

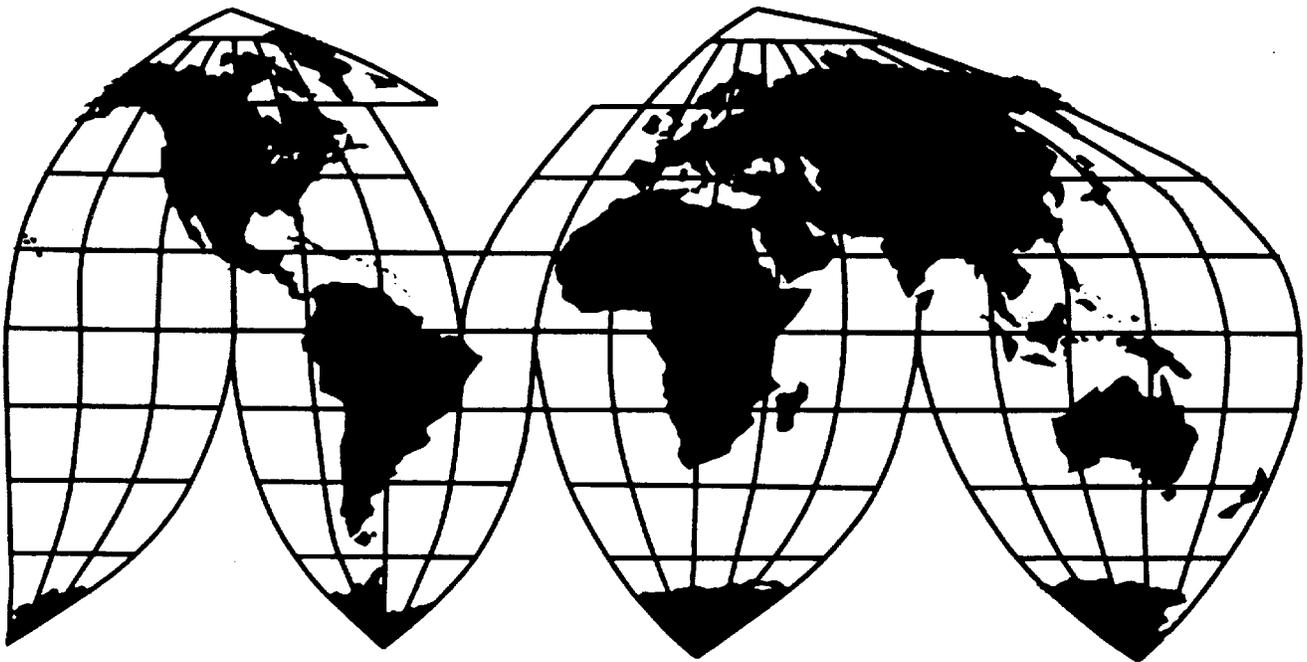
Certain Tissue Paper Products From China

Investigation No. 731-TA-1070B (Final)

Publication 3758

March 2005

U.S. International Trade Commission



U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

GLOSSARY OF FIRMS

American Greetings	American Greetings
Burrows	Burrows Paper Corporation
Cindus	Cindus Corporation
Creative Expressions	Creative Expressions/Hoffmaster
Crystal Creative	Crystal Creative Products, Inc.
DMD	DMD Industries
Eagle	Eagle Tissue LLC
Flower City	Flower City Tissue Mills Co.
Garlock	Garlock Printing & Converting Inc.
Green Mountain	Green Mountain Specialties Inc.
Hallmark	Hallmark Cards, Inc.
Pacon	Pacon Corporation
Paper Service	Paper Service Limited
Printwrap	Printwrap Corp.
Putney	Putney Paper Co., Inc.
Seaman	Seaman Paper Co. of Mass. & Dennecrepe
Sullivan	Sullivan Paper Co., Inc.

