

Report No. 445

Investigation into the alleged dumping of coated paper originating in or imported from the People's Republic of China (PRC) and the Republic of Korea: Preliminary determination

The International Trade Administration Commission of South Africa herewith presents its
**Report No. 445: INVESTIGATION INTO THE ALLEGED DUMPING OF COATED PAPER
ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC)
AND THE REPUBLIC OF KOREA: PRELIMINARY DETERMINATION**



Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA
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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 445

INVESTIGATION INTO THE ALLEGED DUMPING OF COATED PAPER ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC) AND THE REPUBLIC OF KOREA: PRELIMINARY DETERMINATION

SYNOPSIS

On 25 January 2013, the Commission initiated an investigation into the alleged dumping of coated paper originating in or imported from the People's Republic of China (PRC) and the Republic of Korea through Notice No. 32 of *Government Gazette* No. 36082.

The application was lodged by Sappi Southern Africa (Proprietary Limited), on behalf of the SACU industry.

The investigation was initiated after the Commission considered that there was sufficient evidence to show that the subject product was being imported at dumped prices, causing material injury to the SACU industry.

On initiation of the investigation, the known producers/exporters of the subject product in the PRC and the Republic of Korea were sent foreign manufacturers/exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete.

The Commission took all comments received from interested parties into account in making its preliminary determination. All submissions made by interested parties are contained in the Commission's public file for this investigation and are available for perusal. It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some of the salient comments received from interested parties and the Commission's consideration of these comments are specifically included in this report.

After considering all interested parties' comments, the Commission made a preliminary determination that the subject product originating in or imported from the Republic of Korea (excluding that manufactured by Hansol Paper and Artone Paper) and the PRC is being dumped onto the SACU market causing material injury and a threat of material injury to the SACU industry.

The Commission therefore decided to request the Commissioner for South African Revenue Service (SARS) to impose the following provisional measures on imports of the subject product for a period of 24 weeks:

Tariff subheading	Product	Country/Manufacturer	Amount of provisional payment
48.10	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size of a kind used for writing, printing or other graphic purposes not containing fibers obtained by a mechanical or chemi-mechanical process or of which not more than 10 per cent by mass of the total fibre content consist of such fibres, with a mass of 70 g/m ² or more but not exceeding 400g/m ²	Republic of Korea (excluding that manufactured by Hansol Paper; Artone Paper; Moorim Paper, Moorim SP and Moorim P&P)	17.25 %
		Republic of Korea: Manufactured by Moorim Paper, Moorim SP and Moorim P&P	17.25 %
		PRC	14.14%

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002 (Act 71 of 2002) (The "ITA Act"), and the International Trade Administration Commission Anti-Dumping Regulations (ADR) read with the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement) .

1.2 APPLICANT

The application was lodged by Sappi Southern Africa (Proprietary) Limited, on behalf of the SACU industry.

1.3 DATE OF ACCEPTANCE OF APPLICATION

The application was accepted by the Commission as being properly documented in accordance with ADR 21 on 09 October 2012.

1.4 ALLEGATIONS BY THE APPLICANT

The Applicant alleged that imports of the subject product, originating in or imported from the PRC and the Republic of Korea were being dumped on the SACU market, thereby causing material injury to the SACU industry. The basis of the alleged dumping was that the goods are being exported to SACU at prices less than the normal value in the countries of origin.

The Applicant further alleged that as a result of the dumping of the subject product from the PRC and the Republic of Korea it is suffering material injury in the form of:

- (a) Price undercutting;
- (b) Price suppression;
- (c) Decline in sales volume;
- (d) Decline in revenue (sales value);
- (e) Actual and potential decline in output;

- (f) Decline in capacity utilisation;
- (g) Decline in market share;
- (h) Decline in return on investments;
- (i) Decline in employment; and
- (j) Decline in cash flow

1.5 INVESTIGATION PROCESS

The application was submitted by the Applicant on 11 May 2012. The information submitted was verified on 7 August 2012. The verification report was sent to the Applicant on 8 August 2012. The information requested during verification was submitted on 14 August 2012.

The Commission initiated an investigation into the alleged dumping of coated paper originating in or imported from the PRC and the Republic of Korea pursuant to Notice No. 32 which was published in Government Gazette No. 36082 on 25 January 2013.

Prior to the initiation of the investigation, the trade representatives of the countries concerned were notified of the Commission's intention to investigate, in terms of ADR 27.1. All known interested parties were informed and requested to respond to the questionnaires and the non-confidential version of the application.

1.6 INVESTIGATION PERIOD

The investigation period for dumping is 1 April 2011 to 31 March 2012. The injury investigation involves evaluation of data for the period 1 October 2007 to 31 March 2013. The investigation also involves evaluation of injury data for subsequent period 01 April 2012 to 31 March 2013.

1.7 COMMENTS

The Commission considered comments received from interested parties with regard to the application and procedure. Non-confidential versions of these comments are available on the public file.

Hansol and Artone Paper's comments:

Hansol and Artone indicated that "the investigation was initiated on the 25th of January 2013 and the period is from April 2011 to March 2012. The information is thus 10 months old at the time of initiation. Anti-dumping Regulation 1 provides that the investigation period for dumping shall normally be a period ending not more than 6 months prior to the initiation of the investigation".

As correctly pointed out by Hansol and Artone, the Anti-Dumping Regulations provide that the period of investigation for dumping shall normally be a period ending not more than 6 months before the initiation of the investigation. This is therefore clearly an issue where the Commission has discretion and has chosen to use this discretion.

The initial application was for both anti-dumping action and countervailing action with regard to People's Republic of China. Therefore, in accordance with domestic legislation and international law, the Commission went through a process of consultations with the Government of the People's Republic of China, which resulted in the countervailing application being withdrawn. This caused a delay in the initiation of the anti-dumping investigation.

The Applicant was however requested to update its material injury information in order for the Commission to consider the state of the industry in the period subsequent to the period of investigation. There is therefore no change in the injury period of investigation.

1.7 PARTIES CONCERNED

1.7.1 SACU industry

The SACU industry consists of one manufacturer of the subject product, Sappi Southern Africa (Proprietary) Limited that provided the material injury information in this report.

1.7.2 Foreign Manufacturers/Exporters

Eight exporters responded to the exporter's questionnaire, namely Hansol Paper Co., Ltd, Artone Paper, Moorim SP, Moorim P&P, Moorim Paper, Gold East, Gold Huasheng Paper, and Shandong Chemning Paper Holdings Limited.

The following foreign manufacturers'/ exporters' responses were regarded to be deficient for purposes of the Commission's preliminary determination:

- (a) Moorim SP;
- (b) Moorim P&P;
- (c) Moorim Paper;
- (d) Gold East Paper;
- (e) Gold Huasheng Paper; and
- (f) Shandong Chemning Paper Holdings Limited

Moorim SP, Moorim P&P and Moorim Paper (Moorim) submitted their information on 18 March 2013. Deficiency letters were sent out on 09 April 2013. A response was received on 12 April 2013 which was still deficient. On 19 April 2013 letters were sent out to Moorim informing them that their information may not be taken into account for purposes of the preliminary determination as they did not address their deficiencies within the stipulated time frames. On 24 April 2013, updated responses were received, which were still deficient. The main deficiency on their response was the sworn affidavit.

Moorim SP submitted its information with Moorim P&P and Moorim Paper. Moorim SP's information was verified and it was found that it did not export the subject product to the SACU during the period of investigation.

The Commission decided to impose the residual duty on Moorim SP as it did not export the subject product to the SACU during the period of investigation.

Although it was indicated to Moorim that its information may not be taken into account by the Commission for purposes of its preliminary determination due

to the deficiencies, it was decided to verify the information as part of the verification process in the Republic of Korea.

The Commission made a preliminary determination not to take the information submitted by Moorim into account for purposes of the preliminary determination.

Gold East Paper's and Gold Huasheng Paper's information was not verifiable for the purpose of the preliminary determination. The main deficiencies identified in their responses are as follows:

- No explanations provided for columns in the domestic and export sales schedule;
- The sales schedules not reconcilable to the management accounts;
- Only exports value and volume to SACU was provided instead of all their exports;
- No export price list provided as per the questionnaire;
- Substantiation for claimed adjustments as requested was not provided for both normal value and export price; and
- A sworn affidavit was not submitted.

After several correspondences with both exporters regarding their deficient responses, properly documented responses were received. However, they were informed that their information may not be considered for the purposes of preliminary determination as they did not address their deficiencies within the stipulated time frames.

The Commission made a preliminary determination not to take the information submitted by Gold East Paper and Gold Huasheng Paper into account for purposes of the preliminary determination.

Shandong Chenming Paper did not respond to the deficiency letter within the stipulated time frames.

The Commission made a preliminary determination not to take the information submitted by Shandong Chenming Paper into account for purposes of the preliminary determination.

1.7.3 Importers

Three importers responded to the importers' questionnaire, namely Nor Paper, Antalis and Mondi PaperLink.

Antalis and Nor Paper responses were considered to be properly documented. Their information was verified on 16 and 22 May 2013 respectively. Mondi PaperLink did not import the subject product during the period of investigation as such it was deemed not to be an interested party. However it indicated that it is awaiting SARS's tariff determination with regard to the imported product.

The Commission made a preliminary determination not to take the information submitted by Mondi PaperLink into account for purposes of the preliminary determination.

1.8 PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

- the subject product originating in or imported from the Republic of Korea and manufactured by Hansol Paper and Artone Paper is not being dumped onto the SACU market;
- the subject product originating in or imported from the Republic of Korea and manufactured by other manufacturers is being dumped onto the SACU market;
- the subject product originating in or imported from the PRC is being dumped onto the SACU market;
- the SACU industry experienced material injury during the POI;

- the subsequent information on material injury shows that the SACU industry is still experiencing material injury;
- there is sufficient information to indicate that a threat of material injury exists; and
- there is a causal link between the alleged dumping of the subject product and the material injury and threat of material injury experienced by the SACU industry.

The Commission made a preliminary determination to request the Commissioner of SARS to impose the following provisional measures:

Tariff subheading	Product	Country/Manufacturer	Amount of provisional payment
48.10	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size of a kind used for writing, printing or other graphic purposes not containing fibers obtained by a mechanical or chemi-mechanical process or of which not more than 10 per cent by mass of the total fibre content consist of such fibres, with a mass of 70 g/m ² or more but not exceeding 400g/m ²	Republic of Korea (excluding that manufactured by Hansol Paper, Artone Paper, Moorim Paper, Moorim SP and Moorim P&P)	17.25 %
		Republic of Korea: Moorim Paper, Moorim SP and Moorim P&P	17.25 %
		PRC	14.14%

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The imported product in the investigation is paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size of a kind used for writing, printing or other graphic purposes not containing fibers obtained by a mechanical or chemi-mechanical process or of which not more than 10 per cent by mass of the total fibre content consist of such fibres, with a mass of 70 g/m² or more but not exceeding 400g/m², classifiable under tariff subheading 4810.19.90 ("Coated Paper").

