the data presented in the Australian and domestic sales listings was accurate having verified sales data to source documents, as explained in sections 7 and 9. We then sought to verify that the sales data was complete and included all relevant data by verifying from the various ledgers to the income statement and then to the audited unconsolidated statements.

### **7.4 Verification of export sales to source documents**

In its EQR, Jeonju Paper provided source documentation to verify two Australian sales that were captured within the *Australian Sales* listing.

Prior to the verification visit, we selected a further twelve sales from the *Australian Sales* listing. At the verification visit, Jeonju Paper provided comprehensive document packages to verify each of these selected sales.

These packages included the following documents:

- where applicable, the sales contract;
- Purchase order from the customer to Jeonju Paper;
- Sales order from Jeonju Paper to the customer;
- Commercial invoice and packing list from Jeonju Paper to the customer;
- bill of lading
- packing list;

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- Jeonju Paper's internal record system of monthly total destination cost with a breakdown of each individual transaction;
- extract of marine insurance contract;
- shipping company invoices that include ocean freight, inland transport and export handling charges;
- **[CONFIDENTIAL TEXT DELETED – trading term based document]** proof of payment from customer to Jeonju Paper as well as the relevant **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**; and
- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**.

These documents form **Confidential Attachment SALES 4**.

### 7.4.1 Invoice and sales details

We were able to match the sales information in the source documents to the data contained in the detailed *Australian sales* spreadsheet for all invoices, including sales volumes and values. This included weight, value, invoice date and number, goods characteristic (model, gsm and product code), customer details, order number, and shipping and payment terms.

We observed that the evidence of payment demonstrated that Jeonju Paper received the full invoiced amount.

### 7.4.2 Product code

Having verified the product characteristic details in the sales listing to source documents, we checked the accuracy of Jeonju Paper's reported product codes.

We are satisfied that the product codes recorded in the Australian sales listing accurately reflect the product code categories established by Jeonju Paper.

### 7.4.3 Weight

We checked the volume of newsprint sold to Australian customers as listed in the spreadsheet and found that it matched the respective amounts in the source documents.

We checked the total volume of newsprint sold to Australian customers in the investigation period against a sales reconciliation report from Jeonju Paper's sales system data and found the amounts matched.

### 7.4.4 Payment terms

We checked the payment terms of newsprint sold to Australian customers as listed in the spreadsheet and found that they matched the respective terms in the source documents. We confirmed that the invoice date matched the **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**. We confirmed that customers met the payment terms by paying invoices in full by the due date.

#### **7.4.5 Inland transportation**

Jeonju Paper explained that it records the actual inland transport applicable to each sale of goods to Australia, line-by-line, in accordance with the inland freight invoiced amounts (provided as part of the export sales invoice verification package – **Confidential Attachment SALES 4**).

Jeonju Paper supplied internal records of this, which we were able to verify precisely to the Australian sales listing.

#### **7.4.6 Currency**

We confirmed that all invoices for sales made to **[CONFIDENTIAL TEXT DELETED – customers]** in Australia were made in **[CONFIDENTIAL TEXT DELETED – currency]** and that sales made to **[CONFIDENTIAL TEXT DELETED – customer]** were made in **[CONFIDENTIAL TEXT DELETED – currency]**. This information was correctly listed in the spreadsheet and matched the respective terms in the source documents.

#### **7.4.7 Ocean freight**

We checked the amounts of ocean freight for newsprint sold to Australian customers as listed in the spreadsheet and found that they matched the respective amounts in the source documents.

#### **7.4.8 Packing**

Sales of the goods to Australia are packed at the factory location by **[CONFIDENTIAL TEXT DELETED – packing method]**.

We were informed that **[CONFIDENTIAL TEXT DELETED – details of packing costs]**. We found that the cost of packaging per tonne of newsprint was accurate for both domestic and Australian sales.

#### **7.4.9 Destination Inland transportation**

We checked the amounts of inland transport for newsprint sold to Australian customers as listed in the spreadsheet and found that they matched the respective amounts in the source documents.

#### **7.4.10 Destination terminal handling charges**

We checked the amounts of **[CONFIDENTIAL TEXT DELETED – trading term related logistics costs]** for newsprint sold to Australian customers as listed in the spreadsheet and found that they matched the respective amounts in the source documents.

#### **7.4.11 Marine insurance**

We confirmed that Jeonju Paper has **[CONFIDENTIAL TEXT DELETED – commercial arrangement]** for marine insurance. We checked the amounts of marine insurance for newsprint sold to Australian customers as listed in the spreadsheet and found that Jeonju Paper had accounted for **[CONFIDENTIAL TEXT DELETED – number]**% allocated to

the invoice value. This reflected the actual marine insurance costs incurred by Jeonju Paper which we considered reasonable.

#### **7.4.12 Handling and other costs**

Jeonju Paper explained that its export handling and other costs are comprised of:

- **[CONFIDENTIAL TEXT DELETED – details of handling charges].**

We checked the amounts of handling and other costs for newsprint sold to Australian customers as listed in the spreadsheet and found that they matched the respective amounts in the source documents.

#### **7.4.13 Commission**

We checked the amounts of **[CONFIDENTIAL TEXT DELETED – commercial arrangement]** paid for newsprint sold to Australian customers as listed in the spreadsheet and found that they matched the respective amounts in **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**.

#### **7.4.14 Credit expense**

Jeonju Paper explained that its calculation of the credit period is comprised of the payment date less the invoiced date which is then applied to a short-term interest rate of **[CONFIDENTIAL TEXT DELETED – number]** per cent. This amount was then applied to the net invoice amount and adjusted for the number of days in the year. This reflected the credit expense incurred by Jeonju Paper which we considered reasonable.

#### **7.4.15 Conclusion**

Following verification to source documents, we are satisfied with the accuracy of Jeonju Paper's *Australian Sales* spreadsheet.

### **7.5 The exporter**

The Commission will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

Where there is no principal in the country of export the Commission will normally consider the exporter to be the person who gave up responsibility for the good as described above.

We consider Jeonju Paper to be the exporter of the goods to Australia from Korea.

Jeonju Paper:

- is the contracting party in the sales contract for the goods;

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- is the manufacturer of the goods;
- is listed as the supplier on the bill of lading;
- invoiced the customer for the goods;
- arranged and paid the inland freight and export handling fees;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia;
- sent the goods for export to Australia and was aware of the identity of the Australian end customer of the goods; and
- received payment for the goods from the Australian customer.

### 7.6 The importer

During the investigation period, Jeonju Paper manufactured newsprint for **[CONFIDENTIAL TEXT DELETED – number]** customers in Australia; **[CONFIDENTIAL TEXT DELETED – customers]**.

