



CUSTOMS ACT 1901 - PART XVB

CONSIDERATION REPORT NO. 242

APPLICATION FOR A DUMPING DUTY NOTICE

NEWSPRINT

EXPORTED FROM FRANCE AND THE REPUBLIC OF KOREA

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ABBREVIATIONS & SHORTENED FORMS

ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
AUD	Australian dollars
CFR	Cost and freight
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
FOB	Free On Board
GAAP	Generally accepted accounting principles
NIP	Non-injurious Price
NSIA	Norske Skog Industries Australia Limited
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the Act	<i>Customs Act 1901</i>
the applicant	Norske Skog Industries Australia Limited
the Commissioner	the Anti-Dumping Commissioner
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
USP	Unsuppressed Selling Price

1 SUMMARY AND RECOMMENDATION

1.1 Background

This Consideration Report (CON 242) details the results of the Anti-Dumping Commission's (the Commission's) consideration of an application lodged by Norske Skog Industries Australia Limited (NSIA) for the publication of a dumping duty notice on newsprint exported from France and the Republic of Korea (Korea).

1.2 Application of law to facts

Division 2 of Part XVB (the Division) of the *Customs Act 1901* (the Act)¹ sets out procedures for considering an application for a dumping duty notice.

1.3 The role of the Anti-Dumping Commission

The Commission is responsible for preparing a report for the Commissioner examining an application for a dumping duty notice.

In this report, the following matters are considered in relation to the application:

- whether the application complies with subsection 269TB(4);
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

1.4 The role of the Commissioner

The Act empowers the Commissioner, after having regard to this report and to any other information that the Commissioner considers relevant, to reject or not reject an application for the publication of a dumping duty notice.

If the Commissioner decides not to reject the application, the Commissioner must give public notice of the decision providing details of the investigation.

1.5 Findings and conclusions

The Commission has examined the application lodged by Norske Skog Industries Australia Limited (NSIA) for the publication of a dumping duty notice on newsprint exported from France and the Republic of Korea (Korea) and is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (the reasons for being satisfied as set out in Chapter 3 of this report);
- there is an Australian industry in respect of like goods (as set out in Section 4 of this report); and
- there does appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application (as set out in Sections 5, 6 and 7 of this report).

¹ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

1.6 Recommendation

The Commission recommends that the Commissioner of the Anti-Dumping Commission (the Commissioner) decide not to reject the application.

If the Commissioner accepts this recommendation, to give effect to that decision, the Commissioner must sign the instrument at **Appendix 1** indicating that the Commission will inquire into whether grounds exist to publish a dumping notice.

2 BACKGROUND

2.1 Application

On 24 March 2014, an application was lodged by NSIA requesting that the Parliamentary Secretary to the Ministry for Industry (Parliamentary Secretary) publish a dumping duty notice in respect of newsprint exported to Australia from France and Korea.

NSIA allege that the Australian industry has suffered material injury caused by newsprint exported to Australia from France and Korea at dumped prices.

NSIA claims that material injury in respect of newsprint began in the 2013/14 financial year. The applicant identified the injurious effect as:

- Lost sales volumes
- Price undercutting
- Price depression
- Price suppression
- Reduced profit and profitability; and
- Reduced revenues.

2.2 The goods the subject of the application

2.2.1 Description

The goods the subject of the application (the goods) are:

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

2.2.2 Product standards

The ANZSIC code applicable to newsprint is understood to be 1510 “Pulp, Paper and Paperboard Manufacturing”.

2.2.3 Tariff classifications

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 57gsm; **or**
- have ash content by weight of more than 8 per cent.

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

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The Australian Customs and Border Protection Service (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.

2.2.4 Tariff Concession Orders

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

2.2.5 By- Laws

The application 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 1980's. At that time, the Australian production of newsprint was supplemented with imported newsprint.

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

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.

2.3 Consideration of the application

Under subsection 269TC(1) of the Act, the Commissioner must examine an application for publication of a dumping duty notice upon its receipt and, within 20 days of lodgement (or 20 days of lodgement of further information in support of the application), decide whether or not to reject the application.

In relation to this application, this decision must be made no later than 14 April 2014².

Subsection 269TC(1) specifies that the Commissioner shall reject the application if he is not satisfied that:

- the application complies with subsection 269TB(4); or
- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

The above matters are examined in the following sections of this report.

2.4 Previous investigations and current measures

There have been no dumping or countervailing investigations in respect of newsprint.

Australia

There are currently no anti-dumping measures on newsprint exported to Australia.

Other Administrations

- (i) The application claims that Malaysia has imposed anti-dumping measures on certain newsprint exported from Canada, Indonesia, South Korea, the Philippines and the United States of America.
- (ii) The application also claims that in April 2013 the Malaysian Government commenced a further investigation into the alleged dumping of newsprint from Belgium, Germany, Sweden and the United Kingdom.

² This consideration due date reflects the *Acts Interpretation Act 1901* referring to the next business day.

3 COMPLIANCE WITH SUBSECTION 269TB(4)

Subsection 269TB(4) requires that the application must:

- be in writing;
- be in an approved form;
- contain such information as the form requires;
- be signed in the manner indicated by the form; and
- be supported by a sufficient part of the Australian industry.

3.1 Approved form

The application is in writing, is in an approved form, contains such information as the form requires (as discussed in the following sections of this report) and is signed in the manner indicated in the form.

NSIA submitted for official use only and public record versions of the application along with numerous appendices and attachments. The Commission considers that the public record version of the application contains sufficient detail to allow a reasonable understanding of the substance of the information.

