



**INVESTIGATION 242**

**ALLEGED DUMPING OF NEWSPRINT  
EXPORTED FROM FRANCE AND THE REPUBLIC OF KOREA**

**VISIT REPORT - IMPORTER**

**WEST AUSTRALIAN NEWSPAPERS LIMITED**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

**July 2014**

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**ABBREVIATIONS**

\$	Australian dollars
ADN	Australian Dumping Notice
ADN	Anti-Dumping Notice
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
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOB	Free On Board
GAAP	Generally accepted accounting principles
gsm	grams per square metre
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
SWM	Seven West Media
The Act	<i>Customs Act 1901</i>
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
USP	Unsuppressed Selling Price
WAN	West Australian Newspapers

## **1 BACKGROUND AND PURPOSE**

### **1.1 Background**

On 24 March 2014, an application was lodged by Norske Skog Industries Australia Limited (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 the Republic of Korea (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.

Public notification of initiation of the investigation was made on 22 April 2014 in *The Australian* newspaper and Australian Dumping Notice No. 2014/34.

### **1.2 Purpose of visit**

The purpose of the visit was to:

- confirm that West Australian Newspapers (WAN) is the importer of newsprint attributed to it within the commercial database and obtain information to assist in establishing the identity of the exporter(s) of this newsprint;
- verify information on imports of newsprint to assist in the determination of export prices;
- establish whether the purchases of newsprint were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for newsprint; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

Company	West Australian Newspapers Limited
Dates of visit	29 May 2014

The following were present at various stages of the meetings.

West Australian Newspapers	Dr Trent Dickeson – Head of Supply Chain and Procurement – Seven West Media Liam Roche – General Manager, Group Operations and Information Technology – West Australian Newspapers Terry Clarke – General Manager, Herdsman Print Centre - West Australian Newspapers
the Commission	Tom O'Connor – Manager – Operations 2 Chris Harrison – Supervisor – Operations 2

### 1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 April 2013 to 31 March 2014.
- The injury analysis period is from 1 April 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (23 June 2014) 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 Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 11 August 2014, or such later date as the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) allows under s.269ZH1 of *the Customs Act 1901* (the Act).

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

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

This final report is due no later than 24 September 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

### **1.5 Visit report**

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company 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.

## **2 THE GOODS**

### **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 metre (gsm) to 46 gsm (inclusive) and brightness below a measure of 70 ISO.*

### **2.2 Tariff classification**

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

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 of more than 8 per cent.

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.

### 3 COMPANY DETAILS

#### 3.1 Commercial Operations

WAN is 100% owned by Seven West Media Limited (SWM). An organisation structure of the SWM group was provided (**Confidential Attachments 1 and 2**). At the verification visit, we were informed that WAN's operations include the production and distribution of the largest newspaper in Western Australia, *The West Australian*. We were also informed that WAN also produces 22 regional newspaper publications across WA and employs [Confidential business detail] full-time equivalent staff. WAN constitutes approximately [Confidential business detail] of the total Australian demand for newsprint.

As stated in the SWM consolidated Annual Report 2013, WAN had total revenues of [Confidential business detail] for the financial year ended June 2013.

#### 3.2 Accounting structure and details of accounting systems

WAN's financial year is 1 July to 30 June. Its most recent annual financial statements were independently audited by KPMG.

#### 3.3 Relationship with suppliers and customers

##### 3.3.1 Suppliers

WAN currently sources newsprint from Jeonju in Korea and UPM in France. WAN advised that it has [Confidential business detail] contracts in place with these suppliers and that they were chosen as a result of a detailed tender process which [Confidential business detail]

##### 3.3.2 Customers

WAN advised that it does not sell newsprint to any customers. Rather, newsprint is used as a raw material in the production process to produce a different good, namely newspapers.

#### 3.4 Like goods

##### 3.4.1 Importer comments

###### *Physical likeness*

The goods were described by WAN as having very similar characteristics regarding physical attributes and appearance. Minimal differences in the physical characteristics of the goods were advised to be insignificant to a consumer of the end product and only an industry professional would be able to determine any difference. These differences were mainly colour and production performance. WAN provided us with a technical specifications table which the company uses in its tender process to select suitable newsprint (**Confidential Attachment 3**).

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WAN informed us that the goods from its suppliers in France and Korea are made from recycled paper. Of minor note, WAN indicated that the imported goods may be a slightly different shade which from their perspective was an insignificant difference.