It should be noted that the products under tariff heading 48.10 attract no customs duty. The Applicant indicated that if the anti-dumping duty is imposed on tariff sub-heading 4810.19.90, there is a risk of goods being classifiable incorrectly to avoid the payment of the anti-dumping duty. The Applicant therefore indicated that in order to prevent possible circumvention of any anti-dumping duties imposed by the Commission, it requests the Commission in the application to extend the application of such duties to any imports of the subject product cleared under tariff heading 48.10.

This matter was raised with SARS, which indicated that it would be advisable to impose duties, if any, on tariff heading 48.10.

Nor Paper's comments:

Nor Paper indicated that the Applicant alleges the coated paper which falls under tariff subheading 4810.19.90 could be cleared under tariff subheading 4810.29.90 because the latter tariff subheading "meets the general product description". The Applicant then uses this as the reason to request ITAC to impose duties on the whole of tariff heading 48.10. It indicated that this is an irrational extension of the ambit of the investigation. The "general product description of coated paper is different from the "general product description of product classifiable under tariff subheading 4810.29.90 which the Applicant refers to as the "Coated Mechanical Paper".

Applicant's response:

The Applicant indicated that "they would like to bring to the attention of Nor Paper that the Applicant submitted application to cover both of these codes. ITAC, however have only gazetted the one code i.e the subject product coated paper classifiable under tariff subheading 4810.19.90. However due to the complexity of the product under investigation as well as the inability of SARS to distinguish between coated paper classified under tariff subheading 4810.19.90 and 4810.29.90 it is evident that the product which is the subject of this investigation is imported under both tariff headings.

It further stated that Nor Paper cannot make the assertion that imports under tariff subheading 4810.29.90 fall outside the scope of the investigation without taking cognisance of the product description as well as the definition of the like product".

The Application was submitted in respect of coated paper classifiable under tariff heading 4810.19.90. If duties are imposed on this tariff line, there is a risk of goods being classifiable incorrectly to avoid the payment of the anti-dumping duty. To prevent this circumvention, the Commission in consultation with SARS, decided on initiation that duties, if any, would be imposed on Paper and paperboard, coated on one or both sides with

kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size of a kind used for writing, printing or other graphic purposes not containing fibers obtained by a mechanical or chemi-mechanical process or of which not more than 10 per cent by mass of the total fibre content consist of such fibres, with a mass of 70 g/m² or more but not exceeding 400g/m² imported under tariff heading 48.10.

2.1.2 Country of origin/export

The subject product is exported from the PRC and the Republic of Korea.

2.1.3 Possible tariff loopholes

The Applicant indicated that if the anti-dumping duty is imposed on tariff sub-heading 4810.19.90, there is a risk of goods being classifiable incorrectly to avoid the payment of the anti-dumping duty. The Applicant therefore indicated that in order to prevent possible circumvention of any anti-dumping duties imposed by the Commission, it requests the Commission in the application to extend the application of such duties to any imports of the subject product cleared under tariff heading 48.10.

This matter was raised with SARS, which indicated that it would be advisable to impose duties, if any, on tariff heading 48.10.

2.1.4 Tariff classification

The subject product is currently classifiable as follows:

Table 2.1.4: Tariff classification

Heading	Tariff subheading	Description	Statistical Unit	Rate of customs duty			
				General	EU	EFTA	SADC
48.10		Paper and paperboard, coated on one or both sides with kaolin (china clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size:					
	4810.1	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres obtained by a mechanical or chemi-mechanical process or of which not more than 10 per cent by mass of the total fibre content consist of such fibres:					
	4810.19	Other:					
	481019.90	Other:	Kg	free	free	free	free
	4810.2	Paper and paperboard of a kind used for writing, printing or other graphic purposes, of which more than 10 per cent by mass of the total fibre content consists of fibres obtained by a mechanical or chemi-mechanical process:					
	4810.29	Other					
	481029.90	Other	Kg	free	free	free	Free

2.1.5 Negligibility test

The volume of dumped imports shall be considered negligible if it accounts for less than 3 % of total imports of the subject product during the period of investigation for dumping. The following table shows the alleged dumped imports as a percentage of the total imports:

Table 2.1.5: Import volumes

	Import volumes 1 April 2011 to 31 March 2012 – tonnes	Volume as a percentage of total import volume
Alleged dumped imports: The PRC	9 296 402	16 %
Alleged dumped imports: Republic of Korea	32 967 220	55 %
Others	17 204 839	29 %
Total imports	59 468 461	100 %

The Commission made a preliminary determination that the imports from both Republic of Korea and the PRC are above the negligibility level.

2.2 SACU PRODUCT

The product covered by this investigation includes paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size of a kind used for writing, printing or other graphic purposes not containing fibers obtained by a mechanical or chemi-mechanical process or of which not more than 10 per cent by mass of the total fibre content consist of such fibres, with a mass of 70 g/m² or more but not exceeding 400g/m², classifiable under tariff subheading 4810.19.90 ("Coated Paper"). This is the weight range manufactured by the Applicant and reflects the material injury suffered by it.

2.3 LIKE PRODUCTS ANALYSIS

In determining the likeness of products, the Commission used the following criteria:

Table 2.3 Like product determination

	Imported product	SACU product
Raw materials	<p>Pulp</p> <p>A quantity of additives (mainly natural mineral fillers) and dyestuffs are used together with traces of auxiliary chemicals to complete the coated paper manufacturing input. A further important input is water, which is used in large quantities during the papermaking process but it is then recovered and reused, or returned to the watercourse from which it is extracted.</p>	<p>Pulp</p> <p>A quantity of additives (mainly natural mineral fillers) and dyestuffs are used together with traces of auxiliary chemicals to complete the coated paper manufacturing input. A further important input is water, which is used in large quantities during the papermaking process but it is then recovered and reused, or returned to the watercourse from which it is extracted.</p>
Physical appearance	<p>High whiteness with a smooth surface available either in gloss, matt or silk finishes and grammages ranging from 70 grams per square meter to 400 grams per square meter suitable for half tone printing.</p>	<p>High whiteness with a smooth surface available either in gloss, matt or silk finishes and grammages ranging from 70 grams per square meter to 400 grams per square meter suitable for half tone printing.</p>
Tariff classification	4820.19.90	4810.19.90
Production process	<p>Production process used in producing the subject product is:</p> <ul style="list-style-type: none"> - Mixing of wood pulp cellulose fibre into a water based slurry - Transferral of slurry onto a screen (fibre felt) at various speeds and pressures to attain certain paper properties - Drainage (gravitational or vacuum) of water from screen - Pressing of paper to further reduce water content through a session of press rollers - Steam drying of paper through steam heated cylinder arranged in sections - Application of fillers such as clay or calcium carbonate - Application of coating - Calendering of paper to ensure required properties of smoothness and gloss levels - Re-reeling or sheeting of paper 	<p>Production process used in producing the subject product is:</p> <ul style="list-style-type: none"> - Mixing of wood pulp cellulose fibre into a water based slurry - Transferral of slurry onto a screen (fibre felt) at various speeds and pressures to attain certain paper properties - Drainage (gravitational or vacuum) of water from screen - Pressing of paper to further reduce water content through a session of press rollers - Steam drying of paper through steam heated cylinder arranged in sections - Application of fillers such as clay or calcium carbonate - Application of coating - Calendering of paper to ensure required properties of smoothness and gloss levels - Re-reeling or sheeting of paper

	- Wrapping of final product	- Wrapping of final product
Application or end use	Coated paper is high quality paper and paperboard generally used for the printing of reading material such as magazines, catalogues, annual reports and yearbooks. The product concerned includes both sheets and rolls suitable for use in sheet-fed ('cut star') printing machines. Rolls suitable for use in sheet-fed presses ('cutter rolls') are designed to be cut into pieces before printing, and are thus considered to be substitutable and directly competitive with sheets. The printing and production of magazines, high end glossy books, brochures, newspaper advertising inserts, annual reports, advertising flyers, etc.	Coated paper is high quality paper and paperboard generally used for the printing of reading material such as magazines, catalogues, annual reports and yearbooks. The product concerned includes both sheets and rolls suitable for use in sheet-fed ('cut star') printing machines. Rolls suitable for use in sheet-fed presses ('cutter rolls') are designed to be cut into pieces before printing, and are thus considered to be substitutable and directly competitive with sheets. The printing and production of magazines, high end glossy books, brochures, newspaper advertising inserts, annual reports, advertising flyers, etc.
Substitutability	The imported product and the SACU product are direct substitutes.	The imported product and the SACU product are direct substitutes.

After considering all the above factors, the Commission made a preliminary determination that the SACU product and the imported product are "like products", for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.

3. INDUSTRY STANDING

3.1 SACU INDUSTRY

The application is lodged by Sappi Southern Africa (Proprietary) Limited on behalf of SACU manufacturers and represents 100 per cent of the total SACU production.

The Commission decided that the application can be regarded as being made “by or on behalf of the domestic industry”.

4. DUMPING

The margin of dumping is calculated by subtracting the export price from the normal value of the product (after all adjustments have been made). The margin is then expressed as a percentage of the f.o.b. export price. If the margin is less than two percent, it is regarded as *de minimis* in terms of the ADR and no anti-dumping duty will be imposed.

The Commission made a preliminary determination that the sales made below costs should not be excluded from the calculation of the weighted average normal value, if such sales are less than 20 per cent of the total sales.

4.1 METHODOLOGY IN THIS INVESTIGATION FOR HANSOL PAPER Co., LTD IN THE REPUBLIC OF KOREA

4.1.1 Normal Value

Hansol Paper Co., Ltd produces coated paper and sold it on the domestic market in the Republic of Korea during the period of investigation. Hansol sells coated paper of 80 to 300 GSM in the Republic of Korea market. The actual invoiced sales were used to calculate the normal value. During verification it was found that there were sales of the subject product that were sold at a loss in the domestic market. In calculating the normal value, sales that were found to be at a loss were excluded from the calculation of the weighted average normal value. This consideration was made in the instance where sales below cost were above 20 per cent.

Hansol sells the subject product to end-users and wholesalers. During verification it was found that there was no significant price difference in the price charged to end-users and wholesalers for the same volume of products.

Hansol also sells the subject product through the following channels: related to unrelated, Hansol's related customers sell further to unrelated customers. In calculating the normal value, at first the sales to related parties were

evaluated. It was found that there was no significant difference in the price charged to related customers and that charged to unrelated customers. It follows then that sales to related customers and those to unrelated customers were combined in calculating the normal value.