Data related to company turnover, provided by the applicant as an appendix to the application has separately identified imported goods and goods manufactured in Australia sold by NSIA during April to March periods 2010/11, 2011/12, 2012/13 and 2013/14³. Due to the periods selected, for the month of March 2014, NSIA provided an estimate of sales and production costs based on past performances and forecast sales.

3.2 Supported by Australian industry

An application is taken to be supported by a sufficient part of the Australian industry if the persons who produce or manufacture like goods in Australia and who support the application:

- account for more than 50% of the total production or manufacture of like goods by that proportion of the Australian industry that has expressed either support for or opposition to, the application; and
- account for not less than 25% of the total production or manufacture of like goods in Australia.

The application states that NSIA is the sole producer of newsprint currently operating within Australia.

The Commission has found no evidence, explicit or implicit, which would contradict this assertion.

3.3 The Commission's assessment

Based on the evidence provided, the Commission considers the application complies with subsection 269TB(4).

³ Any reference to an annual period is a period from April to March unless otherwise stated.

4 LIKE GOODS AND THE AUSTRALIAN MARKET

4.1 Finding

Based on the information provided in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the data provided within the application is sufficient for the purpose of analysing the economic condition of the Australian industry for newsprint (Section 6 of this report refers).

4.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, he is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

4.3 Locally produced like goods

Subsection 269T(1) defines like goods as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

4.3.1 Applicant's claims

NSIA stated it produces newsprint products that are either identical to or closely resemble the goods the subject of its application. NSIA claims that it produces the goods, which:

- have similar physical characteristics to the imported goods;
- are directly substitutable with the imported goods;
- compete directly in the same markets; and
- have the same end-uses.

NSIA provided further comments in terms of production, physical, commercial and functional likeness as detailed below.

(a) Production likeness

- The imported and locally manufactured newsprint are produced via similar manufacturing processes;
- NSIA considers that significant similarities in terms of manufacturing processes influences physical, commercial and functional similarities as outlined below.

(b) Physical likeness

- NSIA produces Newsprint defined by weight grade 42gsm or 45gsm (commercially referred to as NWH420 and NWH450 respectively);
- The imported products are available in both 42gsm and 45gsm grades. The majority of the products available are 42gsm grade newsprint, which is most closely equivalent NSIA's NWH420 grade product;

- The applicant states that 42gsm and 45gsm graded newsprint is sufficiently alike in all respects aside from marginal weight difference; and
- The physical characteristics of the imported goods (i.e. appearance and weight) and the locally made newsprint are similar.

(c) Functional likeness

- Both the locally produced and imported newsprint are manufactured for sale as a raw material input for the production of newspapers and are interchangeable. They have the same end-use application(s).

(d) Commercial likeness

- Imported newsprint and NSIA's products compete directly in the same market in Australia for the same end-use customers, via similar distribution channels; and
- The end-users in the Australian market switch between NSIA's products and imported products with the key purchase criteria driving the purchase decision being price.

4.3.2 The Commission's assessment

The Commission has examined the evidence presented in the application and considers that the Australian industry produces like goods to the goods the subject of the application, as defined in section 269T(1) of the Act.

Based on the information provided in the application, the applicant has demonstrated that:

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common end users;
- the imported and locally produced goods are functionally alike as they have a similar range of end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

4.4 Manufactured in Australia

Subsections 269T(2) and 269T(3) specify that, for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

4.4.1 Imported goods

NSIA identified that within the total Australian sales a certain volume of goods were imported and sold to its Australian customers. The goods were sourced from a related company located in New Zealand. NSIA eliminated these goods from the domestic costs and sales presented in the relevant appendices.

4.4.2 Applicant's manufacturing operations

NSIA submitted a schematic of the paper making process (Confidential Attachment A-3.6 of the application refers). NSIA also included a production flow diagram of the newsprint

manufacturing process of its Boyer Mill, located at Boyer, Tasmania. A similar process is being followed at NSIA's Albury mill.

NSIA state that the production process is a significantly capital-intensive process involving the conversion of virgin fibre and recycled paper into pulp which is then used to produce paper for newsprint

The detailed summary of production was provided in its confidential application but can be summarised as a capital intensive process that involves the conversion of virgin fibre and recycled paper into pulp and then paper for newsprint.

NSIA operates two such facilities in Australia, one in Boyer Tasmania and the other in Albury New South Wales.

4.4.3 The Commission's assessment

Based on the confidential information provided to demonstrate the manufacturing process, the Commission is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, the goods may be taken to have been produced in Australia.

4.5 Australian Market

The market related to products manufactured by NSIA in Australia is generally referred to as the "newsprint market".

The major end users of both the locally produced and imported goods are the newspaper producers. This includes daily, weekly and weekend newspapers produced and sold in major metropolitan cities as well as many regional cities and towns. The applicant also indicated that a small volume of newsprint is sold to commercial printers to produce books and catalogues.

The Australian newsprint market consists of four major newspaper publishing groups – News Limited, West Australian Newspapers, APN and Fairfax Media. In addition to the these entities, NSIA indicates that there are a number of small regional newspapers publishers.

NSIA state that the majority of the newsprint is sold via long term supply contracts with the price being set via a number of factors which includes the manufacturing costs, and world newsprint prices. The long term agreements have terms of between five and ten years.

The reason for such periods as stated by NSIA is to ensure security of supply and providing a stable price to protect the newspaper from price volatility caused by international newsprint pricing and exchange rates.

Other sales occur under shorter term contracts which range from three months to three years and are usually offered on a tender basis.

A third selling method is spot sales. These sales are negotiated for an individual order as a one off type arrangement.