In documents provided by Jeonju Paper in relation to **[CONFIDENTIAL TEXT DELETED – customer]**, each:

- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**;
- is named as the customer on Jeonju Paper's sales order;
- is listed as the customer on both the customs exit export permit and customs entry;
- is named as the consignee on the bill of lading;
- is named on the invoice for **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**;
- is named on Jeonju Paper's Packing List as the consignee;
- purchases the goods on a **[CONFIDENTIAL TEXT DELETED – trading term]** basis;
- is invoiced by Jeonju Paper for the goods;
- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**; and
- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**.

Consequently, we consider **[CONFIDENTIAL TEXT DELETED – customer]** to be the beneficial owner of the goods at the time of importation, and therefore the importer.

In documents provided by Jeonju Paper in relation to **[CONFIDENTIAL TEXT DELETED – customers]**, each:

- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**;
- is named as the customer on Jeonju Paper's sales order;
- is listed as the customer on both the customs exit export permit and customs entry;
- is named as the consignee on the bill of lading;

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- is named on the invoice for **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**;
- is named on Jeonju Paper's Packing List as the consignee;
- purchases the goods on a **[CONFIDENTIAL TEXT DELETED – trading term]** basis;
- is invoiced by Jeonju Paper for the goods; and
- pays Jeonju Paper directly for the goods on **[CONFIDENTIAL TEXT DELETED – number]** day terms.

We consider **[CONFIDENTIAL TEXT DELETED – customers]** to be the beneficial owner of the goods at the time of importation, and therefore the importer as:

- **[CONFIDENTIAL TEXT DELETED – customers]** negotiate its pricing and buying terms with Jeonju Paper;
- **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**;
- an invoice is raised by the overseas supplier; on which **[CONFIDENTIAL TEXT DELETED – customers]** are named as the customer;
- the overseas supplier appears as the shipper on the bill of lading and **[CONFIDENTIAL TEXT DELETED – customers]** appear as the consignee; and
- **[CONFIDENTIAL TEXT DELETED – customers]** pay the overseas supplier directly.

### 7.7 Arm's length

In respect of exports sales to Australia during the investigation period, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

We therefore consider that all export sales to Australia of newsprint by Jeonju Paper during the investigation period were arm's length transactions.

### 7.8 Export price – preliminary assessment

We consider that the goods

- have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arm's length transactions.

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We recommend that the export price be determined under subsection 269TAB(1)(a); the price paid by the importer less transport and other costs arising after exportation.

## 8 COST TO MAKE & SELL

### 8.1 Verification of Production Costs to Source Documents

We sought to verify the cost to make and sell (CTMS) data that was submitted by Jeonju Paper as part of its EQR (**Confidential Appendix CTMS 1**) to source documents to verify its accuracy. At the start of verification, Jeonju Paper explained the methodology it had developed for transferring their cost records into the CTMS formats requested by the Commission.

We advised Jeonju paper that we would verify the following cost elements downwards to source documents to confirm the accuracy of the data presented in the CTMS data:

- Production Volumes
- Raw Material Costs
  - ONP
  - Wood Chip
  - H<sub>2</sub>O<sub>2</sub>
- Direct Labour
- Manufacturing Overheads
- Other Costs
  - Electricity
  - Depreciation
  - Packaging

During verification, we sought to verify each cost element downwards to source documentation and upwards to audited financial accounts to ensure that the data that Jeonju Paper provided in its CTMS data was accurate, relevant and complete.

### 8.2 Production volume

The EQR provided included production volumes for each line of the CTMS data. We selected December 2013 for downwards verification of production volumes and traced the total production quantity for **[CONFIDENTIAL TEXT DELETED – product code]** from the CTMS data to daily production records.

We reconciled the total production volume for **[CONFIDENTIAL TEXT DELETED – product code]** to the total production of that model listed in the monthly production report. This report provided a breakdown of production of **[CONFIDENTIAL TEXT DELETED – product code]** across various production lines, which was reconciled to daily production summaries for each of the selected production lines. These documents are located at **Confidential Attachment PROD 1**.

A secondary verification package of information was also provided that reconciled the production volumes for model **[CONFIDENTIAL TEXT DELETED – product code]**. We were able to trace the production volumes from the CTMS spreadsheet to the monthly **Newsprint – Exporter Visit Report – Jeonju Paper Corporation**

production records for this model using the same methodology that was followed for **[CONFIDENTIAL TEXT DELETED – product code]**. We did not require Jeonju Paper to provide daily production reports for this model as we were satisfied that the monthly production reports were sufficiently accurate.

We are satisfied that the production volumes in the CTMS are accurate.

### **8.3 Raw materials**

Jeonju Paper advised that the main raw material inputs to its newsprint production were ONP, wood chip and various other sub materials, with ONP representing approximately **[CONFIDENTIAL TEXT DELETED – number]**% of the total raw materials costs. We selected to verify ONP and wood chip costs downwards to source documentation.

#### **8.3.1 ONP costs**

As outlined in the production process, Jeonju Paper advised that the largest raw material input was recycled paper products, referred to as ONP. As the largest raw material cost element we reconciled this cost element to source documentation to verify the accuracy of this cost element.

#### **8.3.2 Cost verification methodology**

We were able to trace the ONP cost element from the CTMS spreadsheet downwards to source documents. We traced the total ONP cost for **[CONFIDENTIAL TEXT DELETED – product code]** in December 2013 from the CTMS Spreadsheet to the total ONP material costs on CTM by Mill, PM Line and Internal Production Code Table (**Confidential Attachment CTMS 2**).

The total ONP material costs shown at confidential attachment CTMS 2 is the sum of the **[CONFIDENTIAL TEXT DELETED – number]** lines at Jeonju Mill and **[CONFIDENTIAL TEXT DELETED – number]** lines at Cheongwon Mill. We selected Jeonju Mill Line PM#**[CONFIDENTIAL TEXT DELETED – number]** for downwards verification as it represented **[CONFIDENTIAL TEXT DELETED – number]**% of **[CONFIDENTIAL TEXT DELETED – product code]** production in that month.

The total ONP cost for PM#**[CONFIDENTIAL TEXT DELETED – number]** was traced to the December 2013 / **[CONFIDENTIAL TEXT DELETED – product code]**/ PM#**[CONFIDENTIAL TEXT DELETED – number]** Cost allocation table which forms **Confidential Attachment 3**. This identifies **[CONFIDENTIAL TEXT DELETED – number]** ONP subcategories, the total of which reconcile to the amount shown in Confidential Attachment CTMS 2. Jeonju Paper explained that these categories represent different types and suppliers of recycled paper.

