

16 February 2015

Mr Geoff Gleeson
Director
Anti-Dumping Commission
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Dear Mr Gleeson

Investigation No. 242 – Newsprint exported from France and Korea – Norske Skog Industries (Australia) Limited response to Statement of Essential Facts and Preliminary Affirmative Determination

1. Introduction

1.1 Norske Skog Industries (Australia) Limited ("NSIA") welcomes the publication of Statement of Essential Facts ("SEF") and Preliminary Affirmative Determination ("PAD") No. 242 in respect of newsprint exported to Australia from France and the Republic of Korea ("Korea"). NSIA views the findings contained in SEF and PAD No. 242 in respect of exports by UPM France S.A.S. ("UPM France") at dumped prices as validation of NSIA's allegations that it had experienced material injury from exports of dumped newsprint during the investigation period.

1.2 NSIA also concurs with the Commission's findings that the Australian industry producing like goods to newsprint has experienced injury in the following forms:

- reduced sales volumes;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability; and
- reduced revenue.

1.3 Importantly, the Commission was satisfied that the injury experience by the Australian industry was material in nature and was as a result of the dumped exports from France.

1.4 NSIA notes the Anti-Dumping Commission's ("the Commission") proposed recommendation in SEF & PAD No. 242 to terminate its investigation into exports of newsprint by Jeonju Paper Corporation ("Jeonju") and the remaining Korean exporters. This follows the Commission's investigation of newsprint exports to Australia by Jeonju that were initially determined at negligible (i.e. 0.43 per cent) levels, and amended in SEF & PAD No. 242 to negative 1.3 per cent. Respectfully, NSIA maintains that Jeonju's exports were at margins of dumping of greater than negligible levels and had caused injury to the Australian industry.

1.5 This submission will further address the dumping margins determined for Jeonju by the Commission.

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1.6 NSIA supports the Commission's recommendation to the Minister for Industry and Science ("the Minister") that anti-dumping measures be applied to future exports of newsprint to Australia by UPM France.

2.0 Like Goods

2.1 Section 3.4.2 of SEF & PAD No. 242 examines the Commission's assessment of like goods considered in the investigation. It was asserted by parties involved with the importation of the goods from France and Korea that recycled newsprint is superior in certain ways and has qualities that differentiate it from newsprint of zero or minimal recycled content. The Commission has correctly concluded that the claimed assertions of a single publisher in respect of cost savings and improved efficiency for newsprint with a high recycled content is "negligible" in the total cost of newsprint incurred. Similarly, the assertions concerning the use of high content recycled newsprint did not exclude NSIA from supplying its newsprint for use by any newspaper publisher in Australia.

2.2 NSIA agrees with the Commission's findings that claimed cost savings and improved efficiency associated with recycled newsprint cannot be substantiated and could not be supported by the evidence available to the Commission.

2.3 NSIA endorses the Commission's conclusion as supported by the available evidence in the investigation that NSIA produces goods that are alike to the imported goods as they possess the same essential characteristics as follows::

- the primary characteristics of the imported goods and the locally produced goods are similar;
- the imported goods and the locally produced goods are commercially alike as they are sold to the same publishers and compete in the same market;
- the imported goods and the locally produced goods are functionally the same as they have similar end-uses; and
- the imported goods and the locally produced goods are manufactured in similar processes.

3.0 Australian market

3.1 NSIA notes the Commission's comments at Section 5.3 of SEF & PAD No. 242 in respect of the supply arrangements to publishers in Australia. NSIA acknowledges that supply on the Australian market is generally under long-term and/or short-term arrangements, including from 12 months to five or more years. The Commission has also acknowledged the role of "spot" sales on the Australian market, which it refers to as one-off sales.

3.2 NSIA draws to the attention of the Commission that certain short-term sales can be described as spot sales and are often on similar (if not, equal) terms to spot-sales (including pricing). The so-called short-term sales can cause significant injury to the Australian industry, particularly where the short-term arrangement represents a not insignificant proportion of the contracted volumes at the larger newsprint publishers.

3.3 NSIA reaffirms representations to the Commission that the short-term sales contracts account for a significant proportion of the injury sustained by the Australian industry.

3.4 The Commission estimates that the size of the Australian newsprint market during the investigation period was approximately 340,000 tonnes, down from an estimated 540,000 tonnes three years earlier. NSIA's contends that exports of dumped newsprint to Australia in a contracting market are considered to be of greater harm to an Australian industry's economic performance than if the market was expanding and demand for the newsprint was increasing. These circumstances are

consistent with the guidance contained in the Ministerial Direction on material injury which requires the Commission to consider¹:

“...the greater impact of injury during periods of economic downturn and reduced rates of growth as an element of injury”.