NSIA state that the demand for newsprint is driven by newspaper circulation and the volume of advertising in each paper. Newspaper circulation is also a function of demographics and population growth. However in recent years newspaper circulation growth has been impacted by the rise of digital alternatives.

NSIA stated that the number of pages allocated to retail and display advertising in any given newspaper is indicia of relative health of the economy.

NSIA considers that users of the imported newsprint consider that these goods are equivalent in terms of quality and are substitutable. As a result of this the importers of newsprint tend to focus on price competition to overcome the natural advantages associated with lead times that the local manufacturer can provide.

The applicant stated that the newsprint market has contracted over the last three years as newspaper circulation has declined. However imports of newsprint from France and Korea has increased substantially in 2012/13 and has remained above the levels achieved in 2010/11. From the indices provided, the alleged dumped import volume has increased 60.46 percentage points since 2010/11 and peaked at 82.89 percentage points in 2012/13. This is in contrast to the overall market that has declined 40.25 percentage points in the last four years.

Imports from other countries have also decreased by 86.32 percentage points.

NSIA indicated that they sell two main types of newsprint grades onto the Australian market:

- NWH 420 – 42 grams per square metre (gsm²)
- NWH 450 – 45gsm²

NSIA indicated that the selling price for newsprint has decreased in the 2013/14 period as NSIA competes against the prices from France and Korea. Additionally the sales mix has substantially changed from the dominant NWH 450 in 2010/11 to NWH 420 being the dominant grade in 2013/14. This shift has changed the aggregate prices over the last four years.

4.5.1 Alternative products

NSIA stated that there are no commercially significant substitutable products with respect to newsprint products available in the Australian market. However as a result of digital alternatives, the demand from newspapers has declined leading to a decline in newsprint.

4.5.2 Market Size

The Commission compared the estimated import volumes in the application derived from Australian Bureau of Statistics data (ABS) to the data in the ACBPS's import data base. The import data showed that total imports of newsprint under the relevant classifications were similar to those estimated by NSIA.

The Commission considers that in the absence of detailed import information that would enable further categorisation of goods by weight and composition, the data in ACBPS's import data base and the application provide a reasonable estimate of import volumes.

The following graph depicts the Commission's estimate of the Australian market size for newsprint using data from ACBPS import database, ABS data and NSIA's sales data. The Commission estimates that in 2013/14 (from Apr 2013 to Mar 2014) the size of the Australian market for newsprint was approximately 330,000 tonnes (**Confidential Appendix 2 refers**).

The Commission estimates the Australian market size (volume) has declined 40.3% since 2010/11.

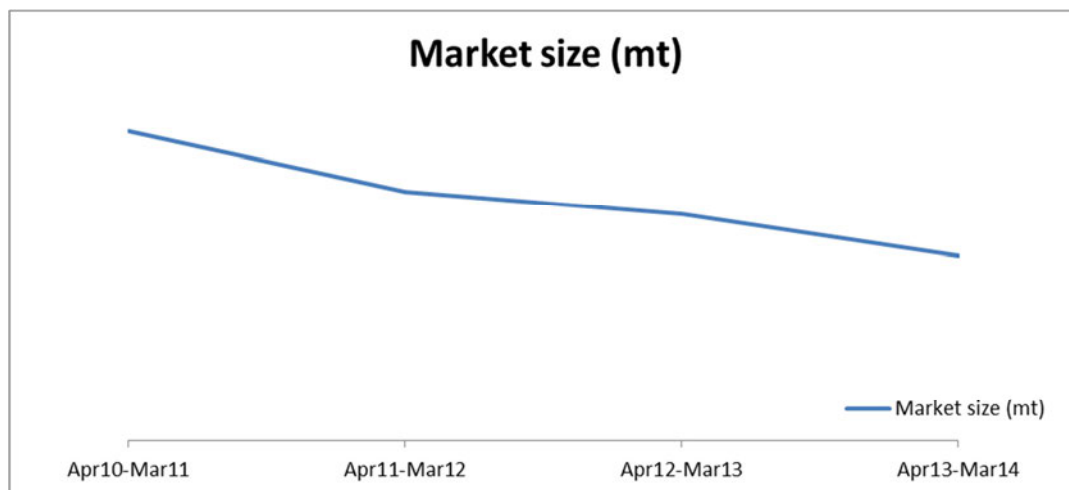


Figure 1: Australian market size for newsprint: 2010/11 - 2012/14

4.5.3 Australian industry information

NSIA is an Australian public company, limited by shares, registered in Australia in 1989. Publicly available shareholder information indicates that NSIA is 100% owned by a foreign-owned holding company, Norske Skog Overseas Holdings AG (Switzerland), which is ultimately wholly owned (via intermediary holding companies) by a Norwegian publically listed company, Norske Skogindustrier ASA.

Publically available corporate information reflects that NSIA is the principle corporate limb of Norske Skogindustrier ASA in the Australasian region. Norske Skogindustrier ASA also operates similar affiliated operative networks in Europe, South America, Asia and Canada.

NSIA itself wholly owns a number of affiliated subsidiary companies, separately registered in Australia. Information provided by NSIA relating to the company's corporate network reflects that NSIA wholly owns:

- Confidential entity located outside Australia (data not included in financial or injury indicies)
- Norske Skog Paper Mills (Australia) Ltd (owner and operator of Boyer paper Mill); and
- Norske Skog (Australasia) (the separately registered Australian sales limb of NSIA).

NSIA's financial year is from January to December. NSIA's accounts include financial records for NSIA, Norske Skog Paper Mills (Australia) Limited, and Norske Skog (Australasia) Pty Ltd and are audited annually.