In order for Hansol's domestic sales to be used for normal value calculation a 5% threshold test was performed to determine whether the domestic sales constitute 5% or more of the volume of exports of the subject product sold to SACU.

It was found that there were models of the subject product that were sold to the SACU market but not sold in the domestic market and others constituted less than 5% of export sales to SACU. In such cases wherein some models were not sold in the domestic market but exported to SACU and did not pass the 5% threshold test, the normal value was constructed based on the verified cost build up and applying the profit obtained from the sale of that model.

After performing the 5% test, sales below cost test was done per model of the subject product. It was found that there were models that were sold below cost. In cases where more than 20% of the domestic sales were sold below cost, the normal value was calculated by excluding all sales made below cost. However, where sales below cost were less than 20% of total sales, the total amount of sales for that model was considered for the normal value calculation.

Adjustments to the normal value

The following adjustment to the normal value was claimed by Hansol Paper and was allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices:

Transport costs

An adjustment was made for the delivery charges included in the invoice amount. The adjustment for delivery charges was made on a transaction to transaction basis.

The Commission made a preliminary determination to allow the transport costs adjustment.

The following adjustment to the normal value was claimed by Hansol Paper and was not allowed by the Commission:

(ii) Payment terms

An adjustment for cost of payment terms on domestic sales was calculated at an average period of xx* days. The company uses the actual interest rate charged by banks for short-term loans in domestic currency. Hansol Paper paid xx% on all short-term borrowings for the period of investigation, which the company used to calculate the cost of payment for domestic sales.

The payment days used by Hansol to calculate the cost of payment terms were not displayed on the invoices. Since Hansol's domestic sales are made on an open-account basis, they stated that it is not possible to calculate the actual number of days between the shipment and the payment of an individual transaction; hence it used the account receivable turnover method to determine the average payment terms for domestic sales.

It is the Commission's practice to consider adjustments to the normal value only if the adjustments affected price comparability at the time of setting prices. In this instance, payment terms would therefore have been indicated on the invoice, thereby indicating that the exporter was aware of the effect thereof on the setting of the selling price.

The adjustment was therefore not allowed in the calculation of normal value as it was not demonstrated that it affected price comparability at the time of setting the prices.

xx*: confidential

4.1.2 Export price

Export price is defined in section 32(2)(a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale under consideration.

To enable a proper comparison with the normal value, the export price should be at the ex-factory level and at the same level of trade.

The Commission used the actual export sales to SACU during the POI to calculate the export price. A weighted average export price was calculated for each of the following different models of coated paper exported to SACU during the POI: 80, 85, 90, 95, 100, 105, 113, 128, 148, 170, 200, 250 and 300 gsm.

Adjustments to the export price

The Commission made the following adjustments to the export prices for purposes of calculating the ex-factory export prices:

(i) Freight costs

Transport costs were calculated on a transaction by transaction basis using the actual charges paid for each transaction and allocating the charges according to the weight of each transaction.

(ii) Insurance

For transactions which delivery terms are CIF, Hansol pays marine insurance.

The following additional adjustments were claimed by the exporter and verified but were not allowed by the Commission:

(i) Payment terms

Cost of payment terms on export sales as calculated was established at an average period of xx days. Payment for SACU exports sales consists of Document against Acceptance (D/A) xx days and Letter of Credit (L/C) xx days. The payment terms were set on transaction-on-transaction basis as a result of negotiations with each customer. The company used the actual interest rate of xx% which it paid on short-term loans in foreign currency.

The payment days used for Hansol's cost of payment calculation were not displayed on the invoices. The adjustment was therefore not allowed by the Commission as it was not demonstrated that it affected price comparability at the time of setting the prices.

(ii) Commission paid to importer in SACU

Hansol and xx have an agreement that commission will be payable to xx for sales of the subject product made to xx.

The adjustment was not allowed by the Commission as it was not known at the time of setting the price what volumes would be imported by xx and therefore it was not demonstrated that the commission paid to the importer affected price comparability at the time of setting the price.

(iii) Rebate paid

Rebate is paid to an importer depending on the volumes purchased from Hansol Paper.

It is the Commission's practice to consider adjustments to the export price only if the adjustments affected price comparability at the time of setting prices. The adjustment was not allowed by the Commission as at the time of setting the price Hansol did not know what volume xx would purchase during that period.

(iv) Bank Charges

Bank charges consisted of postage fee paid to the Bank of Korea to cover the cost of sending the shipping documents to the corresponding SACU bank and exchange commission which is based on the actual amount charged by the bank in connection to the payment.

It is the Commission's practice to consider adjustments to the export price only if the adjustments affected price comparability at the time of setting prices. The adjustment for bank charges was not allowed by the Commission as it was not demonstrated that Hansol knew what the bank charges would be at the time of setting the price.

(v) Duty drawback

Duty drawbacks were claimed for duties paid on imported raw materials that were used in the production of exported subject products.

It is the Commission's practice to consider adjustments to the export price only if the adjustments affected price comparability at the time of setting prices. Duty drawback adjustment was not allowed by the Commission as it was not demonstrated that Hansol knew what volume would be sold in the domestic market and what volume would be sold in the export market and the drawback could therefore not have been taken into account at the time of setting the price.

4.1.3 Margin of dumping

The following weighted margin of dumping was calculated:

Producer	Weighted Dumping margin %
Hansol Paper	-0.03 %

The Commission made a preliminary determination that the subject product manufactured by Hansol Paper was not exported at dumped prices.

4.2 METHODOLOGY IN THIS INVESTIGATION FOR ARTONE PAPER MFG Co., LTD IN THE REPUBLIC OF KOREA.

4.2.1 Normal Value

Artone Paper produces coated paper and sells it on the domestic market in the Republic of Korea during the period of investigation. Artone sells coated paper of 80 to 300 GSM in the Korean Market. The actual invoiced sales were used to calculate the normal value. During verification it was found that there are sales of the subject product that were made at a loss on the domestic market. In calculating the normal value, sales that were found to be at loss were excluded from calculation of the weighted average normal value. This consideration was made in the instance where sales below cost were above 20 per cent of the total volume of sales.

Artone sells the subject product to end-users and wholesalers. During verification it was found that there was no significant price difference in the price charged to end-users and wholesalers for the same volume of products.

Artone also sells the subject product through the following channels: related to unrelated, Artone's related customers sell further to unrelated customers. In calculating the normal value, at first the sales to related parties were evaluated. It was found that there was no significant difference in the price charged to related customers and that charged to unrelated customers. It follows then that sales to related customers and those to unrelated customers were combined in calculating the normal value.

It was found that there were models of the subject product that were sold to the SACU market but not sold in the domestic market, and others constituted less than 5% of export sales to SACU. In such cases wherein some models did not pass the 5% threshold test, the normal value was constructed based on the cost build up verified and applying the profit obtained from the sale of that model.

After performing the 5% threshold test, sales below cost test was done per

model of the subject product. It was found that there were models that were sold below cost. In cases where more than 20% of the domestic sales were sold below cost, the calculation of normal value was calculated by excluding all sales made below cost. However, where sales below cost were less than 20% of total sales, the total amount of sales for that model was considered for the normal value calculation.

Adjustments to the normal value

The following adjustments to the normal value were claimed by Artone Paper and were allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices:

Transport costs

An adjustment was made for the delivery charges included in the invoice amount. The adjustment for delivery charges were made on a transaction to transaction basis.

The Commission made a preliminary determination to allow the transport costs adjustment.

The following adjustment to the normal value was claimed by Artone and was not allowed by the Commission:

Payment terms

Artone's sales are made on an open-account basis i.e. Artone allows domestic customers to maintain a running balance and pay on increments not related to particular sale transactions. Artone stated that it is not possible to calculate the actual number of days between shipment and the payment of an individual transaction. Artone used an account receivable turnover method to determine the average payment terms for domestic sales.

It is the Commission's practice to consider adjustments to the normal value only if the adjustments affected price comparability at the time of setting prices. The payment days used by Artone to calculate the cost of payment terms were not displayed on the invoices. The adjustment was not allowed by the Commission as it was not demonstrated that it affected price comparability at the time of setting the prices.

4.2.2 Export price

Export price is defined in section 32(2)(a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to the sale under consideration.

To enable a proper comparison with the normal value, the export price should be at the ex-factory level and at the same level of trade.

The Commission used the actual export sales to SACU during the POI to calculate the export price. A weighted average export price was calculated for each of the following different models of coated paper exported to SACU during the POI: 80, 85, 90, 95, 100, 105, 113, 128, 148, 170, 200, 250 and 300 gsm

Adjustments to the export price

The Commission made the following adjustments to the export prices for purposes of calculating the ex-factory export prices:

Freight costs

Transport costs were calculated on a transaction by transaction basis using the actual charges paid for each transaction and allocating the charges according to the weight of each transaction.

The following additional adjustments were claimed by the exporter and verified but not allowed by the Commission:

(i) Payment terms

Cost of payment terms on export sales as calculated was established at an average period of 90 days. Payment for SACU exports sales consists of Document against Acceptance (D/A) xx days and Letter of Credit (L/C) xx days. The payment terms were set on transaction-on-transaction basis as a result of negotiations with each customer. The company used the actual interest rate of xx % which it paid on short-term loans in foreign currency.

The payment days used for Artone's cost of payment calculation were not displayed on the invoices. The adjustment was not allowed by the Commission as it was not demonstrated to have affected price comparability at the time of setting the prices.

(ii) Customs clearance brokerage charge

Artone pays brokerage and handling charges to an unrelated customs broker in the Republic of Korea for processing export permits. The customs broker bills separately for each export permit.

The above adjustment was not allowed as it was not demonstrated to have affected price comparability at the time of setting the price.

(iii) Bank Charges

Bank charges consisted of postage fee paid to the Bank of Korea to cover the cost of sending the shipping documents to the corresponding SACU bank and exchange commission which is based on the actual amount charged by the bank in connection to the payment.

It is the Commission's practice to consider adjustments to the export price only if the adjustments affected price comparability at the time of setting prices. The adjustment for bank charges was not allowed by the Commission as Artone did not know how much it was going to pay on bank charges at the time of setting the price.

(iv) Duty drawback

Duty drawbacks were claimed for duties paid on imported raw materials that were used in the production of exported subject products.

It is the Commission's practice to consider adjustments to the export price only if the adjustments affected price comparability at the time of setting prices. The duty drawback adjustment was not allowed by the Commission as it was not demonstrated that Artone knew what volume would be sold in the domestic market and what volume would be sold in the export market and the drawback could therefore not have been taken into account at the time of setting the price.