WAN indicated that the strength and opacity of the newsprint were also important considerations. When the weight of the newsprint reduces, additional clay and kraft are required to maintain the opacity and strength. We were advised that kraft is a type of fibre that is very strong. The clay is for the opacity and the kraft, being an expensive type of fibre, is added to maintain strength.

Accordingly, newsprint below 40gsm is not likely to be used by WAN due to its performance characteristics and cost. Likewise newsprint above 46gsm, whilst it can be used, it is not due to the additional cost of the heavier paper and lower yields when expressed on a per tonne basis.

### *Commercial likeness*

WAN advised that the imported goods and the domestically produced goods are commercially alike and compete directly with each other. Customers purchase the goods and like goods for the same commercial purpose via similar distribution channels. Both imported and domestically produced goods are commercially targeted to the same customers.

WAN informed us that due to the competitive pressures it faces, and like many Australian newspaper publishers, they swapped from 45gsm to 42gsm newsprint. We were informed the main reason for the change was the yield advantage of the lower weight along with manufacturing improvements made with 42gsm over recent years

Traditionally, the 42gsm newsprint had a significant price premium over the 45gsm that precluded its use as it was not as economic. [REDACTED]

[REDACTED] [Confidential production detail]

WAN informed us that the 42gsm is a lighter paper than 45gsm, but its performance is comparable.

### *Functional likeness*

WAN indicated the goods have the same end use and are substitutable and interchangeable on the newspaper production machinery. However, in regards to performance on the newspapers printing & inserting machinery, WAN described the imported goods as having better performance.

WAN described the domestically produced newsprint as containing virgin pulp (i.e. pulp manufactured and used for the first time, as opposed to recycled pulp). WAN indicated that virgin pulp has some disadvantages on the WAN machinery in the newspaper production process.

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WAN indicated the recycled paper performed better during the inserting process. WAN indicated that recycled paper folds better and when inserts (magazines, brochures, features) are assembled into the paper they are less likely to fall out.

An additional benefit of the better fold is that the paper tends to present better in the bundle. WAN described this as the top pages of the paper looking fresh and appealing as opposed to potentially wrinkled and damaged because of the outer cover detaching from the remainder of the newspaper during the post printing processes

Due to these aspects of the recycled paper, WAN found a reduction in its spoilage **(Confidential Attachment 4)**.

## 4 AUSTRALIAN MARKET

### 4.1 General

The Australian newspaper publishing industry has faced significant structural decline in recent years. Newspaper circulation levels have been in decline since the emergence of online news content as readers continue to switch to the online medium. This structural decline has continued consistently over the past five years. According to the *Newspaper Publishing in Australia IBISWorld Industry report J5411* published in February 2014, industry revenue is estimated to have declined by 8.4% annualised over the five years through 2013-14. This decline is in line with WAN's description of the market conditions.

[Redacted text block]

[Confidential

business/industry detail]

Another issue of note is how advertisers are trying to differentiate themselves. WAN informed us that advertisers are using more inserts (magazines and brochures) to promote their businesses as a compliment to advertising directly in the newspaper. Inserts are typically produced on better quality paper that is not part of this investigation.

### 4.2 Sales

#### 4.2.1 Distribution and Selling

WAN advised that it did not on sell newsprint into the Australian market. We confirmed this from an examination of the printing facility. WAN sells newspapers and other printed products.

## 5 IMPORTS

### 5.1 Volume of trade

The following table summarises the volume purchased from each import source during the investigation period.

During the investigation, WAN informed us that the [REDACTED]

[Confidential import detail]

[Confidential Table of Import Volumes]

### 5.2 Forward orders

WAN provided details of forward orders of newsprint expected to arrive from April through June 2014. [REDACTED]

[Confidential order detail]

The Commission considers the volume of forward orders to represent normal business volumes.

### 5.3 Verification of imports

Prior to the visit, we selected seven shipments of newsprint that WAN had imported during the investigation period. For the purposes of verification, we requested WAN provide copies of the commercial invoice, bill of lading, packing list and any other documents supporting post exportation.

WAN provided source documents for all selected shipments (**Confidential Attachment 5**). WAN provided the purchase order, commercial invoice, bill of lading, packing list and evidence of payment for each shipment.

We used these to verify the information recorded in the ACBPS database. The source documents provided were consistent with ACBPS data.

#### 5.3.1 Supplier invoice details

Following the examination of the commercial documents in general we found that all purchases of the goods were in AUD expressed on a per tonne basis. All goods were shipped by sea and stuffed into forty foot containers. Specifically however, we found:

a) Jeonju

[REDACTED]

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[Redacted] [Confidential terms of trade detail]

For each invoice selected, WAN provided evidence of payment confirming that the invoice price is the price paid.