As part of the application NSIA provided audited financial statements and annual reports for 2011 and 2012 with the 2012 audit report dated 13 May 2013.

4.5.4 Australian industry's sales

As part of the application NSIA included domestic and export sales volumes, revenues and rebates as required in Confidential Appendices A2, A3, A4, A5 and A6. Appendix A1 was also provided to substantiate production volumes.

NSIA also completed separate appendix A6 cost to make and sell spreadsheets for each grade (NWH420 and NWH 450) that is produced and sold domestically and exported overseas for each of the two mills (i.e. Albury paper mill; Boyer paper mill; and consolidated production of the two mills).

The information provided in Appendix A6 included production and sales volumes, manufacturing costs, selling, distribution and administrative expenses and sales volumes by quarter, for the period from April 2010 to March 2014.

The Commission examined the detail in, and links between, relevant appendices. The Commission therefore considers that NSIA's appendices are reliable for preliminarily assessing the economic condition of the industry in respect of newsprint.

4.5.5 Other economic factors

NSIA completed Confidential Appendix A7 identifying movements in assets, capital investment, revenue variations, return on investment, capacity utilisation, inventory and employment variations.

4.5.6 The Commission's assessment – Australian industry

Based on the information in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application. The Commission is also satisfied that the information contained in the application is sufficient for the purposes of a preliminary analysis of the economic condition of the industry in respect of newsprint from April 2010 to March 2014.

5 REASONABLE GROUNDS – DUMPING

Having regard to the matters contained in the application and to other information considered relevant, there appear to be reasonable grounds to support the claims that:

- newsprint so defined as ‘the goods’ by the applicant has been exported to Australia from France and Korea at dumped prices;
- the volume of newsprint that appears to have been dumped from France and Korea each exceed 3% of the total Australian import volume of the goods, and therefore is not negligible; and
- the estimated dumping margins for France and Korea are each greater than 2% and are therefore not negligible.

5.1 Legislative framework

Article 5.2 of the World Trade Organisation (WTO) Anti-Dumping Agreement (ADA) states that an application shall include evidence of dumping. It states that simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet this requirement, but such information must be reasonably available to the applicant.

Subsection 269TC(1) of the Act requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG of the Act, one of the matters that the Minister must be satisfied of to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods. This issue is considered in the following sections.

5.2 Export prices

5.2.1 NSIA’s claims

Using ABS import data, NSIA calculated the monthly average AUD free-on-board (FOB) unit export price for newsprint exported from France and Korea.

The exchange rate used by NSIA to convert Euro to Australian dollars and Korean Won to Australian dollars was the monthly average rate obtained from the Ozforex foreign exchange.

5.2.2 The Commission’s assessment

The Commission compared the export price calculation provided by NSIA with data contained in ACBPS’s import database. The Commission filtered ACBPS data with reference to the tariff subheading and statistical code parameters set out by NSIA with respect to the goods definition.

Prior to making the comparison, the Commission cleansed the ACBPS import data by removing product descriptions that were outside the product weight ranges noted in the application (within the range 40 to 46gsm (inclusive)) and any other product combinations and products that were not identified as newsprint.

The Commission found that the volume in the ACBPS database with respect to importations of newsprint from France and Korea was similar to the volume estimated in the application.

For completeness, the Commission notes that the total import volume from all origins reflected in ACBPS database was approximately 6% higher than the total import volume estimated in the application.

A comparison of FOB export prices shows that NSIA's estimates for exportations from France and Korea were similar when compared to the ACBPS's import database for those countries.

The Commission considers that, based on the information submitted in the application, the amounts used by NSIA to estimate FOB export prices for newsprint exported from France and Korea to Australia appear to be reasonable.

A comparison of NSIA's and ACBPS's import volumes and unit price is at **Confidential Appendix 3**.

5.3 Normal values

To estimate normal values NSIA used pricing information from an international paper trade magazine.

5.3.1 Industry data

Domestic prices are sourced from a paper industry publication that researches and publishes (available by subscription) indicative prices and production costs for newsprint production by country. Pricing information is provided on a monthly basis for the last twelve months to January 2014.

France

The French domestic price selling terms are free into store. The publication provided mid-point monthly prices for 45gsm graded newsprint sold in France.

NSIA intelligence indicates that both 45 gsm and later in the 2013/14 period 42 gsm newsprint was sold to Australia. Despite 42gsm being a higher priced product (approximately AUD20 m/t) NSIA used the 45gsm price.

Korea

The Korean domestic price selling terms are free into store. The publication provided mid-point monthly prices for 46gsm graded newsprint sold in Korea.

NSIA used the 46gsm price for the first six months and for the following six months up-lifted the 46gsm price by the 42gsm price premium to obtain 42gsm prices.

5.3.3 The Commission's assessment

Industry data

The Commission examined the French monthly data provided in the application for 42gsm and 45gsm in Euro per tonne. The Commission also examined the monthly data for Korea for 46gsm in Korean Won per tonne.

The Commission considers the domestic selling price information was information reasonably available to the applicant to demonstrate actual selling prices from France and Korea.

Overall, for the purpose of assessing whether the applicant has demonstrated reasonable grounds for the publication of a dumping duty notice, the Commission considers this information reasonable.

5.4 Dumping margins

France

The dumping margin for newsprint calculated by NSIA using domestic selling prices provided in the application, as discussed above, is 6.6%.

Korea

The dumping margin for newsprint calculated by NSIA using the domestic selling prices provided in the application, as discussed above, is 12.85%.