GLOSSARY OF TERMS

AUV	Average unit value
COGS	Cost of goods sold
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
F.O.B.	Free on board
<i>FR</i>	<i>Federal Register</i>
HTS, HTSUS	Harmonized Tariff Schedule of the United States
PRWs	Production and related workers
R&D	Research and development expenses
SG&A	Selling, general, and administrative
SKU	Stock Keeping Unit
USITC	U.S. International Trade Commission

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1070B (Final)

CERTAIN TISSUE PAPER PRODUCTS FROM CHINA

DETERMINATION

On the basis of the record¹ developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports from China of tissue paper,² provided for in subheadings 4802.30; 4802.54; 4802.61; 4802.62; 4802.69; 4804.39; 4806.40; 4808.30; 4808.90; 4811.90; 4823.90; 4820.50.00; 4802.90.00; 4805.91.90; and 9505.90.40 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (Commerce) to be sold in the United States at less than fair value (LTFV).³ The Commission makes a negative finding with respect to critical circumstances.⁴

BACKGROUND

The Commission instituted this investigation effective February 17, 2004, following receipt of a petition filed with the Commission and Commerce by Seaman Paper Company of Massachusetts, Inc.; American Crepe Corporation; Eagle Tissue LLC; Flower City Tissue Mills Co.; Garlock Printing & Converting, Inc.; Paper Service Ltd.; Putney Paper Co., Ltd.; and the Paper, Allied-Industrial, Chemical and Energy Workers International Union AFL-CIO, CLC. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by Commerce that imports of tissue paper from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the final phase of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of October 8, 2004 (69 FR 60423), subsequently revised on November 15, 2004 (69 FR 65632). The hearing was held in Washington, DC, on December 9, 2004, and all persons who requested the opportunity were permitted to appear in person or by counsel.

¹ The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

² Tissue paper as defined by Commerce in *Notice of Final Determination of Sales at Less Than Fair Value: Certain Tissue Paper Products from the People's Republic of China*, 70 FR 7475, February 14, 2005. The tissue paper products subject to investigation are cut-to-length sheets of tissue paper having a basis weight not exceeding 29 grams per square meter. "Consumer" tissue paper is sold packaged for retail sale to consumers; "bulk" tissue paper is typically used by businesses as a wrap to protect customer purchases.

³ Vice Chairman Deanna Tanner Okun, Commissioner Marcia E. Miller, and Commissioner Daniel R. Pearson find two domestic like products in this investigation - consumer tissue paper and bulk tissue paper. They determine that an industry in the United States is materially injured by reason of imports of bulk tissue paper from China. They also determine that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, by reason of imports of consumer tissue paper from China.

⁴ Vice Chairman Deanna Tanner Okun, Commissioner Marcia E. Miller, and Commissioner Daniel R. Pearson make a negative finding with respect to critical circumstances for bulk tissue paper.

VIEWS OF THE COMMISSION

Based on the record in this investigation, we determine that an industry in the United States is materially injured by reason of imports of certain tissue paper products from China that are sold in the United States at less than fair value (LTFV).^{1 2}

The petition in this investigation was filed on February 17, 2004, by Seaman Paper Company of Massachusetts, Inc. (Seaman), American Crepe Corporation (American Crepe), Eagle Tissue LLC (Eagle), Flower City Tissue Mills Co. (Flower City), Garlock Printing & Converting, Inc. (Garlock Printing), Paper Service Ltd. (Paper Service), Putney Paper Co., Ltd. (Putney), and the Paper, Allied-Industrial, Chemical and Energy Workers International Union AFL-CIO, CLC (PACE). The petition covered both certain tissue paper products (subject tissue paper or, simply, tissue paper) and certain crepe paper products (crepe paper). However, the Commission's investigation has proceeded in two parts in the final phase – identified in the investigation number by the suffixes A for crepe paper and B for tissue paper – because the U.S. Department of Commerce (Commerce) found tissue paper and crepe paper to be separate products and made an earlier determination for crepe paper.³

With respect to tissue paper, all of the petitioners are U.S. producers except American Crepe, which produces only crepe paper. The participating respondent interested parties are Cleo Inc (Cleo) and its wholly-owned subsidiary Crystal Creative Products, Inc. (collectively Cleo/Crystal), a leading U.S. importer of subject tissue paper from China, and the U.S. retailer Target Corporation (Target), a major purchaser and direct importer of subject tissue paper. Cleo/Crystal and Target (collectively Respondents), as well as Petitioners, filed pre- and posthearing briefs and final comments in the final phase of this investigation.