3.5 The Ministerial Direction also refers to circumstances where an industry may be able to overcome or withstand the effects of the presence of dumped exports could, at another time, weakened by other events, be susceptible to material injury from the same amount and degree of dumping.

3.6 NSIA submits that the Australian industry is more susceptible to the effects of the injurious dumped exports in a contracting market than if the market were expanding. Additionally, the material injury experienced by the Australian industry in the investigation period extends beyond the normal ebb and flow of business in the newsprint market.

4.0 Dumping investigation

4.1 The Commission has determined the following dumping margins for the goods exported from France and Korea during the investigation period:

| Country | Exporter/Manufacturer | Preliminary Dumping Margin |
|---------|----------------------------|----------------------------|
| France | All exporters | 5.1% |
| | Bowater | 14.4% |
| Korea | Jeonju | -1.3% |
| | All other Korean exporters | 20.0% |

4.2 In respect of exports of newsprint from Korean exporters (other than Jeonju) the Commission has determined that the dumped export volumes were negligible. On the basis that the volume of dumped exports from Korea is considered negligible, the Commission proposes to terminate the investigation in so far as it relates to exports from Korea.

4.3 The Commission determined normal values for Jeonju on the basis of domestic selling prices for newsprint sold by Jeonju in Korea. The Commission tested Jeonju's sales to assess whether the sales were in the ordinary course of trade. It appears from the Jeonju Exporter Verification Report that the Commission was satisfied that a sufficient volume of sales that were arms' length transactions were in the ordinary course of trade. Exact model matches for sales sold domestically and for export were made, with the exception of one export model. The Commission made adjustments to domestic sales for physical differences.

4.4 NSIA made a submission² to the Commission addressing a number of matters related to the dumping margin calculation for Jeonju. The Commission has provided comments on the matters raised by NSIA at Section 6.5.4 of SEF & PAD No. 242. NSIA observes that the Commission based normal values for Jeonju based upon the manufacturer's domestic sales of 46gsm. It is then stated that “...that different adjustments are warranted to achieve a better comparison between goods sold on the domestic market in Korea and goods sold in Australia”.

4.5 SEF & PAD No. 242 does not specifically address the matters raised by NSIA concerning the required adjustment to fully account for the production cost differences associated with 42gsm newsprint versus 46 gsm newsprint. These production cost differentials include “furnish” costs, “productivity” costs, and an appropriate fixed cost allocation.

¹ Refer ACDN No. 2012/24 – New Ministerial Direction on Material Injury.

² Submission dated 5 January 2015.

4.6 NSIA outlined in its submission the differences associated with the identified costs between 42gsm and 46gsm newsprint. The matters addressed are re-produced below:

- “- *Furnish cost – As 42gsm newsprint is lighter and thinner product than 45 or 46gsm we would usually expect that the furnish cost on a per tonne basis would be higher. This results from the addition of higher cost raw materials to achieve the required strength and opacity specifications in a thinner product.*
- *Productivity costs – The nature of 42gsm products compared to 45 or 46gsm products is such that they are more difficult to produce, break more frequently on the paper machine and as a result are produced at a lower efficiency (higher cost).*
- *Fixed cost allocation – Fixed costs are usually allocated on a time basis (\$/hr) and as a result of the lower tonnes per hour standard production rate for 42gsm (-xxx% v 46gsm) the fixed cost allocation on a per tonne basis should be xxx% higher for 42gsm compared to 46gsm.”*

4.7 It is not evident from SEF & PAD No. 242 that the Commission has examined whether the specification adjustment for cost differences associated with producing 42gsm newsprint compared with 46gsm newsprint, as identified, have been fully captured. In the absence of confirmation by the Commission that it has taken full account of the three identified cost components identified that contribute to a higher cost production for 42gsm newsprint, NSIA requests the Commission to further confirm the basis for the specification adjustments afforded to Jeonju in its normal value assessment.

4.8 NSIA is cognizant of the Commission's comments regarding adjustments provided to Jeonju for “commission and advertising expenses”. NSIA respectfully contends that an upward adjustment is required to Jeonju's normal value to allow for export commission (generally xxx per cent) included in the export selling price for newsprint exported to Australia. The Commission has commented in SEF & PAD No. 242 that it considers “that Commission and Advertising Expenses (discounts and rebates) is an appropriate adjustment to ensure proper comparison with export prices.” NSIA does not consider that the export commission paid by Jeonju on export sales has been appropriately reflected in the adjustments to Jeonju's normal value.

4.9 NSIA requests the Commission to take full account of the costs associated with an adjustment for physical differences between 42 and 46gsm newsprint as identified above, and to further consider the inclusion of an upward adjustment for the xxx per cent export commissions provided by Jeonju on export sales to Australia.