The Commission is satisfied that, based on the information submitted in the application, NSIA has demonstrated that there appear to be reasonable grounds for concluding that newsprint has been exported to Australia from France and Korea at dumped prices.

5.4.1 Dumping Margin Period

The Commission notes that the applicant calculated dumping margins for the 2013 calendar year. This period was chosen due to the limitations of the data.

5.5 Import volumes

From the information available from the ACBPS's import database, imports of newsprint from France and Korea each exceed 3% of the total import volume during the proposed investigation period (1 April 2013 to 31 March 2014) and are therefore not in negligible volumes as defined in s.269TDA of the Act.

The Commission is satisfied that the information contained in the application is satisfactory for the purposes of establishing export prices and normal values and the method to establish dumping margins.

6 ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

6.1 Findings

Having regard to the information contained in the application and to other information considered relevant, the Commission analysed the data for the overall newsprint market and is satisfied that NSIA appears to have experienced injury in the form of:

- Lost sales volume;
- Reduced revenues;
- Price depression;
- Price suppression;
- Reduced profits; and
- Reduced profitability.

6.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner must reject an application for a dumping duty notice if, *inter alia*, he is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice. Under sections 269TG, one of the matters that the relevant Minister must be satisfied of to publish a dumping duty notice is that, because of dumping of the goods, material injury has been or is being caused or is threatened to the Australian industry producing like goods.

6.3 Injury claims

In respect of newsprint, NSIA claimed that the Australian industry has been injured through:

- Lost sales volumes;
- Price undercutting;
- Price depression;
- Price suppression;
- Reduced profit and profitability; and
- Reduced revenues.

6.4 Commencement of injury

NSIA submitted that material injury caused by imports from France and Korea of newsprint has occurred in 2013/14.

6.5 Accumulation of injury

Subsection 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

- the conditions of competition between the exported goods; and
- the conditions of competition between the exported goods and the like goods that are domestically produced;

the Minister is satisfied that it is appropriate to consider the cumulative effects.

Based on the information provided in the application, the Commission is satisfied that in respect of newsprint, in respective markets, the conditions of competition between imported and domestically produced like goods appear to be similar.

The information contained in the ACBPS import database indicates that one importer of newsprint imported from both the nominated countries in the investigation period. The Commission considers that this indicates that the products are used by the same or similar customers.

As discussed at Section 4, the Commission is satisfied that the goods are alike, have similar specifications (in terms of weight and brightness), have similar end-uses, and compete in the same primary market segments.

The Commission considers that it is appropriate to consider the cumulative effect of the imports from France and Korea at alleged dumped prices. The Commission considers:

- The margin of dumping for each country is not negligible⁴;
- The volume of each country is not negligible⁵; and
- The cumulative assessment is appropriate in light of the conditions of competition between the imported goods and the like domestic goods.

6.6 Approach to injury analysis

Background

The injury analysis detailed in this section is based on the financial information submitted by NSIA and the ACBPS's import database.

NSIA claims that it has suffered material injury in the form of reduces sales volume, reduced sales value, price depression and suppression and loss of profits and profitability resulting from price undercutting.

NSIA provided production, cost and sales data for newsprint. The data was provided on a quarterly basis for the period from April 2010 to March 2014 for the overall newsprint domestic market. Due to the March 2014 quarter not being finalised, NSIA provided cost and sales estimates for the month of March 2014 based upon past activities and current performance indicators.

The data for the overall domestic newsprint market has been used as the primary basis for the purpose of assessing the overall economic condition of the Australian industry as discussed below.

6.7 Volume effects

6.7.1 Sales Volume

The following graphs compare NSIA's domestic sales volumes to imported newsprint from 2010/11 to 2013/14. Figure 2 shows the total sales volume movements in the Australian market of the applicant, France and Korea and other. Figure 2 shows that over the four

⁴ S.269TAE(2C)(c) dumping margin at least 2%.

⁵ S.269TDA(4) by country negligible volume is less than 3% of the total import volume from all countries.

year period to 2013/14 NISA's sales volume has decreased together with that of other exporting countries. In contrast the volume for France and Korea has increased.

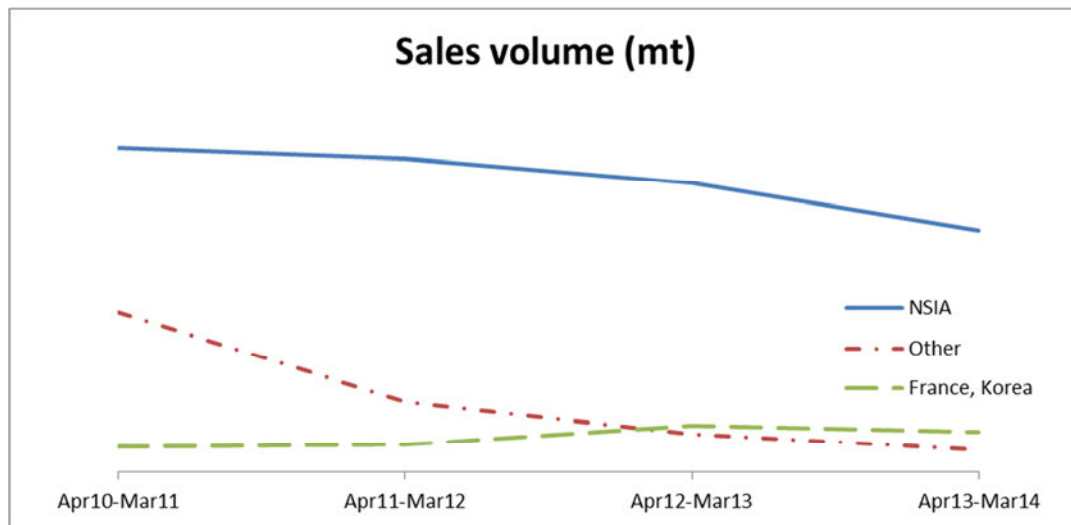


Figure 2: Domestic sales volume of newsprint: 2010/11 - 2013/14

Based on this analysis, there appears to be reasonable grounds to support NSIA's claim that it has lost sales volume.