I. BACKGROUND

Subject tissue paper products are produced from rolls of flat tissue paper (i.e., jumbo rolls) and are cut-to-length sheets that are either white, colored, decorated, or customized in a variety of ways. They are sold either flat or folded and are typically used by businesses as a wrap to protect customer purchases or by consumers to wrap objects, often in conjunction with gift bags. Key performance characteristics include appearance, strength, and durability. Seasonal demand results from major holidays, while minor holidays and personal occasions drive everyday purchases.⁴ With respect to domestically produced tissue paper, 64.7 percent of U.S. shipments in 2003 were made through distributors and 34.7 percent were made directly to retailers (with very minor shipments directly to final consumers). With respect to subject imports from China, 19.9 percent of U.S. shipments in 2003 were made through distributors, 51.8 percent were made directly to retailers, and 28.2 percent were made directly to final consumers.⁵

The domestic industry producing tissue paper includes 12 established firms, 10 of which reported information about their tissue paper operations to the Commission. Four are vertically integrated firms

¹ Vice Chairman Okun, Commissioner Miller, and Commissioner Pearson dissenting. See Dissenting Views.

² We find that those imports from China that are subject to an affirmative critical circumstances determination by the U.S. Department of Commerce are not likely to undermine seriously the remedial effect of the antidumping duty order. We therefore make a negative finding with respect to critical circumstances, as discussed more fully below.

³ “Investigation” hereafter refers to Inv. No. 731-TA-1070B, unless otherwise noted. The Commission reached an affirmative determination in Certain Crepe Paper Products from China, Inv. No. 731-TA-1070A (Final), USITC Pub. 3749 (Jan. 2005) (Crepe Paper Final Determination).

⁴ Final Confidential Staff Report, INV-CC-014 (Feb. 18, 2005) (CR) at I-5-I-7, Public Staff Report (PR) at I-4-I-5.

⁵ CR, PR at Table I-3. “Final consumers” or “end users” for purposes of U.S. shipments of subject imports are retailers that import directly; in the context of U.S. shipments of domestically produced tissue paper, the terms refer to purchasers such as the one that identified itself as a manufacturer of *** from tissue paper. CR at II-4, PR at II-4.

that also manufacture jumbo rolls. Others are converters that purchase jumbo rolls and produce finished tissue paper. Six (Eagle, Flower City, Garlock Printing, Paper Services, Putney, and Seaman) are Petitioners and collectively accounted for a large majority of reported U.S. production in 2003.⁶

The share of the U.S. market for subject tissue paper accounted for by domestic production declined markedly over the period examined.⁷ Because there were few imports from nonsubject sources during the period, nearly all of the market share lost by the domestic industry was gained by subject imports.

II. DOMESTIC LIKE PRODUCT

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”⁸ Section 771(4)(A) of the Tariff Act of 1930, as amended (the Act), defines the relevant domestic industry as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁹ In turn, the Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation”¹⁰

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.¹¹ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹² The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹³ Although the Commission must accept the determination of Commerce as to the scope of the imported

⁶ CR at III-1-III-6, PR at III-1-III-3; CR, PR at Table III-1.

⁷ CR, PR at Table IV-4.

⁸ 19 U.S.C. § 1677(4)(A).

⁹ 19 U.S.C. § 1677(4)(A).

¹⁰ 19 U.S.C. § 1677(10).

