



## INVESTIGATION 242

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

#### VISIT REPORT - IMPORTER

#### PMP Print Pty Ltd

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

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<b>ABBREVIATIONS</b>
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\$	Australian dollars
ADN	Australian Dumping Notice
The Act	<i>Customs Act 1901</i>
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
NIP	Non-injurious Price
NSIA	Norske Skog Industries Australia Limited
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
USP	Unsuppressed Selling Price

## **1 BACKGROUND AND PURPOSE**

### **1.1 Background**

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 Korea.

NSIA claims that its newsprint exported to Australia from France and Korea at dumped prices has caused it to experience material injury in the form of:

- reduced sales volumes;
- price depression;
- price suppression;
- price undercutting;
- 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**

Officers from the Anti-Dumping Commission (the Commission) visited PMP Print Pty Ltd (PMP Print) in order to:

- confirm that PMP Print is the importer of newsprint attributed to it within Customs and Border Protection's commercial database;
- obtain information to assist in establishing the identity of the exporter(s) of 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	PMP Print Pty Ltd
Date of visit	28 May 2014

The following were present at various stages of the meetings.

PMP Print Pty Ltd	George Halarakis – Direct Procurement Manager - PMP Print Mark Goldsmith – Central Business Services Manager – PMP Print
the Commission	Tom O'Connor – Assistant Director – Operations 1 Jukka Mäntynen – Assistant Director – Operations 1 Ben Merlin – Investigator – Operations Coordination

### 1.4 Investigation process and timeframes

The company was advised 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 23 June 2014 which is day 60 of the investigation;
- 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 is satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice or a countervailing duty notice;
- the making of a PAD was distinguished from the 'reasonable grounds' threshold for initiation of the investigation;
- a 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 (the Parliamentary Secretary) allows under s.269ZHI 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; and
- 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**

It was explained to the company that a report of the visit would be prepared and provided it to the company to review its factual accuracy, and to identify any parts of the report it considers to be confidential.

It was explained that, in consultation with the company, a non-confidential version of the report would be prepared and placed on the investigation's Public Record.

### **1.6 Information provided**

Prior to the meeting, PMP Print was forwarded an importer questionnaire. The questionnaire sought information relating to the company, structure, suppliers, ownership and requested the importer to provide information on selected consignments.

PMP Print completed the importer questionnaire prior to the visit. See **Confidential Attachment 1**.

## 2 THE GOODS

### 2.1 Description

The goods under consideration 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 Tariff classification

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 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.

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 per cent applies; and
- goods classified under 4801.00.39, statistical code 19, goods are duty free.

### 2.3 Tariff Concession Orders

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

### 2.4 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 1980s. At that time, the Australian production of newsprint was supplemented with imported newsprint.

## PUBLIC RECORD

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 per cent mechanical pulp and weigh less than 34 gsm;
- (b) contain more than 55 per cent mechanical pulp, weigh less than 48 gsm 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 per cent mechanical pulp, contain no bleached chemical pulp and have a weight not exceeding 205 gsm; or
- (d) contain not less than 70 per cent 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.



### 3 COMPANY DETAILS

#### 3.1 Commercial Operations

PMP Print is a subsidiary of PMP Limited. PMP Limited is an ASX listed company with over 1,500 employees in Australia and New Zealand. PMP Limited is structured into three main elements: PMP Australia; PMP New Zealand; and Gordon and Gotch. Its subsidiaries and companies include PMP Print, PMP Digital, PMP Distribution, Gordon and Gotch Distribution, Gordon and Gotch Digital, Griffin, and Dimension Studios.

In the 2013 financial year, PMP Limited had an operating revenue of \$975.8 million. \$493.6 million was attributed from PMP Australia operations<sup>1</sup>.

PMP Limited specialises in a range of marketing functions including print and distribution, data-driven marketing and customer analytics, customer modelling, geospatial analysis, photography, retouching, computer generated imagery, pre-media and production, digital asset management, automated workflow solutions, and book printing<sup>2</sup>.

PMP Print is one of Australia's largest printers and distributors of catalogues, magazines and marketing material. It also prints directories, magazines and forms. It has printing locations in Melbourne (Clayton), Sydney, Brisbane, Perth and Adelaide. Its head office is located in Melbourne (Clayton).

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

The financial year for PMP Limited is from 1 July to the 31 June. The latest available audited accounts are for 2012/13.

PMP Print indicated that it uses JDE software for its account management and an *MIS* system for costing, pricing and to prepare quotes.

#### 3.3 Relationship with suppliers and customers

PMP Print indicated that PMP Limited does not have a stake in NSIA or in any of the identified exporters, UPM, Bowater and Jeonju Paper, and that the relationship between PMP Print and NSIA is no more than one of a commercial nature. PMP Print also indicated that it does not receive any rebates from its suppliers.

PMP Print also explained that its [REDACTED] customers who use the goods under investigation [REDACTED]

[REDACTED] are also not related to it. PMP Print stated that the newsprint for [REDACTED]  
[REDACTED] [Supply details]

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<sup>1</sup> PMP Limited Annual Report.

<sup>2</sup> PMP Limited Webpage ([www.pmplimited.com.au](http://www.pmplimited.com.au)).

No further information has been identified by the Commission to indicate that PMP Print is related to any of its other customers purchasing newsprint.

### 3.4 Like goods

PMP Print advised that it imports goods that match the description of the goods subject to the application. Both major customers, [REDACTED] use newsprint in rolls at a weight of 45 gsm at a brightness of ISO 70 or less for the printing of their catalogues. However, only [REDACTED] use goods that are imported [REDACTED] uses locally sourced newsprint from the applicant (NSIA).