6.7.2 Market shares

Figure 3 shows movements in Australian market shares for newsprint from 2010/11 to 2013/14.

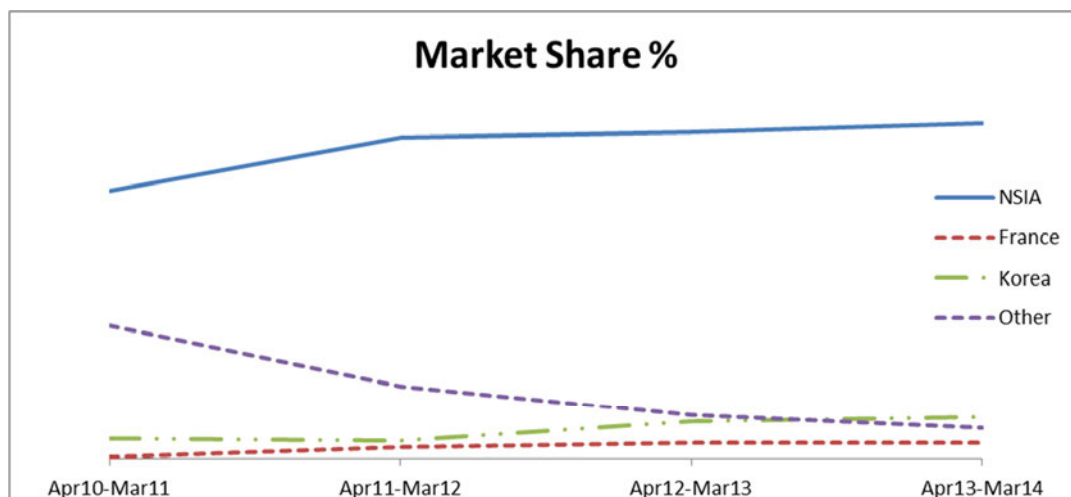


Figure 3: Australian market share for newsprint: 2010/11 - 2012/13

Notwithstanding the overall decline of the Australian market size, figure 3 indicates, total imports from France and Korea have increased their market share by approximately 5% between 2010/11 and 2012/13. The Australian industry's market share has increased albeit with decreasing sales volumes and at the expense of imports from other countries; particularly New Zealand.

While the overall Australian market (volume) contracted from 2010/11 to 2013/14 NISA's market share increased in the same period.

Based on this analysis, there does not appear to be reasonable grounds to support the claim that the Australian industry has lost market share.

6.8 Price effects

6.8.1 Price depression and price suppression - overall newsprint domestic market

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

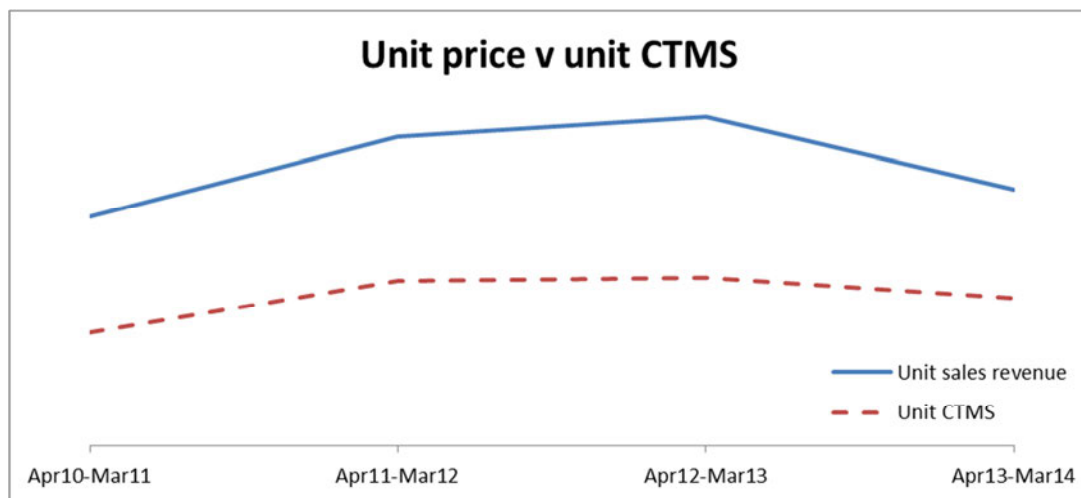


Figure 4: NSIA's unit revenue v unit costs: 2010/11 - 2013/14

Figure 4 shows the movements and relationships of NSIA's unit revenue and unit cost to make and sell (CTMS) for the overall newsprint market from 2010/11 to 2013/14. In figure 4 it is evident that unit price has decreased in the 2013/14 period reflecting the competitive market pressures. Of note is the unit CTMS has been decreasing albeit at a slower rate than the unit prices. NSIA indicated that a number of cost saving initiatives have been adopted to reduce the unit CTMS.

Figure 5 below indicates that the total revenue and total CTMS has been declining with the margin between the revenue and costs decreasing. The decreasing trend in both indicators reflects the decreasing sales volume, and unit sales value and the cost improvements.