We selected ONP subcategory **[CONFIDENTIAL TEXT DELETED – raw material]** for downwards verification as it is the largest single item, representing **[CONFIDENTIAL TEXT DELETED – number]**% of the total ONP production. Jeonju Paper advised that **[CONFIDENTIAL TEXT DELETED – raw material]** translated to **[CONFIDENTIAL TEXT DELETED – raw material]**. We identified the total cost and the total usage quantity in production for **[CONFIDENTIAL TEXT DELETED – raw material]**.

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The total [CONFIDENTIAL TEXT DELETED – raw material] cost and production usage quantity were each traced to the Raw Material / Sub Material reconciliation spreadsheet as the total [CONFIDENTIAL TEXT DELETED – raw material] production usage value and quantity (Confidential Attachments CTMS 4, 6 and 7). Jeonju Paper explained that different types of pulp are produced from different mixes of paper and chemicals resulting in different pulp types. This spreadsheet allocates the usage of pulp according to the mixing ratio for that product, with [CONFIDENTIAL TEXT DELETED – raw material] used for [CONFIDENTIAL TEXT DELETED – raw material] pulp production.

The mixing ratio for [CONFIDENTIAL TEXT DELETED – product code] newsprint was established with reference to the mixing ratio spreadsheet (Confidential Attachment CTMS 5) which divides the usage of [CONFIDENTIAL TEXT DELETED – raw material] for [CONFIDENTIAL TEXT DELETED – product code] newsprint by the total [CONFIDENTIAL TEXT DELETED – raw material] usage for line PM#[CONFIDENTIAL TEXT DELETED – number].

The usage quantity of [CONFIDENTIAL TEXT DELETED – raw material] for [CONFIDENTIAL TEXT DELETED – product code] Newsprint shown on Confidential Attachment 4 is calculated by allocating the mixing ratio percentage of [CONFIDENTIAL TEXT DELETED – raw material] from the total [CONFIDENTIAL TEXT DELETED – raw material] used on that mill for [CONFIDENTIAL TEXT DELETED – raw material]. This traces to the Materials [Work in Progress] WIP Ledger (Confidential Attachment CTMS 6) which shows the total usage volume of [CONFIDENTIAL TEXT DELETED – raw material]. The total usage is confirmed by adding the input amount to the opening balance and subtracting the closing balance on the [CONFIDENTIAL TEXT DELETED – raw material] Material WIP Ledger.

Jeonju Paper explained that [CONFIDENTIAL TEXT DELETED – raw material] was used to produce other grades of [CONFIDENTIAL TEXT DELETED – raw material] which are shown on the WIP Inventory ledger. These products have no opening or closing balance as they are used in the month they are input. The total [CONFIDENTIAL TEXT DELETED – raw material] input for the production of [CONFIDENTIAL TEXT DELETED – raw material] is calculated by adding these [CONFIDENTIAL TEXT DELETED – number] together which reconciled to the usage quantity on the raw materials goods ledger.

The usage value of [CONFIDENTIAL TEXT DELETED – raw material] for [CONFIDENTIAL TEXT DELETED – product code] newsprint shown in Confidential Attachment CTMS 6 is calculated by multiplying the usage quantity calculated by the [CONFIDENTIAL TEXT DELETED – raw material] usage unit price shown on the Material WIP Inventory Ledger. This results in a usage value of which reconciles to Confidential Attachment CTMS 5.

Jeonju Paper explained that the valuation for work in progress is based on the [CONFIDENTIAL TEXT DELETED – cost accounting method]. The same method that was used for quantity was applied to values that reconciled to the usage values shown in the raw materials ledger.

We were able to reconcile the purchase quantity and value reconciled from the raw materials ledger to an adjustment allocation spreadsheet. Jeonju Paper explained that in

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order to reconcile the raw material purchases from the amounts shown in the raw materials ledger to the accounting journals and subsequent invoices, some adjustments were required.

These adjustments related to the method in which **[CONFIDENTIAL TEXT DELETED – cost accounting method]**.

The accounting adjustment allocation spreadsheet total for the accounting ledger total amount reconciled to a more detailed adjustment reconciliation spreadsheet which identified **[CONFIDENTIAL TEXT DELETED – number]** adjustment types that applied to **[CONFIDENTIAL TEXT DELETED – raw material]**. **[CONFIDENTIAL TEXT DELETED – number]** of these adjustments were selected for detailed verification, representing approximately **[CONFIDENTIAL TEXT DELETED – number]**% of the adjustments made.

### 8.3.3 Timing & Transportation Adjustments

The sum of the accounting ledger entries for **[CONFIDENTIAL TEXT DELETED – raw material]** was traced to an extract of all **[CONFIDENTIAL TEXT DELETED – raw material]** purchases for the Jeonju Mill in December 2013. Jeonju Paper demonstrated how this extract was produced from a larger accounting journal which included all types and suppliers of ONP (as shown in **Confidential Attachment CTMS 3**). Two transactions were selected from the **[CONFIDENTIAL TEXT DELETED – raw material]** extract and used to demonstrate the timing adjustment and the transportation adjustments made.

Jeonju Paper explained that **[CONFIDENTIAL TEXT DELETED – cost accounting method]**.

To verify the claim for the accounting adjustment, a transaction was selected from the **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. A warehouse document was produced that demonstrated that these goods were **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. We were satisfied that the **[CONFIDENTIAL TEXT DELETED – cost accounting method]** was warranted and reflected the actual cost of production in that month.

Jeonju Paper explained **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. The total of these adjustments reconciled to the amount shown on the detailed accounting adjustment table and individual transactions that appeared in the Jeonju mill accounting ledger were also traced to the warehouse adjustment register.

We were satisfied that these adjustments were warranted and reflected the actual cost of raw materials used in production as shown in **Confidential Attachment CTMS 8**.

### 8.3.4 Claims adjustment

Jeonju Paper explained that when goods are received they are checked for quality issues and **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**. The accounts team adjust the accounting ledger in two ways. The first stage is **[CONFIDENTIAL TEXT DELETED –accounting method]**

The second stage of the claim adjustment relates to **[CONFIDENTIAL TEXT DELETED – accounting method]**. We were satisfied that these claim adjustments were warranted and reflected the actual cost of raw materials used in production as shown in **Confidential Attachment CTMS 9**.

### 8.3.5 Source documentation

Having made the relevant adjustments between the accounting ledger and inventory ledgers we were satisfied that the purchases of **[CONFIDENTIAL TEXT DELETED – raw material]** shown in the accounting ledger flowed to the CTMS data. Jeonju Paper advised that the same reconciliation processed applied to all other ONP inputs identified at **Confidential Attachment CTMS 3**.