4.2.3 Margin of dumping

The following weighted margin of dumping was calculated:

Producer	Weighted Dumping margin %
Artone Paper	0.01 %

The Commission made a preliminary determination that the subject product manufactured by Artone Paper was not exported at dumped prices.

4.3 METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER MANUFACTURERS/EXPORTERS FROM THE REPUBLIC OF KOREA (RESIDUAL DUMPING MARGIN)

4.3.1 Normal Value

Calculation of normal value

Hansol's normal value was used in the calculation of normal value for non-cooperating manufacturers as it had exported more volumes of the subject

product than all other manufacturers and can be regarded as being representative of the total exports from the Republic of Korea.

4.3.2 Export price

It is the Commission's practice to calculate the export price for non-cooperating manufacturers/exporters based on the SARS statistics.

The Commission calculated the export price based on the official SARS import statistics.

Adjustments

Delivery cost and marine insurance adjustments were made in order to bring the FOB price to the ex-factory level.

4.3.3 Residual dumping margin

The following residual dumping margin was calculated:

Producer	Weighted Dumping margin %
Non-cooperating manufactures/exporters	17.25 %

4.4 METHODOLOGY IN THIS INVESTIGATION FOR MANUFACTURERS/EXPORTERS FROM PEOPLE'S REPUBLIC OF CHINA

4.4.1 Calculation of normal value

Since there were no exporters from the PRC who fully cooperated with the investigation, the Commission used the Applicant's information as best information for calculating normal value for purposes of the preliminary determination.

For the purpose of initiation, in calculating the domestic price for the PRC, the Applicant submitted a quotation obtainable from the RISI PPI Asia price watch publication which shows March 2012 selling prices in the PRC. The Applicant indicated that the prices submitted were for domestic grades and prices were at ex-major distributor's warehouses. Adjustments were made to arrive at the net ex-factory domestic price.

Adjustments

According to the Applicant, the RISI price index shows that the domestic selling prices in the PRC were obtainable at an ex-large distributor level. The Applicant was unable to obtain distribution margins from large distributors in the PRC but was able to contact its office in Hong Kong which is selling Sappi products on the PRC's markets. It stated that according to the Applicant's own experience in selling in the PRC's market, it is estimated that a reasonable distribution margin in the PRC is about 2% as PRC's distributors are not adding value in the supply chain.

4.4.2 Export price

It is the Commission's practice to calculate the export price for non-cooperating manufacturers/exporters based on export price obtained from the SARS statistics. The Commission calculated the export price based on the official SARS import statistics.

Adjustments

In order to obtain the ex-factory price, the Applicant deducted a handling and delivery cost of US\$15 per tonne. At an exchange rate of 1US\$=R7.70, this equates to about R115 per tonne. Applicant stated that this is in line with its own experience and also substantiated in the information received from its Hong Kong offices.

4.4.3 Residual dumping margin

The following residual dumping margin was calculated for the PRC:

Producer	Dumping margin %
Non-cooperating manufactures/exporters	14.14 %

4.5 SUMMARY – DUMPING

For purpose of its preliminary determination, the Commission, after considering all the comments from interested parties, found that the subject product originating in or imported from the Republic of Korea and manufactured by Hansol Paper and Artone Paper was not being dumped onto the SACU market as the following *de minimis* and negative margins were calculated.

Producer	Weighted Dumping margin %
Hansol Paper	-0.03 %
Artone Paper	0.01 %

The Commission made a preliminary determination that dumping of the subject product originating in or imported from the Republic of Korea and manufactured by Hansol Paper and Artone Paper was not taking place onto the SACU market.

For the purpose of its preliminary determination, the Commission, after considering all the comments from interested parties, found that the subject product originating in or imported from the Republic of Korea (excluding Hansol Paper and Artone Paper) and the PRC is being dumped onto the SACU market as the following residual dumping margins were calculated:

Country	Residual dumping margin %
Republic of Korea (excluding that manufactured by Hansol Paper and Artone Paper)	17.25%
PRC	14.14%

The Commission made a preliminary determination that the subject product originating in or imported from the Republic of Korea (excluding that manufactured by Hansol Paper and Artone Paper) and the PRC is being dumped onto the SACU market.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to Sappi Southern Africa (Proprietary) Limited constituting 100 per cent of the total domestic production of the subject product.

The Commission made a preliminary determination that the total domestic production constitutes “a major proportion” of the total domestic production, in accordance with the Anti-Dumping Regulations.

5.2 CUMULATIVE ASSESMENT

There are two countries involved in this investigation. The Commission decided that the effects of the imports from the two countries concerned should be cumulatively assessed.

In terms of the ADR 16.3, the Commission may cumulatively assess the effect of the dumped imports only if it finds that cumulation is appropriate in light of–

- (a) competition between imports from the different countries;
- (b) competition between the imported products and the SACU like products;
- (c) the imports from the countries are not negligible as contemplated in subsection 3; and
- (d) the dumping margin is one percent or more when expressed as a percentage of the export price.

In considering whether cumulation is appropriate with regard to the imports from the PRC and the Republic of Korea the following should be considered:

Table 5.2: Consideration for cumulation

The imports from the countries are not negligible	<ul style="list-style-type: none"> The imports from all countries are not negligible, as contained in table 2.1.5 on page 16.
The residual margin of dumping is above <i>de minimis</i> level	<ul style="list-style-type: none"> The dumping margins calculated are above two percent, as expressed as a percentage of the export price. This is evident in section 4 of this report.
Competition between imports from the different countries	<ul style="list-style-type: none"> They are both like products for purposes of comparison, their end use and substitutability is similar. They are both traded in the SACU market, and therefore part of the SACU market share analysis and the fluctuating market share throughout the POI for both parties as contained in table 5.3.3.4 is evident of competition. The price undercutting of the imports from all countries is evident of competition as they are both undercutting the applicant's prices at different levels.
Competition between imported product and SACU like product	<ul style="list-style-type: none"> The imported product and the SACU product are like products for purposes of comparison, they are fully substitutable and have similar end use. They are both traded in the SACU market and the market share analysis shows that there is competition as table 5.3.3.4 shows the fluctuating levels of market share throughout the POI for both parties. The imported product from both countries is undercutting the SACU prices.

The Commission made a preliminary determination that the impact of imports from the PRC and the Republic of Korea be cumulatively assessed for purposes of injury determination.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

5.3.1 Import volumes

The following table shows the volume of allegedly dumped imports in tonnes, for the subject product:

Table 5.3.1(a): Import volumes – Tariff subheading 4810.19.90 & 4810.29.90

'000 tonnes	Oct 07-Sep 08	Oct 08-Sep09	Oct 09 – Sep 10	Oct 10 – Sep 11	April 11-March 12*
Alleged dumped imports: PRC	12 186	12 273	23 042	19 927	21 717
Alleged dumped imports: Republic of Korea	25 982	23 813	33 022	34 687	37 527
Cumulated dumped imports	38 168	36 086	56 064	54 614	59 244
Undumped imports					35 639
Dumped					23 605
Other imports	91 913	52 958	58 961	53 873	50 153
Total imports	130 081	89 044	115 025	108 487	109 398
Alleged dumped imports as a % of total imports	29.34 %	40.52 %	48.74 %	50.34 %	22.00%

*The period April 2011 – March 2012 represents period of investigation for dumping. Undumped imports are deducted from the cumulated dumped imports in order to assess the impact on the domestic industry.

The information in the table above indicates that the volume of the alleged dumped imports from the PRC and the Republic of Korea increased by 43 per cent between 2007 and 2011.

Table 5.3.1(b): Import volumes – Half year figures

'000 tonnes	Oct 08 - Mar 09	Oct 09 - Mar 10	Oct 10 - Mar 11	Oct 11- Mar12
Alleged dumped imports: PRC	3 897	10 626	8 833	10 624
Alleged dumped imports: Republic of Korea	14 154	17 560	16 732	19 572
Cumulated dumped imports	18 051	28 186	25 565	30 196
Other imports	27 936	25 442	28 340	24 620
Total imports	45 986	53 628	53 905	54 816
Cumulated dumped imports as a % of total imports	39.25%	52.56%	47.43%	55.09%

5.3.2 Effect on Domestic Prices

5.3.2.1 Price depression

Price depression takes place where the SACU industry's ex-factory selling price decreases during the investigation period.

The tables below show the domestic industry's ex-factory selling price per tonne.

Table 5.3.2.1 (a): Price depression

Rand/ton	Oct 07 – Sep 08	Oct 08 – Sep09	Oct 09 – Sep 10	Oct 09 – Sep 10
Applicant's ex-factory price	100	116	110	112

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.2.1 (b): Price depression – Half year figures

Rand/ton	Oct 08- Mar 09	Oct 09 - Mar 10	Oct 10 – Mar 11	Oct 11- Mar12
Applicant ex-factory price	100	92	96	96

This table was indexed due to confidentiality using 2008/09 as the base year.

5.3.2.2 Price undercutting

The following tables compare the Applicant's industry's ex-factory prices with the landed cost of the imported product.

Table 5.3.2.2 (a) Tariff subheading 4810.19.90

Rand/ton	Oct 07 – Sep 08	Oct 08 – Sep09	Oct 09 – Sep 10	Oct 10 – Sep 11
Applicant's ex-selling price	100	116	110	112
PRC landed cost	100	102	100	102
Republic of Korea landed cost	100	104	94	93
Price undercutting (PRC) %	11.26 %	22.04 %	18.92 %	19.24 %
Price undercutting (The Republic of Korea) %	5.92%	15.75 %	19.16 %	22.44 %

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.2.2 (b) Half year figures –Tariff subheading 4810.19.90

Rand/tonne	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Applicant selling price	100	92	96	96
PRC landed cost	100	71	80	86
Republic of Korea landed cost	100	105	74	85
Price undercutting (PRC)	(2.81%)	20.45%	13.77%	7.81%
Price undercutting (Republic of Korea)	1.76%	24.18%	23.83%	13.12%

This table was indexed due to confidentiality using 2008/09 as the base year.

The tables above indicate that the imported products from the PRC and the Republic of Korea are undercutting the Applicant's selling prices.

Nor Paper comments:

Nor Paper stated that "it denies that the price at which it purchases coated paper from its suppliers in the PRC and the Republic of Korea undercuts the price at which it purchases this product from the Applicant. In any event the Applicant's prices are not competitive even against the prices of exempt Imports."

From the above information, the imported products from the PRC and the Republic of Korea are undercutting the Applicant's selling prices.

5.3.2.3 Price suppression

Price suppression is the extent to which increase in the cost of production of the product concerned, cannot be recovered in selling prices.