### b) UPM

[Redacted] [Confidential terms of trade detail]

For each invoice selected, WAN provided evidence of payment confirming that the invoice price is the price paid. [Redacted]

[Redacted] [Confidential business detail]

WAN informed us that 42gsm newsprint is slightly more expensive but due to the benefits of additional square metres of newsprint per tonne, there [Redacted]

[Redacted] [Confidential production detail and explanation of benefits associated with logistics.]

Regarding time from order to arrival, WAN allows for [Redacted] [Confidential shipping detail] and [Redacted] [Confidential shipping detail]

### 5.3.2 Shipment costs

Due to the terms of trade [Redacted] [Confidential terms of trade detail], the Commission was not able to determine the cost of ocean freight.

### 5.3.3 Importation costs

Due to the terms of trade, the Commission was not able to determine the importation and into store costs.

#### **5.4 Selling, general and administrative (SG&A) costs**

The Commission did not examine the selling and general and administrative costs as the goods are converted into newspapers and not sold as is. Consequently, the Commission considers that determining these costs and profitability for the purposes of an arm's length test irrelevant.

#### **5.5 Export prices for selected shipments**

The Commission found that the export prices are [REDACTED] *[Confidential commercial detail detail]* AUD for Jeonju and [REDACTED] *[Confidential commercial detail detail]* for UPM. WAN informed us that it requires two suppliers for continuity regarding supply risk management. Currently the split of volume between Jeonju and UPM is [REDACTED] and [REDACTED] *[Confidential commercial detail]* respectively. Details are provided at **Confidential Attachment 6**. The contracts are for a period of [REDACTED] *[Confidential commercial detail]*

## 6 WHO IS THE IMPORTER AND EXPORTER

### 6.1 Who is the importer?

We reviewed the documents provided in respect of the selected shipments. We note that:

For shipments from Jeonju Korea:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *[Confidential process detail]*

We consider WAN to be the beneficial owner of the goods at the time of importation, and therefore the importer of goods from Jeonju Korea.

For shipments from UPM France:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *[Confidential process detail]*

We consider WAN to be the beneficial owner of the goods at the time of importation, and therefore the importer of goods from UPM France.

### 6.2 Who is 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 in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principals, is essentially a facilitator in the sale and shipment of the goods on behalf of the

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manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

Subject to further inquiries, we are satisfied that Jeonju Korea and UPM France can be considered exporters of Newsprint imported by WAN. To our knowledge, these entities are principals in the countries of export, which manufacture the goods and gave up the goods for shipment directly to WAN.

## **7 ARMS LENGTH**

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1), the Act requires that the relevant sales are arms length transactions.

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- 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; and
- in the opinion of the Parliamentary Secretary, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

WAN stated that it was not related to the seller by share ownership of otherwise. The relationship was that of a buyer and seller of goods.

We reviewed the documentation for the selected shipments and found no evidence to the contrary to consider otherwise.

Subject to further inquiries, we are satisfied that import transactions between WAN and its suppliers are at arms length in terms of s. 269TAA.

## **8 GENERAL COMMENTS**

WAN provided the following general comments.

[REDACTED]  
[REDACTED] *[Confidential production detail]*

[REDACTED]  
[REDACTED] *[Confidential process detail]*

[REDACTED]  
[REDACTED] *[Confidential process detail]*

## **9 RECOMMENDATIONS**

From our investigations, we are of the opinion that, for the goods imported by WAN from Jeonju;

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with this exporter, we recommend that the export price for newsprint imported by WAN from Jeonju can be established under s. 269TAB(1)(a) of the Act, using the invoiced price.

From our investigations, we are of the opinion that, for the goods imported by WAN from UPM France;

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with this exporter, we recommend that the export price for newsprint imported by WAN from UPM France can be established under s.269TAB(1)(a) of the Act, using the invoiced price

## **10 APPENDICES AND ATTACHMENTS**

<b>Confidential Attachment 1</b>	SWM organisation structure
<b>Confidential Attachment 2</b>	SWM company structure
<b>Confidential Attachment 3</b>	WAN newsprint technical specifications requirements
<b>Confidential Attachment 4</b>	WAN benefits of switching to imported newsprint details
<b>Confidential Attachment 5</b>	Source documents for selected imports
<b>Confidential Attachment 6</b>	WAN contract price and supplier split details