Having been satisfied that the methodology to the accounting ledger was accurate and to provide greater coverage of a greater proportion of ONP input types, invoices and proof of payment were provided for seven import purchases and three domestic purchases of a variety of ONP types and suppliers.

Each of these source document bundles reconciled to the ONP raw material accounting ledger, which in turn had previously been reconciled to the CTMS data provided for **[CONFIDENTIAL TEXT DELETED – product code]** newsprint in December 2013.

### 8.3.6 ONP Accuracy Conclusion

Jeonju Paper also provided a source document pack that followed the same methodology for **[CONFIDENTIAL TEXT DELETED –product code]** newsprint in December 2013. We accept that this methodology is accurate and thus consider that the raw material ONP inputs for **[CONFIDENTIAL TEXT DELETED –product code]** and **[CONFIDENTIAL TEXT DELETED –product code]** newsprint have been verified as accurate. We are satisfied that the ONP raw material costs shown in the CTMS data are reasonably accurate. A flowchart outlining our verification process is included in **Confidential Figure 1**.

### 8.3.7 Wood Chip

The second element of raw materials listed in the CTMS data was wood chip which represented approximately **[CONFIDENTIAL TEXT DELETED –number]**% of the total raw materials cost. Despite having only a small overall contribution to the raw materials costs we chose to verify this element as it was the **[CONFIDENTIAL TEXT DELETED – description of wood chip being one of the major raw materials]**.

We traced the wood chip cost element from the raw materials costs shown on **Confidential Attachment CTMS 3** to the raw materials ledger. Jeonju Paper provided a raw materials sub ledger (**Confidential Attachment CTMS 10**) showing all purchases of wood chip in December 2013 which reconciled to the amount shown as an input in the raw materials ledger. We selected a transaction representing **[CONFIDENTIAL TEXT DELETED –number]**% of the total value and Jeonju Paper provided source documents including the invoice and bank payment advice for this purchase. We are satisfied that the wood chip raw material costs are reasonably accurately reflected in the CTMS data.

### 8.3.8 Sub Raw Materials

The final element of raw materials listed in the CTMS data was 'sub-raw' materials. This consisted of [CONFIDENTIAL TEXT DELETED –number] cost items, mostly chemicals used in the pulping process. The aggregate of the sub-raw materials accounted for less than [CONFIDENTIAL TEXT DELETED –number]% of the total raw material costs. We selected one sub-raw materials cost item, [CONFIDENTIAL TEXT DELETED – raw material], for verification downwards to source documents as this was [CONFIDENTIAL TEXT DELETED –degree] cost item in the sub materials group accounting for approximately [CONFIDENTIAL TEXT DELETED –number]% of this category. The [CONFIDENTIAL TEXT DELETED – raw materials] represented [CONFIDENTIAL TEXT DELETED –number]% of this cost category and, having been satisfied with all other major material costs, we did not consider these other cost elements material to warrant further detailed verification.

### 8.3.9 Hydrogen Peroxide (H<sub>2</sub>O<sub>2</sub>)

We traced the H<sub>2</sub>O<sub>2</sub> cost element from the sub materials costs shown on **Confidential Attachment CTMS 3**, through the same allocation across the sub materials that was conducted for ONP to the raw materials ledger. Jeonju Paper provided a sub materials ledger (**Confidential Attachment CTMS 11**) showing all purchases of hydrogen peroxide in December 2013 which reconciled to the amount shown as an input in the raw materials ledger. We selected a transaction representing [CONFIDENTIAL TEXT DELETED – number]% of the total value and Jeonju Paper provided source documents including the invoice and bank payment advice for this purchase. We are satisfied that the H<sub>2</sub>O<sub>2</sub> sub material costs are reasonably accurately reflected in the CTMS data.

### 8.3.10 Raw materials conclusion

We are satisfied that the costs represented in **Confidential Appendix CTMS 1** for raw materials includes all relevant raw material costs and that these costs are reasonably accurate.

## 8.4 Direct labour

Jeonju Paper advised that direct labour was allocated to production costs for each model based on [CONFIDENTIAL TEXT DELETED –number] allocation processes, each of which was dependent on the cost centre in which the labour was recorded as pulp production, paper making or general management expenses.

Labour costs for pulp production were allocated on the basis of [CONFIDENTIAL TEXT DELETED – cost accounting method] at **Confidential Attachment CTMS 5**).

Labour costs for paper making were allocated on the basis of [CONFIDENTIAL TEXT DELETED – cost accounting method] as shown in **Confidential Attachment CTMS 12**. Finally, the management overheads across the manufacturing process were allocated on the basis of [CONFIDENTIAL TEXT DELETED – cost accounting method]. All labour allocation spreadsheets were included as part of **Confidential Attachment CTMS 13**.



We were satisfied that the direct labour allocation method was reasonable and accurately reflected the true labour costs incurred in the production of newsprint as shown in the CTMS data provided.

## **8.5 Other Costs**

Jeonju included several cost elements which the Commission generally includes as manufacturing overheads as part of other costs. These include **[CONFIDENTIAL TEXT DELETED – details of other cost items]**. We consider these to be manufacturing overheads, however for the purpose of verification we did not consider that the classification of these as other costs had any impact on verification.

For the purposes of downwards verification we selected electricity, depreciation and packing costs for further verification as these three cost elements represented approximately **[CONFIDENTIAL TEXT DELETED – number]**% of all other costs.

### **8.5.1 Electricity**

Electricity was **[CONFIDENTIAL TEXT DELETED – degree]** component of other costs and was selected for downwards verification. Jeonju Paper allocates electricity consumption against each cost centre using the **[CONFIDENTIAL TEXT DELETED – allocation method]**. An allocation spreadsheet was provided (**Confidential Attachment CTMS 14**), the total of which reconciled to the amounts shown in the CTM by mill and production line spreadsheet (**Confidential Attachment CTMS 2**).

Jeonju Paper also provided a journal of electricity charges for each manufacturing site, the totals of each reconciled to the total input amounts to the electricity allocation spreadsheet (**Confidential Attachment CTMS 15**). We selected transactions from these ledgers and requested documentation to show that these accounts had been paid.

Jeonju Paper provided six payment transactions which demonstrated payment of the December accounts as included in **Confidential Attachment CTMS 16**. The sum of these payments reconciled to the amounts shown on the journal entries, with a minor variance of less than **[CONFIDENTIAL TEXT DELETED – number]**%. Jeonju Paper demonstrated that this variance was carried over to the January ledgers for payment in that month. Given the materiality of this variance we did not seek further payment evidence to demonstrate that this had been paid as we consider the variation to be immaterial.