The tables below show the Applicant's average costs of production and its actual average selling prices for the subject product:

Table 5.3.2.3 (a): Price suppression

Rand/ton	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Ex-factory price	100	116	110	112
Production cost	100	124	112	133
Gross profit	100	-32	63	-263
Cost as a % of selling price	100	107	102	118

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.2.3 (b) Half year figures: Price suppression

Rand/ton	Oct 08 – Mar 09	Oct 09 – Mar10	Oct 10 – Mar 11	Oct 11 – Mar 12
Ex-factory price	100	92	96	96
Production cost	100	92	104	97
Gross loss	100	90	601	183
Cost as a % of selling price	100	100	109	102

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant stated that from the information above, it is evident that it experienced a significant increase in production cost over the investigation period. At the same time it was not able to absorb these costs and as a result Sappi's gross profit decreased significantly.

It further stated that owing to continued price undercutting experienced from the alleged dumped products, the situation is not likely to improve and it is continuing to suffer losses as is indicated by a gross loss.

Nor Paper comments:

Nor Paper stated that "price suppression table shows that the Applicant's production costs have increased significantly over the period 2007/2008 to 2010/2011. During the same period, the Applicant's selling prices increased, which means that there was no price depression. This shows that the increase in the Applicant's production costs and not the increase in Korean and Chinese imports caused the alleged price suppression and decline in profits. This is evident from the Group's Annual Financial Reports that indicate that input costs and the economic recession adversely affected its operating companies, including the Applicant."

Applicant's response:

The Applicant stated that "although the Applicant's prices did increase, the Applicant was not able to trade on a profitable level as it had to compete with the dumped imports in the face of rising costs of production. The prices did not translate into significant increases in the profit margin."

5.3.3 Consequent Impact of the dumped imports on the Industry

5.3.3.1 Actual and potential decline in sales

The tables below show the Applicant's sales volumes for the subject product:

Table 5.3.3.1 (a): sales volumes

Sales volumes/'000 tons	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
	100	68	80	63

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.1 (b) Half year figures: sales volumes

Sales volumes/'000 tons	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
	100	110	97	128

This table was indexed due to confidentiality using 2008/09 as the base year.

The decrease in the Applicants sales volume from 2007 to 2011 is clearly evident. The Applicant stated that this decrease in sales is mainly due to the increase in the volume of the alleged dumped imports from the countries concerned.

It stated further that the increase in sales that occurred in 2010 was as a result of the hosting of the world cup which led to a significant increase in printing and printing projects surrounding the tournament. Also, the awarding of the schoolbook project, worth an additional 100 (indexed) for both coated and uncoated paper played a significant role in the increase in sales experienced in 2010. If this special event is taken out of the equation the decrease in 2011 shows the true picture of the impact of the alleged dumped imports.

Nor Paper comments:

Nor Paper stated that "it denies the allegation that the decrease in sales was mainly due to the increase in the volume of alleged dumped imports..." Nor paper further stated that throughout the period 2008 –

2011 the total volume of imports from the Republic of Korea and China was always below 50% of total imports. In fact in 2008 imports from other countries ("Exempt Imports") accounted for 71% of total imports in that year and in 2009 Exempt Imports accounted for 59% of total imports in that year. If the Applicant's allegation that imports were the cause of the decline in its sales is correct (which is denied), then clearly the decline was attributable primarily to Exempt Imports which originate from countries other than the Republic of Korea and China.

From the tables, it is clear that the Applicant's sales volumes declined from 2008 to 2011, and the imports from the PRC and the Republic of Korea have increased during the same period.

5.3.3.2 Profit and Loss

Table 5.3.3.2(a): Profit and Loss

	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Gross loss margin	100	457	91	1,099
Gross loss per tonne	100	524	101	1,237
Tonnes sold	100	68	80	63
Gross loss	100	357	81	773

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.2 (b) Half year figures: Profit and loss

Sales volumes/tonne	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Gross loss margin	100	106	273	177
Gross loss per tonne	100	100	265	168
Tonnes sold	100	110	97	128
Gross loss	100	110	257	215

This table was indexed due to confidentiality using 2008/09 as the base year.

The information in the tables above indicates that the Applicant's profits declined up to the point where it was experiencing significant losses.

5.3.3.3 Output

The following tables outline the SACU industry's domestic production volume of the subject product:

Table 5.3.3.3 (a): Output

Volume/'000 tons	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Applicant's	100	66	78	65

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.3 (b) Half year figures: Output

Volume/'000 tonnes	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Applicant's	100	110	102	111

This table was indexed due to confidentiality using 2008/09 as the base year.

From the above information, it is evident that the Applicant's output decreased by 35 indexed points during the period 2007 to 2011. According to the Applicant, this decrease is mainly due to an increase in alleged dumped imports for the countries concerned.

5.3.3.4 Market share

The following table shows the SACU market share for the subject product in tonnes:

Table 5.3.3.4(a): Market share

Volume('000Tons)	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Applicant's sales volume	100	68	80	63
Alleged dumped imports (PRC)	100	101	189	164
Alleged dumped imports (Republic of Korea)	100	92	127	134
Cumulated dumped imports	100	95	147	143
Other	100	58	64	59
Total imports	100	68	88	83
Total market	100	68	86	78

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.4(b): Market share

	Oct 2007 - Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Applicant's market share	100	100	93	81
Alleged dumped imports (PRC)	100	147	220	213
Alleged dumped imports (Republic of Korea)	100	134	148	174
Cumulated dumped imports	100	138	171	186
Other	100	84	75	76
Total imports	100	100	103	108
Total SACU market	100	68	86	77

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.4(c) Half year figures: Market share

	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Applicant's sales volume	100	110	97	128
Alleged dumped imports (PRC)	100	273	227	273
Alleged dumped imports (Republic of Korea)	100	124	118	138
Cumulated dumped imports	100	156	142	167
Other	100	91	101	88
Total imports	100	117	117	119
Total SACU market	100	103	111	122

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.3.3.4(d) Half year figures: Market share

	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Applicant's market share	100	107	87	105
Alleged dumped imports (PRC)	100	265	204	224
Alleged dumped imports (Republic of Korea)	100	121	107	114
Cumulated dumped imports	100	136	127	137
Other	100	88	91	72
Total imports	100	97	105	98
Total SACU market	100	100	100	100

This table was indexed due to confidentiality using 2008/09 as the base year.

According to the Applicant, after peaking in 2010 (world cup and schoolbook project), domestic consumption decreased by some 15% in 2011. At the same time imports from the countries concerned, owing to significant price undercutting, managed to increase their share of the market over the investigation period from 100 to 218 (indexed) over the period of investigation. At the same time, the Applicant's market share decreased from 100 to 93 (indexed).

5.3.3.5 Productivity

Using the production and employment figures sourced from the Applicant, its productivity in respect of the subject product is as follows:

Table 5.3.3.5 (a): Productivity

Tonnes	Oct 2007 - Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Applicant's production volume	100	66	78	65
Number of employees	100	93	87	82
Units per employee	100	71	89	79
Number of employees (total)	100	92	87	83
Units per employee (total)	100	71	89	78

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.5 (b) Half year figures: Productivity

Tonnes	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Applicant's production volume	100	67	73	68
Number of employees	100	94	87	81
Units per employee	100	72	84	83
Number of employees (total)	100	94	87	83
Units per employee	100	71	85	82

This table was indexed due to confidentiality using 2008/09 as the base year.

In an attempt to reduce losses, the Applicant indicated that it had to reduce its headcount in line with the declining demand for its products. Notwithstanding the reduction in the number of employees, productivity still decreased.

The Applicant also stated that productivity per employee was also negatively impacted by the fact that it had to take commercial downtime due to a lack of product orders. The Applicant's work force consists of 100% permanent and skilled employees.

5.3.3.6 Return on investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets. The tables below provide the Applicant's profit after interest and tax expressed as a percentage of its net value of assets:

Table 5.3.3.6 (a): Return on investment

Tonnes	Oct 2007 - Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Net profit	100	-276	165	-394
Net assets	100	102	91	102
Return on net assets	100	-271	181	-386

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.6 (b) Half year figures: Return on investment

Tonnes	Oct 08 - Mar 09	Oct 09 - Mar 10	Oct 10 - Mar 11	Oct 11 - Mar 2012
Net profit	100	-407	81	-785
Net assets	100	123	95	78
Return on net assets	100	-330	84	-1006

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant stated that the decrease in investment is as a result of the alleged dumped imports.

5.3.3.7 Utilisation of production capacity

The following table provides the Applicant's capacity and production for the subject product:

Table 5.3.3.7 (a): Utilisation of production capacity

Volume/ton	Oct 2007 - Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Applicants capacity	100	100	100	100
Applicant's actual production	100	66	78	65
Capacity utilisation	100	66	78	65

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.3.7 (b) Half year figures: Utilisation of production capacity

	Oct 08 - Mar 09	Oct 09 - Mar 10	Oct 10 - Mar 11	Oct 11 - Mar 12
Applicants capacity	100	100	100	100
Applicant's actual production	100	67	73	68
Capacity utilisation	100	67	73	68

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant stated that production capacity can be increased by implementation of extra shifts or the allocation of more labour units in order to achieve full capacities. Imports of dumped products have however curtailed such action.

The Applicant also stated that overseas manufacturers are selling their products to local customers at a lower price compared to its manufacturing price which forced the Applicant to shut its machines for 66 days in 2009, 36 days in 2010 and 54 days in 2011.

It also stated that the reason why there was an increase in uptime for 2010 was due to the 8.8 magnitude earth quake experienced in February 2010 in Chile. The lack of water, electricity and structural damage to

infrastructure interrupted the entire Chilean pulp and paper industry resulting in a shortage of supply of fibre to other manufacturers which forced local customers to buy from it.

5.3.4 Factors affecting domestic prices

There are no other known factors, which could affect the domestic prices negatively.

5.3.5 The magnitude of the margin of dumping

The following margins of dumping were calculated:

PRC

Residual dumping margin	14.14%
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Republic of Korea

Hansol Paper	-0.03%
Artone Paper	0.01%
Non co-operating exporters residual dumping margin	17.25%

5.3.6 Actual and potential negative effects on cash flow

The tables below reflect the Applicant's cash flow situation with regard to the product under investigation:

Table 5.3.6 (a): Cash flow situation

Rand/ton	2007/2008	2008/2009	2009/2010	2010/2011
Product concerned				
Cash flow incoming	100	-5	115	-21
Cash flow outgoing	Negative	Negative	Negative	Negative
Net Cash Flow	100	-135	144	-233
Company				
Cash flow incoming	100	-6	131	-26
Cash flow outgoing	Negative	Negative	Negative	Negative
Net Cash Flow	100	-165	163	-285

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.6 (b) Half year figures: Cash flow situation

Rand/ton	Oct 08 - Mar 09	Oct 09 - Mar 10	Oct 10 - Mar 11	Oct 11 - Mar 12
Product concerned				
Cash flow incoming	100	31	98	-4
Cash flow outgoing	Negative	Negative	Negative	Negative
Net Cash Flow	Negative	Negative	Negative	Negative
Company				
Cash flow incoming	100	41	111	-6
Cash flow outgoing	Negative	Negative	Negative	Negative
Net Cash Flow	Negative	Negative	Negative	Negative

This table was indexed due to confidentiality using 2008/09 as the base year.