¹¹ See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, when appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

¹² See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

¹³ Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49. See also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

merchandise that has been found to be subsidized or sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁴

B. Product Description

In its final determination, Commerce defined the tissue paper products subject to this investigation as:

cut-to-length sheets of tissue paper having a basis weight not exceeding 29 grams per square meter. Tissue paper products . . . may or may not be bleached, dye-colored, surface-colored, glazed, surface decorated or printed, sequined, crinkled, embossed, and/or die cut. . . . [The width of each cut-to-length sheet is] equal to or greater than one-half (0.5) inch. Subject tissue paper may be flat or folded, and may be packaged by banding or wrapping with paper or film, by placing in plastic or film bags, and/or by placing in boxes for distribution and use by the ultimate consumer. Packages of tissue paper . . . may consist solely of tissue paper of one color and/or style, or may contain multiple colors and/or styles.¹⁵

Expressly excluded from the scope of investigation are the following tissue paper products:

(1) Tissue paper products that are coated in wax, paraffin, or polymers, of a kind used in floral and food service applications; (2) tissue paper products that have been perforated, embossed, or die-cut to the shape of a toilet seat . . . ; [and] (3) toilet or facial tissue stock, towel or napkin stock, paper of a kind used for household or sanitary purposes, cellulose wadding, and webs of cellulose fibers¹⁶

Subject tissue paper is of a class of lightweight paper (no greater than 29 grams per square meter) that generally exhibits a gauze-like, fairly transparent character.¹⁷ Available in a variety of colors, designs, and packaging, it tends to be used for the wrapping of product within a box or bag, decorative purposes, or as a lightweight gift wrap.¹⁸ It is made from flat rather than dry-creped tissue paper, the latter of which is used for sanitary or household purposes.¹⁹

C. Analysis

In the preliminary phase of the investigation, in which tissue paper and crepe paper were still being investigated in tandem, the Commission addressed two domestic like product issues: First, whether tissue and crepe paper were separate like products; and, second, whether bulk and consumer tissue paper

¹⁴ Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations in which Commerce found five classes or kinds).

¹⁵ 70 Fed. Reg. 7475, 7476 (Feb. 14, 2005). Subject imports from China do not have distinct classification numbers assigned under the HTS, and may fall under one or more of several different broad subheadings that cover a range of paper goods. Id. As such, they enter the United States free of duty at normal trade relations rates. CR at I-4, PR at I-3.

¹⁶ 70 Fed. Reg. at 7476.

¹⁷ CR at I-5, PR at I-4.

¹⁸ CR at I-6-I-7, PR at I-4-I-5. Lower grades of white tissue paper appear to have little aesthetic value, however, and are used principally as dunnage to stuff or wrap such items as shoes or handbags. CR at I-7, PR at I-5.

¹⁹ CR at I-5, PR at I-4

constituted separate tissue paper like products. The first issue was uncontested and the Commission found that tissue and crepe paper were separate like products.²⁰ The Commission ultimately reached the same conclusion in the final phase of the crepe paper investigation, differentiating between tissue and crepe paper and finding one like product of crepe paper co-extensive with the scope.²¹

In contrast, the second issue was contested in the preliminary phase and remains the subject of debate in the final phase of the tissue paper investigation. In the preliminary determination, the Commission defined tissue paper, whether sold in bulk or to consumers, as a single domestic like product, basing this conclusion on its application of the traditional six-factor test. The Commission found that, notwithstanding certain differences between bulk and consumer tissue paper in packaging, distribution, and prices, no clear dividing line separated the two given their overlap in terms of physical characteristics, end uses, and production processes.²² The Commission stated that it would reconsider the issue based on the record developed in the final phase.²³

Petitioners argue that additional information obtained in the final phase corroborates the single like product definition adopted by the Commission in the preliminary phase.²⁴ Respondents argue that there are two separate domestic like products that are sold in distinct market segments.²⁵ All parties agree on the applicability of the traditional six factors. Under this test, the final phase record fails to establish the clear dividing line required for defining products within the scope as separate domestic like products.