We noted that Jeonju generated electricity within their plants, however all electricity generated was sold directly to the electricity grid and not used for internal use. Our verification identified that all electricity consumed at the plant was purchased at arms-length from the state electricity grid. No energy generated by the biomass or energy generation was used within the newsprint facility.

### **8.5.2 Depreciation**

It is a legislative requirement under section 180(3) of the *Customs Regulations 1926* that depreciation be considered when assessing the cost to make and sell data. We requested Jeonju Paper provide documentation to support the depreciation allocations to the manufacturing overheads. Jeonju Paper provided the fixed asset depreciation

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schedule (**confidential attachment CTMS17**) which allocates depreciation costs against the cost centres applicable to paper making. The depreciation cost for each cost centre was allocated using the **[CONFIDENTIAL TEXT DELETED – allocation method]**.

We sighted the asset register spreadsheet on Jeonju Paper's internal accounting system which reconciled to the monthly and year to date totals shown on the depreciation schedule provided. We are satisfied that the depreciation costs shown in the CTMS data are reasonably accurate.

### **8.5.3 Packaging**

Packaging was another component of other costs and was selected for downwards verification due to the size of the cost and the use of this data to determine packaging costs which may be required as an adjustment to the normal value. Jeonju Paper provided an allocation worksheet that reconciled the total packaging costs for **[CONFIDENTIAL TEXT DELETED – product code]** to the manufacturing ledger and to the CTM by Mill and production line spreadsheet. These ledgers were further reconciled to product usage ledgers for each manufacturing site which detailed all products used for packaging which included various types of paper, tape and film wraps amongst other items. A small quantity (less than **[CONFIDENTIAL TEXT DELETED – number]**%) of returned product was also used as packaging materials. These documents form **Confidential Attachment CTMS 18**.

Jeonju Paper also calculated a unit packaging cost by dividing the total packaging costs for each product by the total production quantity of all product codes, resulting in a weighted average packaging cost of **[CONFIDENTIAL TEXT DELETED – number]**KRW per tonne of newsprint. We are satisfied that the total packaging costs included in the CTMS data, and the calculation of a unit packaging cost is reasonably accurate.

### **8.5.4 Manufacturing Overheads**

Jeonju Paper included manufacturing overheads as part of their CTMS data which included all other manufacturing costs that were not categorised elsewhere in the production records. This represented less than **[CONFIDENTIAL TEXT DELETED – number]**% of the total cost to make. As we had been satisfied with all major cost elements and found no individual components of manufacturing overheads of material value, we did not consider that manufacturing overheads warranted further verification.

## **8.6 Accuracy Verification Conclusion**

After reviewing the methodology of calculations and accuracy of the raw materials, direct labour, other costs and manufacturing overheads submitted as part of the EQR, we are satisfied that the cost to make is reasonably accurate.

## **8.7 Verification of Selling, General and Administrative (SG&A) Costs**

Selling, General and Administrative (SG&A) costs were incurred by Jeonju Paper in relating to the selling of the goods, and other products manufactured by Jeonju Paper that were not subject to investigation (such as writing and other paper products).

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### 8.7.1 Allocation Methodology

Jeonju Paper provided an allocation workbook that allocated the SG&A expenses between goods under consideration and other goods and between domestic, Australian and other countries' sales. The allocation of their selling, general and administrative cost across these categories was dependent on the ability of each item of the balance sheet to be allocated either directly or indirectly to each group.

Direct allocation was performed for cost items that were directly traceable to one of the allocation groups. These included **[CONFIDENTIAL TEXT DELETED – details of direct traceable expenses]**. We were able to trace each of these items from the income statement and allocation workbook to be satisfied that each of these were directly related to either the GUC or non-GUC and domestic or export sales.

Indirect allocation was performed for all remaining cost items that were not directly traceable to a particular allocation group. We reviewed the details of each cost item allocated via the indirect method and were satisfied that it was appropriate to allocate these items on the basis of **[CONFIDENTIAL TEXT DELETED – allocation method]**. **Confidential Attachment SG&A 1** includes the verification documents related to the SG&A verification process.

### 8.7.2 SG&A Conclusion

We are satisfied that the SG&A costs provided are complete, accurate and suitable for use in ordinary course of trade analysis.

## 8.8 Verification of production costs to Audited Statements (Completeness and Relevance)

We were satisfied that the data presented in the CTMS spreadsheet was accurate having verified raw materials, manufacturing overheads, direct labour, other costs and SG&A expenses items to source documents as explained in section **Error! Reference source not found.** to 8.7 above. We then sought to verify that the production costs were complete and included all relevant data by verifying from the various ledgers to the income statement and then to audited unconsolidated statements.

### 8.8.1 Upwards Reconciliation

Jeonju Paper provided a reconciliation pack (**Confidential Attachment CTMS 19**) that outlined the methodology for reconciling the CTMS spreadsheets upwards to the audited financial statement. Having previously verified the CTMS spreadsheets to the finished goods ledgers, we verified these ledgers to monthly and annual summary ledgers for each of the production mills. These were also cross reconciled to the production documents to confirm accuracy of the monthly and annual plant summaries.

We added the production costs for non GUC products to these summaries and which reconciled for the period Q1 2013FY to Q1 2014FY shown on the income statements for those periods as cost of goods sold. We were satisfied that the total for the POI shown in the CTMS data was complete and relevant as we were able to trace the totals for each plant to audited financial statements.

## **8.9 Cost to make and sell – preliminary assessment**

We have verified Jeonju Paper's CTMS for newsprint to source documents and to audited financial statements, and we assessed the allocation methods and calculations for their reasonableness.

As a result of the verification, we are satisfied that Jeonju Paper's CTMS is reasonably accurate, relevant and complete.

We consider the CTMS is suitable for:

- determining a constructed normal value under section 269TAC(2)(c) of the Act; and
- assessing ordinary course of trade under section 269TAAD of the Act.

## 9 DOMESTIC SALES

The *Domestic Sales* spreadsheet (see section 6.1.2) forms **Confidential Attachment SALES 5**).

### 9.1 Domestic sales volume

Jeonju Paper sold a total of **[CONFIDENTIAL TEXT DELETED – number]** tonnes of the goods on the domestic Korean market during the investigation period.