According to the Applicant, the negative cash flow experienced in 2009 and 2011 is due to the low gross margin percentage achieved on the product concerned. It also stated that the positive cash flow achieved in 2010 was achieved.

5.3.7 Inventories

The Applicant provided its inventory level figures listed in the tables below:

Table 5.3.7(a): Inventories

	2007/2008	2008/2009	2009/2010	2010/2011
Volumes (Tonnes)	100	93	83	98
Value	100	119	97	124

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.7(b) Half year figures: Inventories

	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Volumes (Tonnes)	100	92	90	80
Value	100	107	103	106

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant stated that production is often adjusted in line with demand per product. If there is no demand, machines are shut and therefore stock levels will not increase.

5.3.8 Employment

The tables below provide the Applicant's employment figures for the subject product:

Table 5.3.8 (a): Employment

	2007/2008	2008/2009	2009/2010	2010/2011
Direct labour units	100	96	91	90
Indirect labour units	100	93	86	82
Total labour units	100	95	89	87
Selling General and Admin	100	81	77	64
Total labour units	100	92	87	83

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.8 (b) Half year figures: Employment

	Oct 08 - Mar 09	Oct 09 - Mar 10	Oct 10 - Mar 11	Oct 11 -Mar 12
Direct labour units	100	94	93	93
Indirect labour units	100	91	88	83
Total labour units	100	93	91	89
Selling General and Admin	100	95	78	73
Total labour units	100	94	89	86

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant stated that for the paper machine to be profitable at the current prices the Applicant will have to reduce its headcount with a further 87 employees.

It further stated that employees that may lose their jobs cannot be utilized at other mills since those mills are also facing head count reduction. It further indicated that it had already announced the closure of Adamas Mill press release in this regard.

It stated further that the current alternatives it is considering is to move from a four shift to a two shift cycle and if that does not work, to close the paper line.

5.3.9 Wages and salaries

The following tables provide the Applicant's wages and salaries paid:

Table 5.3.9 (a): Wages and salaries

	2007/2008	2008/2009	2009/2010	2010/2011
Total wages production (R'000)	100	95	99	108
Total salaries production	100	79	87	102
Total wages production (R'000)	100	90	96	106
Wages per employee per annum	100	94	103	136

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.9 (b) Half year figures: Wages and salaries

	Oct 08 – Mar 09	Oct 09 – Mar 10	Oct 10 – Mar 11	Oct 11 – Mar 12
Total wages production (R'000)	100	99	117	125
Total salaries production	100	110	134	115
Total wages production (R'000)	100	102	121	123
Wages per employee per annum	100	106	150	70

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant stated that the reduction in wages from 2008 to 2009 is because of commercial downtime of 66 days and a strike of 6 days that resulted in employees taking unpaid leave during this period. It further stated that salaries were increased between 100 to 141 (indexed) over this period as agreed with the unions.

5.3.10 Growth

The following table indicates the growth of the SACU market index as provided by the Applicant:

Table 5.3.10 (a): Growth

	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11
Size of the SACU Market ('000 ton)	100	68	86	77
% Growth from previous year		-32 %	26 %	-10.3 %
Applicant Sales Volume ('000 ton)	100	68	80	63
Growth %		-32 %	17 %	-22 %
Market share of cumulated dumped imports ('000 ton)	100	95	147	143
Dumped imports growth %		5 %	55 %	-3 %
Other imports ('000 tonnes)	100	58	64	59
Other imports growth %		-42 %	11 %	-9 %

This table was indexed due to confidentiality using 2007/08 as the base year.

Nor Paper comments

Nor Paper stated that "it is correct that the size of SACU market decreased over the period 2007/2008 - 2010/2011 and that this had an adverse impact on the Applicant. It is significant that the Applicant admits this. It is incorrect, however, for the Applicant to state that imports increased and this led to the "erosion" of its market share. On its own version, the volume of all imports declined substantially over the period 2007/2008 - 2010/2011. In this regard, it is significant that imports from the Republic of Korea and China only accounted for 29% - 50% the total volume of imports during that period. To the extent that the Applicant alleges that it lost market share to imports, such loss was mainly to Exempt Imports. This demonstrates that the Applicant's alleged injury in respect of market share was not caused by imports from the Republic of Korea and China.

5.3.11 Ability to raise capital or investments

The Applicant provided the following information with regard to the SACU industry's ability to raise capital or investments:

Table 5.3.11 (a): Ability to raise capital or investments

	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Total investment in subject product	100	65	113	285

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 5.3.11 (b) Half year figures: Ability to raise capital or investments

	Oct 08 - Mar 09	Oct 09 - Mar 10	Oct 10 - Mar 11	Oct 11 - Mar 12
Total investment in subject product	100	125	-4	171

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant indicated that due to the negative returns on this product, there is no possibility for capital investment from its parent company, nor is there a viable business case to seek capital investment from an outside source.

5.4 SUMMARY - MATERIAL INJURY

In making a preliminary determination on material injury, the Commission took into account that an industry normally suffers "price" or "volume" injury. From the information above, the Commission found that it is evident that the Applicant is suffering volume injury, given its sales volume and output figures. Furthermore, it is clear that the Applicant is suffering price injury, if considering price undercutting and price suppression, decline in profits and cash flow.

The Commission made a preliminary determination that the SACU industry is suffering material injury.

6. MATERIAL INJURY: SUBSEQUENT EVENTS

The Application was tabled before the Commission on 12 October 2012 and was initiated in the Government Gazette on 25 January 2013. The delay in the initiation was caused by the consultations with the Government of PRC and engagements between the Department of Trade and Industry and the Applicant regarding the countervailing application. The Applicant has since withdrawn the countervailing application after these engagements.

The Applicant was therefore requested to update its material injury information.

It should however be noted that this updated material injury information is not changing the investigation period; it is only for the assessment of subsequent events. The investigation period remains the same as in the original application, being 1 April 2011 to 31 March 2012 for purposes of determining the dumping margins and 01 October 2007 to 31 March 2012 for purposes of determining injury.

6.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to Sappi Southern Africa (Proprietary) Limited constituting 100 per cent of the total domestic production of the subject product.

The Commission made a preliminary determination that this constitutes “a major proportion” of the total domestic production, in accordance with the Anti-Dumping Regulations.

6.2 IMPORT VOLUMES AND EFFECT ON PRICES

6.2.1 Import volumes

The following table shows the volume of allegedly dumped imports in tonnes, for the subject product:

Table 6.2.1(a): Import volumes – Tariff subheading 4810.19.90 & 4810.29.90

'000 tonnes	Oct 07-Sep 08	Oct 08-Sep09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep12
Alleged dumped imports: PRC	12 186	12 273	23 042	19 927	21 850
Alleged dumped imports: Republic of Korea	25 982	23 813	33 022	34 687	44 324
Cumulated dumped imports	38 168	36 086	56 064	54 614	66 174
Others	91 913	52 958	58 961	53 873	64 056
Total imports	130 081	89 044	115 025	108 487	130 230
Alleged dumped imports as a % of total imports	29.34 %	40.52 %	48.74 %	50.34 %	50.81%

In the period subsequent to the POI, the volume of imports still increased by 21%.

Table 6.2.1(b): Import volumes – Half year figures

'000 tonnes	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar12	Oct 12-Mar 13
Alleged dumped imports: PRC	3 897	10 626	8 833	10 624	11 453
Alleged dumped imports: Republic of Korea	14 154	17 560	16 732	19 572	17 419
Cumulated dumped imports	18 051	28 186	25 565	30 196	28 872
Other imports	27 936	25 442	28 340	24 620	38 967
Total imports	45 986	53 628	53 905	54 816	67 839
Alleged dumped imports as a % of total imports	39.25%	52.56%	47.43%	55.09%	42.56%

6.2.2 Effect on Domestic Prices

6.2.2.1 Price depression

Price depression takes place where the SACU industry's ex-factory selling price decreases during the investigation period.

The below tables show the domestic industry's ex-factory selling price per tonne.

Table 6.2.2.1 (a): Price depression

Rand/ton	Oct 07-Sep 08	Oct 08-Sep09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
Applicant's ex-factory price	100	116	110	112	113

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.2.2.1 (b): Price depression – Half year

figures

Rand/ton	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar12	Oct 11-Mar13
Applicant ex-factory price	100	92	96	96	99

This table was indexed due to confidentiality using 2008/09 as the base year.

The above table shows that the Applicant's prices were not depressed in the period subsequent to the POI (2011 to 2012).

6.2.2.2 Price undercutting

The following tables compare the Applicant's industry's ex-factory prices with the landed cost of the imported product:

Table 6.2.2.2 (a) Tariff subheading

Rand/ton	Oct 07-Sep 08	Oct 08-Sep09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep12
Applicant's ex-selling price	100	116	110	112	113
PRC landed cost	100	102	100	102	95
Republic of Korea landed cost	100	104	94	93	120
Price undercutting (PRC) %	11.26%	22.04%	18.92%	19.24%	10.80%
Price undercutting (Republic of Korea) %	5.92%	15.75%	19.16%	22.44%	15.65%

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.2.2.2 (b) Half year figures - Tariff subheading

Rand/tonne	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar13
Applicant selling price	100	92	96	96	99
PRC landed cost	100	71	80	86	84
Republic of Korea landed cost	100	71	74	85	95
Price undercutting (PRC)	(2.81%)	20.45%	13.77%	7.81%	12.18%
Price undercutting (Republic of Korea)	1.76%	24.18%	23.83%	13.12%	4.93%

This table was indexed due to confidentiality using 2008/09 as the base year.

The tables above indicate that the imported products from the PRC and the Republic of Korea are undercutting the Applicant's selling prices.

6.2.2.3 Price suppression

Price suppression is the extent to which increase in the cost of production of the product concerned, cannot be recovered in selling prices.

The tables below show the Applicant's average costs of production and its actual average selling prices for the subject product:

Table 6.2.2.3 (a): Price suppression

Rand/ton	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep12
Ex-factory price	100	116	110	112	113
Production cost	100	124	112	133	124
Gross profit	100	-32	63	-263	-131
Cost as a % of selling price	100	107	102	118	112

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.2.2.3 (b) Half year figures: Price suppression

Rand/ton	Oct 08-Mar 09	Oct 09-Mar10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar13
Ex-factory price	100	92	96	96	99
Production cost	100	92	104	97	105
Gross loss	100	90	601	183	504
Cost as a % of selling price	100	100	109	102	107

This table was indexed due to confidentiality using 2008/09 as the base year.

