

Newsprint exported from France and Korea

UPM Chapelle Darblay, France

Introduction

UPM France SAS' Chapelle Darby plant is located in Grand-Couronne, France. The plant has a total annual production capacity of 350,000 tonnes of newsprint, operating two paper machines. The mill employs 440 people. The plant relies on 100 per cent recycled paper as a raw material input.

In 2007, UPM announced that it would spend EUR 15 million to upgrade the plant's newsprint production lines. This involved the modernization and improved product quality of the mill's de-inking plant and paper machine 6 – the newsprint machine.

Ownership

UPM France SAS ("UPM France") is a wholly owned subsidiary of UPM-Kymmene Corporation. It is claimed by UPM France that it only manufactures newsprint, and does not sell domestically or on export markets. The sales function of UPM France newsprint is handled by the related affiliate, UPM Sales Oy – also 100 per cent owned by UPM-Kymmene Corporation. UPM Sales Oy is a Finnish registered company that sells newsprint manufactured by UPM France on both domestic and export markets.

UPM Asia Pacific Pte Ltd ("UPM-AP") is a Singapore-based company that purchases newsprint from UPM Sales Oy for on-selling into the Asia Pacific region. UPM-AP is 100 per cent owned by UPM-Kymmene Corporation.

UPM's sales company in Australia is UPM-Kymmene Pty Ltd ("UPM-Aus") and operates as a "commission agent" representing UPM-AP.

Exports to Australia

UPM has recently been involved in the A4 and A3 copy paper exported from China investigation. In that investigation, the Anti-Dumping Commission ("the Commission") had regard to the "structure and operational" arrangements between UPM China and UPM AP (the latter owns the former). In this newsprint investigation, the ownership arrangements are [*structure of related entities*].

This is relevant for the newsprint exports to Australia as manufactured by UPM France. The UPM France Exporter Questionnaire Response ("EQR") states that UPM Sales OY purchases the newsprint from UPM France. UPM Sales Oy sells the newsprint to UPM AP, which then on-sells the newsprint to UPM-Aus.

Norske Skog Industries (Australia) Limited ("Norske Skog") contends that the relevant export price for the newsprint exported to Australia is the sale between the manufacturer, UPM France, and the sales agent UPM Sales Oy for on-sale to domestic and export markets. It is also important that this price is not affected by the relationship of the associated companies.

Exported Goods and Like Goods

The UPM France EQR suggests that newsprint sold domestically and exported to Australia are "identical". The Commission is urged to examine the specifications of the goods exported to Australia versus the specifications of newsprint sold domestically.

Normal values

As indicated, UPM Sales Oy handles domestic sales for UPM France. The Commission will require access to UPM Sales Oy sales data for France for the goods under consideration across the investigation period. Norske Skog highlights with the Commission the need to ensure that only comparable grades – i.e. goods that are “alike” to the grades exported to Australia, are included in normal value calculations.

Norske Skog requests that the Commission to seek full disclosure on grades exported by UPM France to ensure the fair comparison of newsprint grades (to permit the Australian industry to examine whether all goods included in normal value assessment are ‘alike’).

The role of UPM Sales Oy as the sales arm of UPM France will need to be considered when undertaking the ordinary course of trade test (when identifying all relevant costs associated with the manufacture and sale of newsprint on the French domestic market).

It is noted in the UPM France EQR that UPM-AP pays an agency commission to UPM-Aus for newsprint sales to Australia. An adjustment to normal value will be required. Norske Skog would also query with the Commission whether fees/commissions are paid by UPM Sales Oy to UPM AP for newsprint exports. The Commission is requested to inquire if such commissions were paid during the investigation period.

UPM France has indicated that level of trade “differences” exist between domestic sales and export sales. The Commission is to be satisfied that price differences can be evidenced between alleged sales at differing levels of trade on the domestic market in France.

UPM France – Cost to make and sell

UPM France utilizes an SAP cost accounting system. Data from SAP is transferred to Hyperion for the preparation of financial and management accounts. The Commission will, therefore, be able to access all costs associated with the different grades of newsprint and similar goods produced by UPM France, and have access to an audit trail for all costs associated with the manufacture of newsprint.

UPM France relies on 100 per cent recycled fibre as the key input into newsprint manufacture. Purchase prices for recycled fibre will therefore influence overall production costs for the UPM facility [*related party v non-related party purchases*].

It is noted that UPM France has an on-site effluent plant. All costs of this facility to be taken into account when identifying fully-absorbed CTM&S newsprint.

UPM France recently upgraded its newsprint paper machine No.6 at a cost of Euro 15 million. The Commission to seek full disclosure of capital cost of upgrade, and amortisation treatment of capital outlays.

The treatment of sales and marketing expenses will require close attention by the Commission. As the sales function is undertaken by a related party, it will be important that the true costs associated with sales, marketing and advertising are included (and recorded accurately). It is noted in the UPM France EQR that UPM France proposes to make “a separate submission addressing adjustments to normal value”. Norske Skog views the identification of sales, marketing and advertising costs as central to establishing the correct CTM&S newsprint in France. It is crucial that allocations, where made, are tested to ensure correct costs are included within the relevant grades, and that no relevant costs are omitted. The Commission is requested to exercise due care in this regard.

Rebates

The payment of rebates is a common occurrence in the industry. UPM France' EQR indicates that "All types of adjustment are recorded" – that is, all discounts and rebates have been included in its domestic sales file. Norske Skog would like to highlight with the Commission that it is a key consideration is evidencing net selling prices that all discounts and rebates are correctly identified and accounted for. The failure to correctly identify and include all rebates (including volume-driven rebates that may only be paid annually) will influence dumping margin assessments (and outcomes).