### 9.2 Domestic sales process

#### 9.2.1 Sales Process

Jeonju Paper advised that its domestic sales process is typically as follows:

- **[CONFIDENTIAL TEXT DELETED – process of negotiation, contracting, ordering and shipping to customers]**

#### 9.2.2 Level of trade

In Jeonju Paper's EQR, Jeonju Paper advised that most of the newsprint that it sold during the investigation period in the domestic market was to **[CONFIDENTIAL TEXT DELETED – type of customer]**, and that about **[CONFIDENTIAL TEXT DELETED – number]**% of total domestic sales was to **[CONFIDENTIAL TEXT DELETED – type of customer]**.

### 9.3 Domestic Pricing

#### 9.3.1 Price setting

Jeonju Paper advised that **[CONFIDENTIAL TEXT DELETED – commercial arrangements]**

Despite providing in its EQR an internal price guide (**Confidential Attachment SALES 6**), we note that this was last issued in July 2008 and is considered by Jeonju Paper to be used as a reference point rather than a price list. Jeonju Paper explained that **[CONFIDENTIAL TEXT DELETED – pricing policy]**.

For new customers, Jeonju Paper advised **[CONFIDENTIAL TEXT DELETED – pricing policy]**.

#### 9.3.2 Discounts and rebates

**[CONFIDENTIAL TEXT DELETED – commercial arrangement]**.

In its EQR, Jeonju Paper provided an explanation of each type of **[CONFIDENTIAL TEXT DELETED – domestic sales expenses]**.

Jeonju Paper explained that **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**.

For the purposes of this report, the Commission has referred to these expenses as **[CONFIDENTIAL TEXT DELETED – commercial arrangement and accounting method]**.

### 9.3.3 Delivery and payment terms

Jeonju Paper's domestic sale delivery terms were **[CONFIDENTIAL TEXT DELETED – trading term]**.

Jeonju Paper's domestic sales payment terms are for **[CONFIDENTIAL TEXT DELETED – payment terms]**. Payments by domestic customers **[CONFIDENTIAL TEXT DELETED – commercial arrangement and accounting method]**

## 9.4 Verification of sales to audited financial statements

As discussed in section 7.3, we were able to reconcile Jeonju Paper's *Domestic sales* spreadsheet upwards to Jeonju Paper's audited financial accounts.

We are therefore satisfied that the *Domestic sales* spreadsheet is complete and contains only relevant sales.

## 9.5 Verification of domestic sales to source documents

Jeonju Paper provided source documents for two self-selected domestic sales in its EQR.

Prior to the visit, we selected 12 domestic newsprint sales from the detailed *Domestic sales* spreadsheet, and requested that Jeonju Paper provide source documents in relation to each invoice.

Jeonju Paper prepared and presented comprehensive source documents packages for each of these 12 sales. These packages included:

- tax invoice;
- delivery order;
- sales invoice;
- bank slips;
- internal correspondence between sales and accounts team **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**and
- internal details of payment form;

These documents form **Confidential Attachment SALES 7**.

### 9.5.1 Invoice and sales contract details

As with Australian sales, we were able to match the sales information in the source documents to the data contained in the detailed *Domestic sales* spreadsheet for all

invoices, including sales volumes and values. This included weight, gross and net (after on-invoice discount) value, invoice date and number, goods characteristics (dimensions, grade, shape and product code), customer details, contract number, and delivery and payment terms.

#### **9.5.2 Product code**

As with Australian sales data, we checked the accuracy of Jeonju Paper's reported product codes.

We are satisfied that the product codes recorded in the Australian sales listing accurately reflect the product code categories established by Jeonju Paper.

#### **9.5.3 Weight**

We checked the volume of newsprint sold to domestic customers as listed in the spreadsheet and found that it matched the respective amounts in the source documents.

#### **9.5.4 Value and pricing**

We checked the net invoice value of newsprint sold to domestic customers as listed in the spreadsheet and found that it matched the respective amounts in the source documents.

We checked the price per tonne of newsprint sold to domestic customers as listed in the spreadsheet and found that it matched the respective amounts in the source documents.

#### **9.5.5 Payment terms**

We checked the payment terms of newsprint sold to domestic customers as listed in the spreadsheet and confirmed that Jeonju Paper collect domestic sales payments **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**. Jeonju Paper advised that it derives its cost of credit using a short-term interest rate which is applied to the average number of days for payment from the date of invoice. We confirmed that the invoice date matched the delivery date and that credit terms applied from that date.

#### **9.5.6 Inland transportation**

As with Australian sales, Jeonju Paper supplied **[CONFIDENTIAL TEXT DELETED – document relating to freight arrangement]** from which it calculated the unit domestic inland transport expense per selected invoice. Details of this expense are discussed in section 8.3.3.

We observed that Jeonju Paper lists its domestic delivery terms as **[CONFIDENTIAL TEXT DELETED – trading term]**.

#### **9.5.7 Packing**

As outlined in Section 7.4.8 above, Jeonju Paper advised that packaging for domestic sales is by **[CONFIDENTIAL TEXT DELETED – packing method]**.

We were informed that **[CONFIDENTIAL TEXT DELETED – packing method]**. We found that the cost of packaging per tonne of newsprint was accurate for both domestic and Australian sales.

#### **9.5.8 Off-invoice discounts and rebates**

We checked the **[CONFIDENTIAL TEXT DELETED – sales expenses]** recorded in Jeonju Paper's *Domestic sales* listing to the provided **[CONFIDENTIAL TEXT DELETED – document relating to discounts and rebates calculation]** sheets.

We observed that the provided proof of payment for these **[CONFIDENTIAL TEXT DELETED – commercial arrangement]** exactly reconciled to these advices, and are satisfied that the reported **[CONFIDENTIAL TEXT DELETED – sales expenses]** were those actually **[CONFIDENTIAL TEXT DELETED – commercial arrangement]** in relation to each invoice.

#### **9.5.9 Invoice warranty**

We checked the warranty expenses recorded in Jeonju Paper's *Domestic sales* listing to the provided internal reported warranty calculations sheets and are satisfied that the reported warranty expenses were those actually received by Jeonju Paper's customers in relation to each invoice. This was included in the total warranty amount shown on the domestic sales spreadsheet.

#### **9.5.10 Inventory carrying costs**

We checked the inventory carrying expenses recorded in Jeonju Paper's *Domestic sales* listing to the provided internal reported inventory carrying cost calculation sheets and are satisfied that these expenses accurately reflect the costs incurred by Jeonju Paper. This is further discussed in section 12.5.

#### **9.5.11 Conclusion**

Following verification to source documents, we are satisfied with the accuracy of Jeonju Paper's *Domestic sales* spreadsheet.

### **9.6 Arm's length**

In respect of domestic sales during the investigation period, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

We therefore consider that all domestic sales during the investigation period were arm's length transactions.