From the information above, it is evident that the Applicant experienced a significant increase in production cost.

6.3.1 Consequent Impact of the dumped imports on the Industry

6.3.1.1 Actual and potential decline in sales

The tables below show the Applicant's sales volumes for the subject product:

Table 6.3.1.1 (a): sales volumes

Sales volumes/'000 tons	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
	100	68	80	63	74

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.1.1 (b) Half year figures: sales volumes

Sales volumes/'000 tons	Oct 07-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
	100	110	97	128	113

This table was indexed due to confidentiality using 2008/09 as the base year.

The above table shows that Applicant's sales volume increased by 17 % in the period subsequent to the POI.

6.3.2.1 Profit and Loss

Table 6.3.2.1(a): Profit and loss

	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
Gross loss margin	100	457	91	1,099	598
Gross loss per tonne	100	524	101	1,237	666
Tonnes sold	100	68	80	63	74
Gross loss	100	357	81	773	490

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.2.1 (b) Half year figures: Profit and loss

	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Sep 13
Sales volumes/tonne					
Gross loss margin	100	106	273	177	232
Gross loss per tonne	100	100	265	168	225
Tonnes sold	100	110	97	128	113
Gross loss	100	110	257	215	255

This table was indexed due to confidentiality using 2008/09 as the base year.

The information in the tables above indicates that the Applicant's loss continued to increase.

6.3.3 Output

The following tables outline the SACU industry's domestic production volume of the subject product:

Table 6.3.3 (a): Output

Volume/'000 tons	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
Applicant's	100	66	78	65	67

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.3(b) Half year figures: Output

Volume/'000 tons	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
Applicant's	100	110	102	111	98

This table was indexed due to confidentiality using 2008/09 as the base year.

The information presented above shows an increase in the Applicant's production volumes in the period subsequent to POI (2011 to 2012).

6.3.4 Market share

The following table shows the SACU market share for the subject product in tonnes:

Table 6.3.4(a): Market share

Volume('000Tons)	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep12
Applicant's sales volume	100	68	80	63	74
Alleged dumped imports (PRC)	100	101	189	164	184
Alleged dumped imports (Republic of Korea)	100	92	127	134	170
Cumulated dumped imports	100	95	147	143	175
Other	100	58	64	59	45
Total imports	100	68	88	83	83
Total market	100	68	86	78	80

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.4(b): Market share

	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep12
Applicant's market share	100	100	93	81	92
Alleged dumped imports market share (PRC)	100	147	220	213	230
Alleged dumped imports (Republic of Korea)	100	134	148	174	213
Cumulated dumped imports	100	138	171	186	218
Other	100	84	75	76	56
Total imports	100	100	103	108	104
Total SACU market	100	100	100	100	100

This table was indexed due to confidentiality using 2008/09 as the base year.

6.3.5 Productivity

Using the production and employment figures sourced from the Applicant, its productivity in respect of the subject product is as follows:

Table 6.3.5 (a): Productivity

Tonnes	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep12
Applicant's production volume	100	66	78	65	67
Number of employees	100	93	87	82	82
Units per employee	100	71	89	79	80
Number of employees (total)	100	92	87	83	77
Units per employee (total)	100	71	89	78	86

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.5 (b) Half year figures: Productivity

Tonnes	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
Applicant's production volume	100	67	73	68	65
Number of employees (manufacturing)	100	94	87	81	74
Units per employee	100	72	84	83	59
Number of employees (total)	100	94	87	83	68
Units per employee	100	71	85	82	97

This table was indexed due to confidentiality using 2008/09 as the base year.

In an attempt to reduce losses, the Applicant indicated that it had to reduce its headcount in line with the declining demand for its products. Notwithstanding the reduction in the number of employees, productivity still decreased per employee for the period ending March 2013.

6.3.6.1 Return on investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets. The below tables provide the Applicant's profit after interest and tax expressed as a percentage of its net value of assets:

Table 6.3.6.1 (a): Return on investment

Tonnes	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
Net profit	100	-276	165	-394	44
Net assets	100	102	91	102	99
Return on net assets	100	-271	181	-386	44

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.6.1 (b) Half year figures: Return on investment

Tonnes	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 2012	Oct 12-Mar 13
Net profit	100	-407	81	-785	68
Net assets	100	123	95	78	89
Return on net assets	100	-330	84	-1,006	79

This table was indexed due to confidentiality using 2008/09 as the base year.

6.3.7 Utilisation of production capacity

The following table provides the Applicant's capacity and production for the subject product:

Table 6.3.7 (a): Utilisation of production capacity

Volume/ton	Oct 07-Sep 08	Oct 08-Sep 2009	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
Applicants capacity	100	100	100	100	100
Applicant's actual production	100	66	78	65	67
Capacity utilisation	100	66	78	65	67

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.7 (b) Half year figures: Utilisation of production capacity

Volume/ton	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
Applicants capacity	100	100	100	100	100
Applicant's actual production	100	67	73	68	65
Capacity utilisation	100	67	73	68	65

This table was indexed due to confidentiality using 2008/09 as the base year.

There was a slight increase in capacity utilization between 2011 and 2012.

6.3.8 Actual and potential negative effects on cash flow

The below tables reflect the Applicant's cash flow situation with regard to the product under investigation:

Table 6.3.8 (a): Cash flow situation

Rand/ton	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Subject product					
Cash flow incoming	100	-5	115	-21	68
Cash flow outgoing	Negative	Negative	Negative	Negative	Negative
Net Cash Flow	100	-135	144	-233	20
Company					
Cash flow incoming	100	-6	131	-26	83
Cash flow outgoing	Negative	Negative	Negative	Negative	Negative
Net Cash Flow	100	-165	163	-285	24

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.8 (b) Half year figures: Cash flow situation

Rand/ton	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
Subject product					
Cash flow incoming	100	31	98	-4	88
Cash flow outgoing	Negative	Negative	Negative	Negative	Negative
Net Cash Flow	Negative	Negative	Negative	Negative	Positive
Company					
Cash flow incoming	100	41	111	-6	107
Cash flow outgoing	Negative	Negative	Negative	Negative	Negative
Net Cash Flow	Negative	Negative	Negative	Negative	Positive

This table was indexed due to confidentiality using 2008/09 as the base year.

6.3.9 Inventories

The Applicant provided its inventory level figures listed in the tables below:

Table 6.3.9(a): Inventories

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Volumes (Tonnes)	100	93	83	98	100
Value	100	119	97	124	118

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.9(b) Half year figures: Inventories

	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar13
Volumes (Tonnes)	100	92	90	80	74
Value	100	107	103	106	100

This table was indexed due to confidentiality using 2008/09 as the base year.

In the period subsequent to the POI (2011 to 2012), the inventory increased by 3%.

6.3.10 Employment

The below tables provides the Applicant's employment figures for the subject product:

Table 6.3.10 (a): Employment

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Direct labour units	100	96	91	90	93
Indirect labour units	100	93	86	82	76
Total labour units	100	95	89	87	86
Selling General and Admin	100	81	77	64	37
Total labour units	100	92	87	83	77

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.10 (b) Half year figures: Employment

	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
Direct labour units	100	94	93	93	91
Indirect labour units	100	91	88	83	76
Total labour units	100	93	91	89	85
Selling General and Admin	100	95	78	73	18
Total labour units	100	94	89	86	74

This table was indexed due to confidentiality using 2008/09 as the base year.

The above table shows that in the period subsequent to the POI (2011 to 2012) employment has decreased.

6.3.11 Wages and salaries

The following tables provide the Applicant's wages and salaries paid:

Table 6.3.11 (a): Wages and salaries

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Total wages production (R'000)	100	95	99	108	113
Total salaries production	100	79	87	102	92
Total wages production (R'000)	100	90	96	106	107
Wages per employee per annum	100	94	103	136	146

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.11 (b) Half year figures: Wages and salaries

	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
Total wages production (R'000)	100	99	117	125	116
Total salaries production	100	110	134	115	112
Total wages production (R'000)	100	102	121	123	115
Wages per employee per annum	100	106	150	70	161

This table was indexed due to confidentiality using 2008/09 as the base year.

6.3.12 Growth

The following table indicates the growth of the SACU market index as provided by the Applicant:

Table 6.3.12 (a): Growth

	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
Size of the SACU Market ('000 ton)	188 372	128 792	161 669	144 929	150,602
% Growth from previous year		-32 %	26 %	-10.3 %	3.91%
Applicant Sales Volume ('000 ton)*	100	68	80	63	74
Growth %		-32 %	17 %	-22 %	17.62%
Market share of cumulated dumped imports('000 ton)	38 168	36 086	56 064	54 614	66,620
Dumped imports growth %		5 %	55 %	-3 %	21.98%
Other imports ('000 tonnes)	91 913	52 958	58 961	53 873	41,118
Other imports growth %		-42 %	11 %	-9 %	-23.68%

*The figures were indexed due to confidentiality using 2007/08 as the base year

6.3.13 Ability to raise capital or investments

The Applicant provided the following information with regard to the SACU industry's ability to raise capital or investments:

Table 6.3.13 (a): Ability to raise capital or investments

	Oct 07-Sep 08	Oct 08-Sep 09	Oct 09-Sep 10	Oct 10-Sep 11	Oct 11-Sep 12
Total investment in subject product	100	65	113	285	62

This table was indexed due to confidentiality using 2007/08 as the base year.

Table 6.3.13 (b) Half year figures: Ability to raise capital or investments

	Oct 08-Mar 09	Oct 09-Mar 10	Oct 10-Mar 11	Oct 11-Mar 12	Oct 12-Mar 13
Total investment in subject product	100	125	-4	171	53

This table was indexed due to confidentiality using 2008/09 as the base year.

The Applicant indicated that due to the negative returns on this product, there is no possibility for capital investment from its parent company, nor is there a viable business case to seek capital investment from an outside source.

6.4 SUMMARY – SUBSEQUENT MATERIAL INJURY

The Commission made a preliminary determination that the information on material injury for the period subsequent to the period of investigation indicates that the Applicant, and therefore the SACU industry, is still experiencing material injury with regard to both price and volume.

7. THREAT OF MATERIAL INJURY

7.1 Freely disposable capacity of the exporters

The Applicant provided the following information in substantiating the above:

Table 7.1: Free disposable capacity of exporters

Capacity '000 tons	2008	2009	2010	2011	2012 (Est)	2013 (Est)
China	4,010	4,380	5,370	6,625	7,920	8,050
Other Asia (inc Anz)	4,275	4,415	4,480	4,775	5,380	5,515
Total	8,285	8,795	9,850	11,400	13,300	13,565
Percentage capacity increase		6%	12%	16%	17%	2%

Source Risi

From the above table, it is evident that the PRC and other Asian countries including Indonesia and the Republic of Korea have consistently increased capacity between 6% and 17% per annum.