PMP Print stated that they source newsprint for [REDACTED] from [REDACTED] which is manufactured and shipped from [REDACTED]. We were informed that [REDACTED] has a number of mills in Europe which PMP Print can source from including [REDACTED]. PMP Print advised that [REDACTED] [Customer Details] only 100 per cent recycled newsprint can be used for printing their catalogues and that NSIA does not provide 100 per cent recycled newsprint.

It was also stated by PMP Print that the shade of the [REDACTED] is preferred by [REDACTED]. The Commission was also advised that PMP Print previously used Korean [REDACTED] sourced newsprint for [REDACTED]. However, the shade of paper was not preferred by the customer and [REDACTED] was sourced from that time on.

PMP Print also informed the Commission that in their experience [REDACTED] [REDACTED] [Newsprint product comparison] This is based on the amount of paper breakages per tonne of newsprint. However, PMP Print indicated that it does not regard the difference as critical.

## 4 AUSTRALIAN MARKET

## 4.1 General

PMP Print understands that NSIA is the only manufacturer of newsprint in Australia.

PMP Print stated that NSIA does not manufacture 100 per cent recycled newsprint which is required by some customers.

We were also informed that it had not purchased much newsprint from NSIA until 2013. PMP Print stated that as the market size for newsprint has decreased and NSIA has converted some of their machines to print different types of paper.

## 4.2 Distribution and Selling

██████████ are PMP Print's ██████████ customers who use newsprint. It was already ascertained that ██████████ request 100 per cent recycled newsprint in a shade that ██████████ and that the Australian market does not produce 100 per cent recycled newsprint.

PMP Print has been using NSIA paper for [REDACTED] since late 2013.

[Pricing details]

### 4.3 Sales

PMP Print does not sell the goods as imported. It converts the goods in print media.

## 5 IMPORTS

### 5.1 Ordering

Orders for newsprint are only placed with NSIA when a contract has been received from a customer [REDACTED].

PMP Print places orders with [REDACTED]

[REDACTED] [Agent details]

[REDACTED] [Ordering details]

[REDACTED] [Ordering details]

[REDACTED] [Ordering details]

### 5.2 Volume of trade

PMP Print orders approximately [REDACTED] tonnes of various types of paper, including newsprint, through [REDACTED]. This is approximately [REDACTED] of its total paper requirements.

[REDACTED]

PMP Print uses approximately [REDACTED] tonnes of newsprint per year. Approximately [REDACTED] per cent of this is imported, all of which is [REDACTED]

[REDACTED]

[REDACTED]

### 5.3 Forward orders

PMP Print did not indicate that it had any forward orders in place for newsprint.

## 5.4 Verification of imports

The Commission verified the orders placed with [REDACTED] by viewing documentation provided by PMP print. This documentation included purchase orders, invoices, packing lists, shipping documents, order acknowledgements, and proof of payment data. See **Confidential Attachment 2**.

[REDACTED]

[REDACTED]  
[Ordering details]

Prior to the visit, the Commission selected shipments from the import listing and asked PMP Print to complete a spread sheet providing import details on each. PMP Print provided the following supporting documentation:

- Purchase Orders;
- Order Acknowledgements;
- Commercial Invoices;
- Packing Lists;
- Bills of Lading; and
- Internal Payment transaction history extracts.

## 5.5 Export prices for selected shipments

[REDACTED]  
[Pricing details]

## **6 WHO IS THE IMPORTER AND EXPORTER**

### **6.1 Who is the importer?**

The documents provided in respect of the selected shipments were reviewed. The Commission notes that PMP Print:

- is named as the customer on Commercial Invoices;
- is named as the customer Order Acknowledgements
- is named as the customer on Packing Lists;
- is named as the consignee on the bill of lading; and
- has made payments for the goods.

The Commission considers PMP Print to be the beneficial owner of the goods at the time of importation, and therefore the importer.

### **6.2 Who is the exporter?**

The Commission generally identifies 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 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, the Commission is satisfied that UPM can be considered exporter of newsprint imported by PMP Print Pty Ltd. To the Commission's knowledge, these entities are principles in the country of export, which manufacture the goods and gave up the goods for shipment directly to PMP Print.

## **7 ARM'S 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 arm's length transactions.

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arm's 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.

The documentation was reviewed for the selected shipments and no evidence in respect of the purchase of newsprint was found that:

- there is any consideration payable for or in respect of the goods other than price;

[REDACTED]

- PMP Print or an associate of PMP Print was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

The Commission is satisfied that import transactions between PMP Print and its suppliers are at arm's length in terms of s. 269TAA.

## 8 GENERAL COMMENTS

PMP Print provided few comments on the material injury claims made by NSIA. PMP Print stated that the continued fall in volumes of newsprint that are sold worldwide is directly attributed to the increase in digital media.

PMP Print used to print with newsprint for such publications as *Trading Post*, *BEAT* and *Leader* newspapers. The change of the Trading Post to a digital resulted in a closure of a PMP Print plant in 2002.

[REDACTED]

PMP Print indicated that newsprint should not necessarily be considered as an interchangeable commodity item. Different factories produce slightly different shades as well as differences in quality that are measured by the amounts of breakages during printing. Not all, but some customers specify particular shades. For example, PMP has not ordered newsprint from [REDACTED] since 2013 because [REDACTED] will not accept material printed on newsprint from [REDACTED] because of its shade. Breakages have direct impacts on the efficiency of the printing process.



## 9 RECOMMENDATIONS

From the investigations, the Commission is of the opinion that, for the goods imported by PMP Print from UPM:

- 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 arm's length transactions.

Subject to further inquiries with these exporters, the Commission recommends that the export price for newsprint imported by PMP Print from [REDACTED] can be established under paragraph 269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

## 10 APPENDICES AND ATTACHMENTS

[illegible]