As a general matter, “bulk tissue” is sold in bulk to independent retailers, department stores, specialty stores, catalog stores, cosmetic companies and manufacturers, which typically use the tissue paper in their own businesses, often to wrap customer purchases.²⁶ “Consumer tissue” is sold packaged to various retailers (e.g., mass merchants, warehouse discount clubs, specialty stores, party supply stores, drug stores, and grocery stores) for retail sale.²⁷

Bulk and consumer tissue paper share the same general physical characteristics. The same upstream product of jumbo rolls of flat tissue paper may be converted to either bulk or consumer tissue paper.²⁸ In terms of types of paper, the large majority of both consumer and bulk tissue paper is sold in white or solid colors – *** percent white and *** percent solid for consumer tissue paper, versus *** percent white and *** percent solid for bulk tissue paper.²⁹ Both are also sold in printed form – *** percent for consumer tissue paper and *** percent for bulk tissue paper.³⁰ Consumer tissue paper is sold in other (including so-called specialty) styles such as hot-stamped or spot-glittered, but in relatively small amounts.³¹ Some bulk tissue is die cut, a specialty treatment.³²

²⁰ Certain Tissue Paper Products and Crepe Paper Products from China, Inv. No. 731-TA-1070 (Preliminary), USITC Pub. 3682 (Apr. 2004) (Preliminary Determination) at 6-8.

²¹ Crepe Paper Final Determination at 4-5.

²² Preliminary Determination at 9-12.

²³ Preliminary Determination at 12.

²⁴ See, e.g., Petitioners’ Prehearing Brief at 3-13; Petitioners’ Posthearing Brief at 1-3 & Exh. 1 at 34-39.

²⁵ See, e.g. Cleo/Crystal Prehearing Brief at 2-23; Cleo/Crystal Posthearing Brief at 2-6 & A-43-A-56; Target Prehearing Brief at 1-11; Target Posthearing Brief at 1.

²⁶ CR at I-5-I-6, PR at I-4.

²⁷ CR at I-5, PR at I-4.

²⁸ CR at I-16, PR at I-11.

²⁹ CR, PR at Table I-1; CR at I-22, PR at I-15 (based on 2003 U.S. shipment data).

³⁰ CR, PR at Table I-1; CR at I-22, PR at I-15 (based on 2003 U.S. shipment data).

³¹ CR, PR at Table I-2. See CR at I-11-I-12, PR at I-8-I-9 (addressing definitional issues surrounding “specialty” tissue paper).

³² CR at I-11 n.52, PR at I-8 n.52.

The record also reveals overlap in sheet sizes for bulk and consumer tissue paper, which are sold in a range of dimensions.³³ In terms of form, bulk tissue is typically sold in flat sheets, but is also sold in quire-folded sheets (in which a stack of sheets is folded as a unit). Consumer tissue paper is typically sold in folds, although it is occasionally sold in flat format.³⁴

In terms of sheet count, bulk tissue is typically sold by the ream (480-500 sheets), but may also be sold in half reams (250 sheets) or in multiple ream packaging.³⁵ Consumer tissue is typically sold packaged for sale as a retail item in smaller quantities ranging from 5 to 40 sheets, but sheet counts for seasonal packages and club packs of consumer tissue range from 90 to 400 sheets and higher.³⁶ Such larger-count formats represented a modest but growing share of the U.S. market and serve to blur the distinction between bulk and consumer tissue paper.³⁷

In terms of usage, with the exception of lower grades of white tissue paper used for dunnage, tissue paper is typically used for wrapping merchandise purchased by consumers. The chief function of bulk and consumer tissue paper is therefore identical. Highlighting such overlap, smaller retail businesses may use consumer tissue paper purchased in larger-count formats, rather than bulk tissue paper, for purposes of wrapping customer purchases.³⁸ The similarities in physical characteristics and uses on this record are, accordingly, significant.