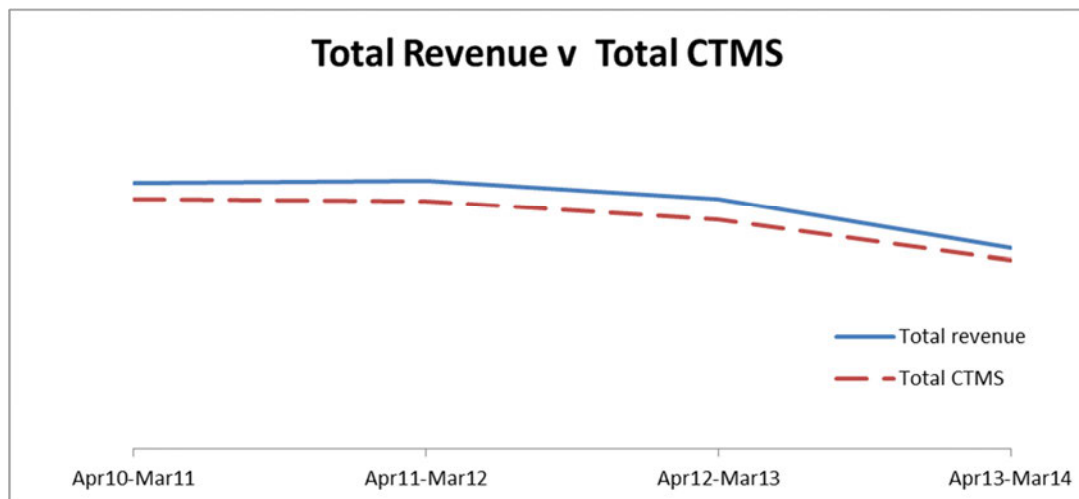


Figure 5: NSIA's total revenue v total costs: 2010/11 - 2013/14

Based on this analysis, there does appear to be reasonable grounds to support the claim that the Australian industry has experienced injury in the form of price suppression and price depression and lost sales revenue.

6.9 Profit effects

Figure 6 shows movements in NSIA's total profit and profitability (profits measured as a percentage of revenue) for newsprint from 2010/11 to 2013/14.

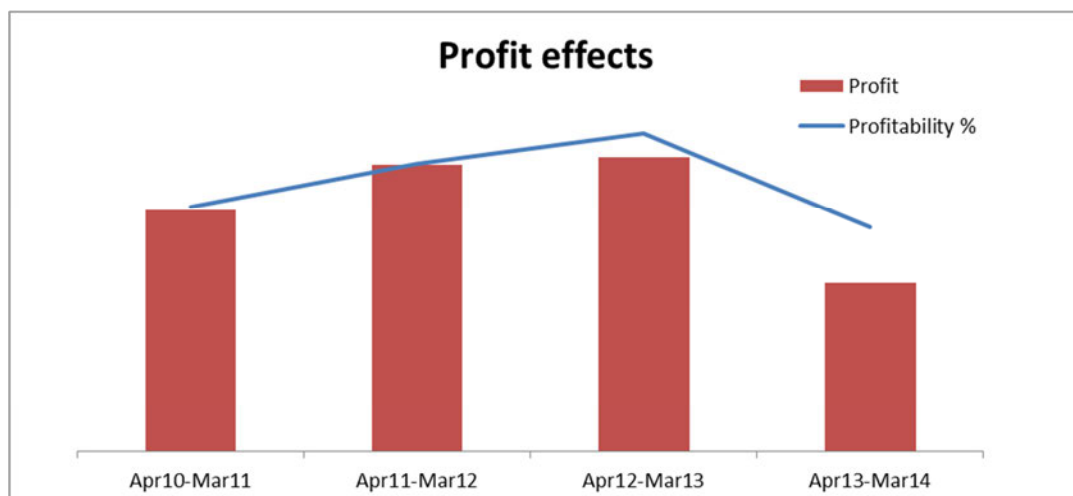


Figure 6: NSIA's total profit and profitability: 2010/11 - 2013/14

Figure 6 shows a decrease in NSIA's profit in 2013/14 to a level below the levels achieved in 2010/11 while profitability has returned to the 2010/11 levels. As demonstrated in figure 6, a significant negative trend began following the 2012/13 period.

The decrease of profits and profitability excludes the financial effects of the export sales.

NSIA stated that in the absence of anti-dumping measures, its losses are likely to increase in coming years. NISA claims that by introducing a range of cost-cutting initiatives in 2012/13, it was able to mask the true impact of the financial damaged caused

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by alleged dumping. With the bulk of sales under contract and the prices already negotiated, NSIA considers that profits and profitability will significantly deteriorate.

Based on the above analysis, it appears that the Australian industry has experienced injury in the form of reduced profits and profitability in 2013/14.

7 CAUSATION FACTORS

Having regard to the matters contained in the application and to other information considered relevant, the Commission is satisfied that the goods under consideration exported to Australia from France and Korea at allegedly dumped prices have caused material injury to the Australian industry.

7.1 The applicant's injury claims

NSIA acknowledges that due to the rise in digital alternatives for news and an overall decline in newspaper circulation, the Australian newsprint market has contracted over the last few years. Notwithstanding this general decline NSIA claims that it has suffered material injury from dumped imports in 2013/14.

NSIA claims that whilst the total Australian newsprint market has contracted, sales volumes of the goods from France and Korea did not follow this trend and have been increasing. The application stated that the increase in sales of imported newsprint from France and Korea in a declining market could only be achieved due to a price advantage from the alleged dumping.