The Applicant has indicated that the increase in imports over the investigation period signifies that the exporters do have capacity available to increase their exports to SACU further. It also stated that it was evident that the level of price undercutting is such that this excess capacity can be exported at dumped prices.

7.2 Significant increase of alleged dumped imports

Volumes of the alleged dumped imports are indicated as follows:

Table 7.2: Volume of alleged dumped imports

'000 tons	Oct 07-Sep 08	Oct 08 - Sep09	Oct 09 – Sep 10	Oct 10 – Sep 11
Alleged dumped imports: PRC	12 186	12 273	23 042	19 927
Alleged dumped imports: Republic of Korea	25 982	23 813	33 022	34 688
Cumulated dumped	38 168	36 086	56 064	54 615

imports				
Other imports	91 913	52 958	58 961	53 873
Total imports	130 081	89 044	115 025	108 488
Cumulated dumped imports as a % of total imports	29.34 %	40.52 %	48.74 %	50.34 %
Imports from other countries as % of total imports	70.66 %	59.48 %	51.26 %	49.66 %
Total Imports volume	100 %	100 %	100 %	100 %

The above table shows that imports from the PRC and the Republic of Korea increased over the period 2007 to 2011 whilst the imports from other countries decreased. In the period subsequent to the POI, the volume of imports still increased by 21%.

7.3 State of the economy of the country of origin

According to the Applicant, the PRC has shown substantial economic growth over the past few years. This has not inhibited its propensity to export the product at alleged dumped prices. This also holds true for the Republic of Korea.

7.4 SUMMARY ON THREAT OF MATERIAL INJURY

The Commission took into account that both The Republic of Korea and the PRC have increased their freely disposable capacity while domestic demand decreased; and the USA, EU and Argentina have recently imposed countervailing and anti-dumping duties against imports from the PRC.

The Commission therefore made a preliminary determination that there is sufficient information to indicate that a threat of material injury to the SACU industry exists.

8. CAUSAL LINK

8.1 GENERAL

In order for the Commission to impose provisional measures, it must be satisfied that there is sufficient evidence to indicate that the material injury experienced by the SACU industry is as a result of the dumping of the subject product.

8.2 VOLUME OF IMPORTS AND MARKET SHARE

An indication of causality is the extent of the increase of volume of imports and the extent to which the market share of the domestic industry has decreased since the commencement of injury, with a corresponding increase in the market share of the dumped product.

The following table compares the market share of the SACU industry with that of the alleged dumped imports:

Table 8.2.1: Market share

	Percentage market share held by:			
	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Applicant	100	100	93	81
Alleged dumped imports: PRC	6.47%	9.53%	14.25%	13.75%
Alleged dumped imports: Republic of Korea	13.79%	18.49%	20.43%	23.93%

The information in the table indicates that the market share of the Applicant decreased over the period of investigation (POI), with a corresponding increase in the market share of the alleged dumped imports.

Nor Paper's comments:

Nor paper stated that annual statistics (2008 – 2011) which the Applicant provided show that imports from all other countries declined in this period. Imports from The Republic of Korea and PRC were shown to be insignificant and consequently, were not the cause of the Applicant's alleged injury.

8.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

Table 8.3.1: Price undercutting, price depression and price suppression

Rand/ton	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011
Applicant's ex-factory selling price	100	92	96	96
Cost as a % of selling price	100	107	102	118
Price undercutting: PRC				
	100	196	168	171
Price undercutting: Republic of Korea				
	100	296	376	459

This table was indexed due to confidentiality using 2007/08 as the base year.

The above table indicates that the alleged dumped products from the PRC and the Republic of Korea are undercutting the SACU industry selling prices.

Nor Paper comments:

Nor Paper stated that it denies that the price at which it purchases coated paper from its suppliers in the PRC and The Republic of Korea undercuts the price at which it purchases this product from the Applicant.

8.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (October 2007– September2011)
Sales volume	Decrease
Output	Decrease
Market share	Decrease
Productivity	Decrease
Utilisation of capacity	Decrease
Cash flow	Decrease
Return on investment	Decrease
Employment	Decrease
Wages	Increase
Growth	Decrease
Total capital investment in subject product	Increase

8.5 FACTORS OTHER THAN DUMPING CAUSING INJURY

8.5.1 Examination of causality under Article 3.5

Variable	Year				Change (%)
	Oct 2007 – Sep 2008	Oct 2008 – Sep 2009	Oct 2009 – Sep 2010	Oct 2010 – Sep 2011	
Prices of imports not sold at dumped prices (fob price) (R/tonne)	7 580	8 705	7 482	7 158	(5.56)
Volume of imports not sold at dumped prices ('000ton)	91 913	52 958	58 961	53 873	(41.38)
Contraction in demand: Growth rate for the subject product industry (tonne)	188 372	128 792	161 669	144 929	(23 %)

Changes in the patterns of consumption	The Applicant did not indicate that it is aware of any relevant information in this regard.
Trade-restrictive policies of foreign and domestic producers	The Applicant indicated that there are none.
Competition between foreign and domestic producers	The applicant did not indicate that it is aware of any relevant information in this regard.
Developments in technology	Applicant indicated that there have been no significant technical developments recently.
Export performance of the domestic industry	The Applicant stated that it is not an exporter.
Productivity of the domestic industry	The Applicant stated that its productivity is on par with other foreign manufacturers. But does not have economies of scale found in countries like the PRC. The loss of manufacturing volume being experienced at the moment is hampering SACU productivity.

Other causal link issues

Nor Paper's comments:

Nor Paper claimed that the decline in profit levels and price suppression suffered by the Applicant was caused by increase in production cost not alleged dumped imports. Further, it claimed that the Applicant prices are not competitive even in relation to prices of un-dumped products.

Applicant's response:

The Applicant indicated that the fact that a particular factor, such as production cost, has an effect on prices does not detract from the impact that other overriding factors, in this case the dumped imports, have on the Applicant's prices.

8.6 SUMMARY ON CAUSAL LINK

The Commission made a preliminary determination that although there were other factors which could have contributed to the injury experienced by the SACU industry, these factors did not sufficiently detract from the causal link between the dumping of the subject product, the material injury and threat of material injury suffered by the SACU industry.

9. SUMMARY OF FINDINGS

9.1 Dumping

THE REPUBLIC OF KOREA:

The Commission found that the subject product originating in or manufactured by Hansol and Artone Paper in the Republic of Korea was not exported at dumped prices to the SACU during the period of investigation.

As there are other manufactures/exporters in The Republic of Korea that did not cooperate in the investigation, the Commission decided to calculate a residual dumping margin to be applicable to these manufacturers/exporters. Based on the best information available, the Commission made a preliminary determination that the subject product originating in or imported from The Republic of Korea, excluding that manufactured by Hansol and Artone Paper, was exported at dumped prices to the SACU during the period of investigation.

PRC:

Manufactures/exporters from the PRC did not fully cooperate in the investigation consequently were regarded as non-cooperating parties for the purpose of preliminary determination. Based on the best information available, the Commission therefore made a preliminary determination that the subject product originating in or imported from the PRC was exported at dumped prices to the SACU during the period of investigation.

9.2 Material Injury

The Commission made a preliminary determination that the SACU industry is suffering material injury in the form of:

- Price suppression;
- Price undercutting;

- Decline in sales;
- Decline in output;
- Decline in profit;
- Decline in market share;
- Decline in productivity;
- Decline in capacity utilisation;
- Decline in cash flow;
- Decline in return on investment; and
- Decline in employment

9.3 Threat of material injury

The Commission took into account the fact that both the Republic of Korea and the PRC have increased their freely disposable capacity while domestic demand decreased; and the USA, EU and Argentina have recently imposed countervailing and anti-dumping duties against imports from the PRC.

The Commission therefore made a preliminary determination that a threat of material injury to the SACU industry exists.

9.4 Causal link

The Commission made a preliminary determination that although there are factors other than the dumping that contributed to the injury, they did not sufficiently detract from the causal link between the dumping of the subject products and the material injury experienced by the SACU industry.

10. PROVISIONAL PAYMENTS

10.1 Duration of provisional measures

In accordance with section 33.2 of the ADR, provisional measures will normally be imposed for a period of six months.

10.2 Amount of duty

The amount of provisional payments is the amount required to prevent further injury and threat of material injury experienced by the SACU industry as a result of further imports of the subject products originating in or imported from the PRC at prices that constitute dumping during the course of the investigation before the Commission makes its final determination.

The “lesser duty” is the provisional payment to be imposed at the lesser of the margin of injury which is deemed to be sufficient to remove the injury caused by the dumped imports.

The Commission always considers the lesser duty rule but only applies it in instances where both the exporter and importer responded fully. The Commission therefore decided not to apply the lesser duty rule for purposes of determining the residual dumping margins.

The amount of provisional measures to be imposed was concluded to be the following, being the dumping margin expressed as a percentage of the FOB export price:

Exporter	Amount of provisional
Republic of Korea (excluding Hansol Paper and Artone Paper)	17.25%
PRC	14.14%

11. PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

- the subject product originating in or imported from The Republic of Korea and manufactured by Hansol Paper and Artone Paper was not being dumped onto the SACU market;
- the subject product originating in or imported from The Republic of Korea and manufactured by the other manufacturers in The Republic of Korea was being dumped in the SACU market;
- the subject product originating in or imported from the PRC was being dumped in the SACU market;
- the SACU industry experienced material injury during the POI;
- the subsequent information on material injury indicates that the SACU industry is still experiencing material injury;
- there is sufficient information to indicate that a threat of material injury exists; and
- there is a causal link between the alleged dumping of the subject product and the material injury and threat of material injury experienced by the SACU industry.

The Commission therefore made a preliminary determination to request the Commissioner of SARS to impose the following provisional measures on imports of the subject product for a period of 24 weeks:

Tariff subheading	Product	Country	Amount of provisional payment
48.10	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size of a kind used for writing, printing or other graphic purposes not containing fibers obtained by a mechanical or chemi-mechanical process or of which not more than 10 per cent by mass of the total fibre content consist of such fibres, with a mass of 70 g/m ² or more but not exceeding 400g/m ²	The Republic of Korea (excluding that manufactured by Hansol Paper; Artone Paper; Moorim Paper, Moorim SP and Moorim P&P)	17.25 %
		The Republic of Korea: Moorim Paper, Moorim SP and Moorim P & P	17.25 %
		PRC	14.14%