5.0 Economic condition of the industry

5.1 The Commission has confirmed that the Australian industry manufacturing newsprint has experienced injury in the following forms:

- reduced sales volumes;
- price depression;
- price suppression;
- reduced revenue;
- reduced profits and profitability; and reduced revenues.

5.2 In respect of “other” injury indicators, the Commission confirmed reductions in each of the following:

- value of assets;
- value of capital investment;
- capacity utilization;



- employment; and
- production.

5.3 It is NSIA's position that the injury indicators confirmed by the Commission have been due to the impact of the dumped exports from France, requiring NSIA to reduce selling prices resulting in a negative impact on margin, profit and profitability. With reductions in profit, NSIA has curbed its capital expenditure on newsprint and has sought to reduce other controllable costs (including reductions in employees).

6.0 Causation

6.1 NSIA welcomes the Commission's finding that the dumped exports of newsprint from France have caused material injury to the Australian industry. The Commission established that the export volumes from France increased over the injury period. The exports from France were "*offered at prices in Australia that were lower than they otherwise would have been in the absence of dumping*" and in a price competitive market this had afforded UPM France with the opportunity to secure sales volumes when competing with NSIA. The Commission concluded that the available prices also influenced selling prices in other contracts. The adverse price effects experienced by NSIA contributed to injury in the form of price depression, price suppression and lost sales volumes.

6.2 The Commission was satisfied that the dumped exports of newsprint by UPM France had caused a loss in sales volume to NSIA, price depression and price suppression, with a consequential impact on profit and profitability.

6.3 The Commission examined the impact of other extraneous factors on the economic performance of the Australian industry. This included an analysis of the impact of non-dumped goods, imports from other countries (e.g. Indonesia and New Zealand), contractions in demand purchasing arrangements and whether any restrictive trade practices were evident.

6.4 The Commission examined each factor. In respect of the non-dumped exports from Jeonju of Korea, the Commission indicated that there were impacts on NSIA's economic performance. However, the Commission did not attribute these impacts to the effects of dumping from France.

6.5 In its assessment of other imports, the Commission was satisfied that whilst the Indonesian exports may have contributed to injury sustained by NSIA, "*it does not detract from the assessment that injury caused by dumped newsprint from France was, of itself, material.*"

6.6 In its analysis of the contracting market, the Commission indicated that NSIA had experienced injury due to the contraction. However, NSIA does not agree with this assessment as the contraction of the market has been met with the reduction in sourcing of newsprint imports by NSIA from its New Zealand affiliate. Prior to 2013/14, NSIA had maintained production volumes in Australia for newsprint, in a contracting market. Across the investigation period, however, NSIA was materially impacted by the pricing for the dumped exports that had a pervasive effect across the Australian newsprint market.

6.7 NSIA agrees with the Commission's findings that there is no evidence to support claims that newsprint made from a high proportion of recycled paper is superior to newsprint made from little or no recycled content. Additionally, NSIA endorses the Commission's view that the "skate" system used at some publishers is not a restrictive barrier to trade.

7.0 Future threat of material injury

7.1 Dumped exports of newsprint from UPM France are the second largest source of supply of newsprint into Australia. The Commission has established that exports by UPM France were at dumped prices and that the exports had caused material injury to the Australian industry manufacturing like goods. The Commission has further recognized that demand for newsprint will continue in

Australia, including at the each of the four large publishers identified during the investigation. As demand for newsprint will continue and due to the price sensitivity associated with the supply of newsprint, NSIA agrees with the Commission that in the absence of anti-dumping measures, exports at dumped prices from UPM France will cause material injury to the Australian industry.

7.2 Anti-dumping measures are therefore required to prevent the recurrence of material injury from the dumping of newsprint exports from France.

8.0 Closing remarks


8.1 NSIA welcomes the Commission's findings as detailed in SEF & PAD No. 242 and the imposition of provisional measures on dumped newsprint exports from France. The Commission's findings that injury from the dumped exports from France is material, does not detract from the findings that other factors have also caused injury to the Australian industry over the investigation period.

8.2 In respect of dumping margins determined for Jeonju of Korea, NSIA has identified two key concerns that it does not consider have been adequately responded to in SEF & PAD No. 242. These matters relate to the composition of a specification adjustment for cost differences associated with the production of 42gsm versus 46gsm newsprint in Korea, and an upward adjustment to Jeonju's normal value for sales commission paid on export sales to Australia by Jeonju.

8.3 NSIA requests the Commission to recommend to the Minister in its final report and recommendations that anti-dumping measures be applied to future exports of newsprint from France to ensure that material injury from the dumping does not continue.

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

Yours sincerely



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