As a result of the reduced pricing, NSIA asserts that the lower prices have caused injury in the form of reduced revenues, lost sales volume, reduced profits and profitability, and price suppression and depression.

Consequently NSIA considers that its profits and profitability will materially suffer in the next few years as a consequence of the renegotiated prices in an attempt to retain sales volumes.

The application stated that the increased availability of newsprint supply from France and Korea at dumped prices in Australia is likely to impact the purchasing intentions of other newspaper publishing groups, thereby presenting a foreseeable and imminent threat of future material injury to NSIA (with further lost sales and reduced profit).

NSIA contends that the natural advantage of being the local producer is not the advantage once applied. NSIA had a major customer which since 2008 began to switch its business to an overseas supplier. Since this period NSIA lost the majority of its business to Korean and Indonesian paper manufacturers only to be left with non-newsprint sales.

NSIA claims that an impact on its profit to date from the imports from France and Korea at dumped prices, the nature of long-term contracts in the newsprint industry indicates that as the contracts are re-negotiated, the pervasive impact of increased imports from France and Korea at dumped prices on the Australian market will further impact NSIA's profit and profitability.

7.1.1 The Commission's assessment

The Commission has analysed the information provided and considers that NSIA has been suffering material injury caused by the alleged dumped prices.

During 2013 NSIA renegotiated its contracts that were to expire in 2015 reducing the contracted rates to compete with price offers from Korean and French manufacturers. Furthermore NSIA lost sales in 2013/14 for non-contracted volumes to dumped importers.

NSIA provided evidence in the form of sales invoices and the most recent contracts for its customers confirming a downward trend in pricing. Both contracts indicate prices are decreasing over the contract term.

NSIA indicates that the reason for the renegotiated contracts was brought about by its customers seeking better prices in response to price offers from French and Korean manufacturers.

The price indices indicate that prices have decreased 3.85 percentage points from 2012/13 period as a result of the allegedly dumped prices.

During 2013 NSIA was asked to provide prices to a major customer. The original quote was not sufficient, nor competitive with other quotes. NSIA resubmitted the quote further reducing the price. This price is substantially below its regular prices in order to be competitive.

Furthermore given the small number of manufacturers located in each country, an examination of ABS statistics can reveal certain facts outlined below.

In 2012, NSIA examined ABS import stats following an unsuccessful price offer. Following the examination NSIA confirmed that the Korean price was below their offer price.

The information supplied indicates that the Korean manufacturer is aggressively setting prices to win new business. From an examination of the ACBPS database, it can be seen that the prices offered by the French made goods is lower than the Korean prices.

NSIA indicated that they used to supply newsprint to one of their customers but from 2008 sales were steadily lost to both Korean and French imports.

Furthermore on analysis of ACBPS database it appears competition is not being driven by other countries as their import volumes have dramatically decreased over the last four years. NSIA asserts competition is directly coming from both French and Korean manufacturers in the form of lower prices.

The Commission considers that the information in the application demonstrates that the prices have been decreasing and this is causing injury to NSIA. It is also demonstrated that from the contracts supplied in support of the application, the set prices and volumes for the remainder of the contracts periods will lead to a continuation of the injury currently being suffered.

7.1.2 Non-injurious price

To further assist the assessment of whether the alleged dumping from the nominated countries caused injury to the Australian industry the Commission sought to compare export prices from France and Korea to an estimate of a non-injurious price (NIP) for the year ending 31 March 2014.

Having regard to the fact that newsprint products from France and Korea have been present in the market prior to the commencement of the injury period and the alleged quantum of the dumping discussed in this report, the Commission considers that it is most reasonable to rely on NSIA's current costs plus a profit from a period that NSIA considers it was not being injured by dumping (prior to mid-2012) to derive a USP.

Consequently, for the purposes of the consideration of the application the Commission has calculated the USP for NSIA for the year ending March 2014 as:

- NSIA's weighted average cost to make and sell for newsprint products between 40 to 46gsm for 2013/14; plus
- the weighted average profit margin achieved by NSIA from 2010/11 to 2012/13.

The Commission then deducted amounts from that USP for a reasonable estimate of 'into-store' costs and overseas freight. Based on information in the ACBPS import database it appears that customers directly import the goods rather than conduct business via an importer. No amounts have therefore been deducted for import profit and SG&A. These calculations provided for a NIP at an FOB level, which is suitable for comparison to an FOB export price.

The Commission then compared this NIP with the weighted average export prices for the year ended March 2014 for France and Korea. This comparison showed that the French and Korean weighted average export prices for the year were below the NIP.

This further supports a view that allegedly dumped imports have caused material injury to the Australian industry.

Calculations of the USP and NIP, and its comparison with the FOB export price, form **Confidential Appendix 4**.

8 CONCLUSION

The Commission has examined the application in respect of newsprint and is satisfied that:

- the application complies with s.269TB(4) of the Act;
- there is an Australian industry in respect of like goods; and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of newsprint exported to Australia from France and Korea.

Accordingly, the Commissioner has not rejected the application for the publication of a dumping duty notice under s.269TC(1) of the Act.

The Commission also recommends an investigation period from 1 April 2013 to 31 March 2014.

9 APPENDICES AND ATTACHMENTS

APPENDIX	
Appendix 1	Delegate's notice
Confidential Appendix 2	The Commission's estimate of the Australian market for newsprint
Confidential Appendix 3	Comparison of NSIA's and the Commission's import volumes and unit values
Confidential Appendix 4	Non-injurious price and unsuppressed selling price calculations