## 9.7 Ordinary course of trade, and suitability of sales

We sought to identify which domestic sales of like goods were made in the ordinary course of trade for possible use in normal values under s.269TAC(1) of the Act

As discussed in section 9.6 above, we considered that all domestic sales were to non-related customers and were arm's length transactions and thus these sales were included from the ordinary course of trade analysis.

In order to test the profitability of Jeonju Paper's domestic sales in the *Domestic Sales* spreadsheet (see Section 6.1.2), we compared:

- the unit (per tonne) net sales price of each individual domestic sale of newsprint by model (**[CONFIDENTIAL TEXT DELETED – description of the product coding method]**); with
- the corresponding quarterly weighted average unit CTMS for product by model (see Section 8.9).

All sales of those models were considered as being made in ordinary course of trade and were used in calculating normal values for those models.

We then sought to determine whether there were sufficient domestic sales in the ordinary course of trade for all exported models in the investigation period in order to calculate normal values under s.269TAC(1).

The table below shows this analysis.

**[Confidential Table 4: Sufficiency of sales in the ordinary course of trade]**

We calculated whether the domestic sales volume of each model that was sold domestically in sales that were in ordinary course of trade were more than 5% of the export volume.

We found that of the domestic sales, the **[CONFIDENTIAL TEXT DELETED – detailed sufficiency analysis of domestic sales of like goods]**.

Profitability, ordinary course of trade and sufficiency of sales assessments are at **Confidential Appendix 3**.

## 10 NORMAL VALUE

### 10.1 Domestic sales

As discussed in Section 9.7, we found sufficient volumes of domestic sales of the goods by Jeonju Paper that were arms' length transactions and at prices that were in ordinary course of trade for an exact model match for the following export models:

- **[CONFIDENTIAL TEXT DELETED – product codes]**

The remaining export model, **[CONFIDENTIAL TEXT DELETED – product code]**, was found to have **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**. We used a similar product code and made adjustments to the normal values for physical differences. This is explained in detail in the adjustments section of this report (section 12.7).

Preliminary normal values have been determined under section 269TAC(1) with adjustments made in accordance with section 269TAC(8).

Jeonju has submitted to the Commission that either 46 gsm newsprint, or both 45 gsm and 46 gsm, were preferable matches to exported products for normal value purposes. The Commission will further consider this matter.

Details of normal value calculations are at **Confidential Appendix 4**.

<b>11    THIRD COUNTRY SALES</b>
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In its EQR, Jeonju Paper provided a summary of its export sales to third countries.

Noting the likely approach we would apply in determining normal value (refer to section 10) was domestic sales in the ordinary course of trade as per section 269TAC(1) , we considered it unlikely that third country sales would be used in determining normal values for Jeonju Paper's exports of newsprint.

As a result, we did not undertake detailed verification of the third country data.

## 12 ADJUSTMENTS

To ensure that the normal value was comparable to the Australian export price, the following adjustments were made.

### 12.1 Domestic and export packaging expenses

Jeonju Paper [**CONFIDENTIAL TEXT DELETED – details of packing costs**]. Thus we considered an adjustment to the normal value was necessary to ensure fair comparison of the goods.

A positive adjustment to the normal value has been performed of the weighted average amount of packaging for Australian exports, and the opposite negative adjustment to normal value has been performed of the domestic packaging amount.

### 12.2 Domestic and export inland freight

We consider that a downwards adjustment for domestic inland freight is necessary for sales sold domestically on [**CONFIDENTIAL TEXT DELETED – trading term**], to arrive at [**CONFIDENTIAL TEXT DELETED – trading term**] price which is later adjusted to FOB level (see below).

We have performed this adjustment of the verified amounts reported in the *Domestic sales* spreadsheet, where applicable, which we have verified.

To arrive at FOB normal values for comparison with export prices (which are at FOB level), we have conducted an upwards adjustment to the normal value of the weighted average amount of export inland transport, as reported in the *Australian sales* listing and verified with Jeonju Paper.

### 12.3 Commission and Advertising

Jeonju Paper stated that values reported under '**CONFIDENTIAL TEXT DELETED – column heading**' in the *Domestic sales* spreadsheet related to [**CONFIDENTIAL TEXT DELETED – sales expenses**].

We consider a downwards adjustment to normal value is warranted for these expenses, and the verified amount within the *Domestic sales* listing has been deducted from normal value calculations.

[**CONFIDENTIAL TEXT DELETED – commercial arrangement**].

### 12.4 Export handling charges

Jeonju Paper incurred various export-related handling charges, which were quantified in its *Australian sales* listing and have been verified with Jeonju Paper.

We consider an upwards adjustment to the normal value is warranted to account for these export charges, to arrive at FOB normal values. The weighted average amount of these charges has been added to normal value calculations.

## 12.5 Inventory Carrying Costs

Jeonju Paper incurred inventory carrying costs on the domestic market in which goods were sold from inventory stock which were not incurred on the export market in which all goods were made to order.

We consider a downwards adjustment to the normal value is warranted to account for these inventory carrying costs. The amount of these charges has been deducted from normal value calculations, and the verified amount within the *Domestic sales* listing has been used as the deduction from normal value calculations.

## 12.6 Credit Terms

Jeonju Paper calculated the actual credit cost for each transaction in the domestic and Australian sales spreadsheets. We noted there were various different payment terms between **[CONFIDENTIAL TEXT DELETED – credit terms]** on domestic sales and **[CONFIDENTIAL TEXT DELETED – credit terms]** for export sales. We consider that as there are different credit periods it is warranted to make an adjustment to the normal value for credit expenses.

We consider a downwards adjustment to the normal value is warranted to account for these domestic credit costs. The amount of these charges has been deducted from normal value calculations as a result, and the verified amount within the *Domestic sales* listing has been used as the deduction from normal value calculations. An opposite upwards adjustment to the normal value has been performed using the weighted average verified credit costs from the Australian sales spreadsheet.

## 12.7 Physical differences

As there were **[CONFIDENTIAL TEXT DELETED – domestic sales of like goods]** paper we adjusted the normal value for **[CONFIDENTIAL TEXT DELETED – product code]** paper sold domestically and used these adjusted normal values for dumping margin calculations.

Our understanding of the differences between **[CONFIDENTIAL TEXT DELETED – product codes]** is that there is **[CONFIDENTIAL TEXT DELETED – product details]**. This is consistent with our data analysis which shows **[CONFIDENTIAL TEXT DELETED – detailed product comparison analysis]**.

The *Anti-Dumping Manual* states the following regarding physical adjustments (page 61):

*Physical characteristics and quality*

*Adjustment is allowed for differences in physical characteristics where the differences can be quantified to ensure fair comparison. Relevant differences include quality, chemical composition, structure, or design.*

*Evidence may be provided of different selling prices for products with different physical characteristics or quality. In such cases, the size of the price difference may be used as the basis for any adjustment. However, in most cases adjustments for differences in physical characteristics, or for quality, are based on production*

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*cost differences. Additionally, in order that the adjustment calculation estimates the market value of the difference, the gross margin (i.e. the administrative, selling and general costs and profit) is added to the production cost difference.*

In the context of allowances the manual states that *Adjustments will be made if there is evidence that a particular difference affects price comparability.* In this case an adjustment is required as we can demonstrate that there is a difference in price between **[CONFIDENTIAL TEXT DELETED – product codes]** (of **[CONFIDENTIAL TEXT DELETED – number]%**).

Thus we adjusted the normal value for **[CONFIDENTIAL TEXT DELETED – product code]** paper by uplifting the **[CONFIDENTIAL TEXT DELETED – product code]** normal value by the ratio of the cost difference in the export market between **[CONFIDENTIAL TEXT DELETED – product codes]** paper. We then included the gross margin across all domestic sales in the uplift resulting in an uplift ratio, including gross margin. The final uplift ratio was **[CONFIDENTIAL TEXT DELETED – number]**. We are satisfied that this uplift ratio allows for differences in physical characteristics between **[CONFIDENTIAL TEXT DELETED – product codes]** and allows for fair comparison.

### 12.8 Adjustments – Conclusion

We are satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with section 269TAC(8) of the Act, and we consider the adjustments listed in the following table are necessary to ensure a fair comparison of normal values and export prices:

Domestic packaging	<b>Deduct</b> the actual cost of domestic packaging.
Export packaging	<b>Add</b> the weighted average export packaging cost.
Domestic inland freight	<b>Deduct</b> the actual cost of inland freight where applicable (to arrive at an EXW price).
Export inland freight	<b>Add</b> the weighted average export inland freight cost (to arrive at an FOB price).
Domestic commission and advertising charges (discounts and rebates)	<b>Deduct</b> the actual cost of <b>[CONFIDENTIAL TEXT DELETED – commercial arrangement]</b> .
Export commission charges	<b>Add</b> the weighted average cost of <b>[CONFIDENTIAL TEXT DELETED – commercial arrangement]</b> .
Export handling charges	<b>Add</b> the weighted average cost of export handling charges

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Domestic Inventory Carrying Costs	<b>Deduct</b> the actual cost of inventory carrying.
Domestic Credit Costs	<b>Deduct</b> the actual cost of domestic credit.
Export Credit Costs	<b>Add</b> the weighted average of export credit costs.
Physical differences	<b>Add</b> the cost differences between <b>[CONFIDENTIAL TEXT DELETED – product codes]</b> on the export market, plus the gross margin to the domestic selling price of <b>[CONFIDENTIAL TEXT DELETED – product code]</b> to arrive at the normal value (adjusted) for <b>[CONFIDENTIAL TEXT DELETED – product code]</b> .

Table 5: Summary of adjustments

## 13 DUMPING MARGIN

We compared the weighted average of export prices (at FOB terms) over the whole of the investigation period determined under section 269TAB(1)(a) with the quarterly weighted average of corresponding normal values determined under section 269TAC(1) (also at FOB) over the whole of that period, in accordance with subsection 269TACB(2)(a) of the Act.

The weighted average product dumping margin for the goods exported to Australia by Jeonju Paper is **0.43 per cent**.

Details of the preliminary dumping margin calculations are at **Confidential Appendix 5**.



<b>14</b>	<b>APPENDICES AND ATTACHMENTS</b>
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<b>Confidential Appendix 1</b>	Export Sales
<b>Confidential Appendix 2</b>	CTMS
<b>Confidential Appendix 3</b>	Domestic Sales
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment GEN 1</b>	Diagram for methodology of cost calculation
<b>Confidential Attachment GEN 2</b>	Company brochure
<b>Confidential Attachment SALES 1</b>	Australian sales spreadsheet
<b>Confidential Attachment SALES 2</b>	<b>[CONFIDENTIAL TEXT DELETED]</b>
<b>Confidential Attachment SALES 3</b>	<b>[CONFIDENTIAL TEXT DELETED – currency conversion]</b>
<b>Confidential Attachment SALES 4</b>	Export sales invoice verification pack
<b>Confidential Attachment SALES 5</b>	Export sales spreadsheet
<b>Confidential Attachment SALES 6</b>	Domestic price guideline
<b>Confidential Attachment SALES 7</b>	Domestic sales invoice verification pack
<b>Confidential Attachment CTMS 1</b>	CTMS Data provided in REQ.
<b>Confidential Attachment CTMS 2</b>	CTM by Mill, PM Line and Internal Production Code Table
<b>Confidential Attachment CTMS 3</b>	<b>[CONFIDENTIAL TEXT DELETED]</b> Cost allocation table
<b>Confidential Attachment CTMS 4</b>	Raw Material – Sub Material Reconciliation Spreadsheet
<b>Confidential Attachment CTMS 5</b>	Mixing Ratio Documentation
<b>Confidential Attachment CTMS 6</b>	Sub Material Ledgers
<b>Confidential Attachment CTMS 7</b>	Materials Ledgers

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<b>Confidential Attachment CTMS 8</b>	Timing & Transportation Adjustments Reconciliation Spreadsheet
<b>Confidential Attachment CTMS 9</b>	Timing & Transportation Adjustments Source Documents
<b>Confidential Attachment CTMS 10</b>	Wood Chip reconciliation source documents
<b>Confidential Attachment CTMS 11</b>	Hydrogen Peroxide reconciliation source documents.
<b>Confidential Attachment CTMS 12</b>	Labour reconciliation line speed table
<b>Confidential Attachment CTMS 13</b>	Labour reconciliation source documents
<b>Confidential Attachment CTMS 14</b>	Electricity reconciliation allocation table
<b>Confidential Attachment CTMS 15</b>	Electricity ledgers
<b>Confidential Attachment CTMS 16</b>	Electricity payment source documents
<b>Confidential Attachment CTMS 17</b>	Depreciation source documents
<b>Confidential Attachment CTMS 18</b>	Packing costs source documents
<b>Confidential Attachment CTMS 19</b>	Upwards cost verification pack and source documents
<b>Confidential Attachment SG&amp;A 1</b>	SG&A verification pack and source documents.
<b>Confidential Figure 1</b>	ONP Verification Diagram