In terms of interchangeability and customer and producer perceptions, the evidence is somewhat mixed. Domestic producers, with the exception of Cleo/Crystal, view bulk and consumer tissue paper as the same or very similar products. Seven importers generally found bulk and consumer tissue paper to be interchangeable while five, all parties to this investigation, found the two non-interchangeable. Three purchasers suggested that there were no differences between bulk and consumer tissue paper, while *** stressed that the two products were completely different. Others indicated that they purchased only one form of tissue paper.³⁹

For marketing reasons, consumer tissue paper is generally packaged to catch the consumer's eye. Bulk tissue paper is generally packaged more plainly and, with the exceptions noted above, is packaged in larger sheet counts than consumer tissue paper. As a practical matter, therefore, differences in packaging operate to constrain interchangeability. By the same token, the record fails to reveal any inherent qualities in the tissue paper itself that preclude the interchangeability of the two types.

In terms of channels of distribution, in 2003 *** percent of domestic shipments of consumer tissue paper were made through distributors (up from *** percent in 2001) and *** percent were made

³³ CR, PR at Table I-4 (standard dimensions of Seaman's consumer (***) sizes) and bulk (***) sizes) tissue paper products).

³⁴ CR at I-8-I-10, PR at I-6-I-7.

³⁵ CR at I-8, PR at I-6.

³⁶ CR at I-9, I-22, PR at I-6, I-11; CR, PR at App. D (purchasers reported that sheet counts for packages of consumer tissue paper range from 5 to 480 sheets, while sheet counts for packages of bulk tissue paper vary from 200 sheets to multiple reams, with some sold strictly by weight).

³⁷ Revisions to the Staff Report, Memorandum INV-CC-022, March 1, 2005 (Mem. INV-CC-022) at I-10, PR at I-7 (in 2003 club packs of consumer tissue paper constituted *** percent of domestic consumer tissue paper shipments).

³⁸ Revised and Corrected Transcript of Hearing Conducted on December 9, 2004 (Tr.) at 23 (George D. Jones, III, President, Seaman).

³⁹ CR at I-24-I-25, PR at I-17-I-18; CR, PR at App. D. The fact that, in 2003, Cleo/Crystal sold to Seaman the equipment and selling rights relating to its bulk tissue paper operations but retained ownership of its consumer tissue paper business provides some support for treating the two types of tissue as belonging to separate industries.

directly to retailers (down from *** percent in 2001).⁴⁰ In contrast, *** percent of domestic 2003 shipments of bulk tissue paper were made through distributors (down from *** percent in 2001), while *** percent were made directly to retailers (up from *** percent in 2001).⁴¹

The manufacturing facilities, processes, and employees for each type overlap.⁴² The same jumbo roll may be used to produce bulk or consumer tissue paper, and at least one large producer maintains inventories of jumbo rolls that it uses for either type of tissue paper as the need arises.⁴³ The processes for converting these raw materials into tissue paper products are essentially the same,⁴⁴ and such converting operations, according to those performing both, take place in the same facilities, using overlapping equipment and employees.⁴⁵ Moreover, for the tissue paper that is printed, bulk or consumer, the printing processes, equipment, and employees are the same.⁴⁶

Data collected by the Commission show that prices generally are higher for consumer tissue paper than for bulk tissue paper. Average unit values for U.S. shipments of bulk tissue paper ranged between \$*** and \$*** per thousand square meters during the period examined, while average unit values for consumer tissue paper in the same period ranged between \$*** and \$*** per thousand square meters.⁴⁷ On the other hand, the values appear more comparable in the case of larger-count packages of consumer tissue paper, suggesting that sheet quantities per package play an important role in explaining price differences.⁴⁸

Analyzed under the Commission's six factor test, the final phase record thus amply supports a single domestic like product finding.⁴⁹ The record demonstrates a significant degree of commonality in

⁴⁰ CR, PR at Table II-2 (no shipments of consumer tissue paper were made to end users).

⁴¹ CR, PR at Table II-1. We note also that *** percent of U.S. shipments were made directly to end users (up from *** percent in 2001). *Id.*

⁴² CR at I-12-I-17, I-23-I-24, PR at I-9-I-12, I-16-I-17; *see* CR, PR at App. D.

⁴³ Tr. at 17 (Mr. Jones).

⁴⁴ CR at I-16, PR at I-11; *see* CR, PR at App. D.

⁴⁵ CR, PR at App. D (responses of Seaman, Flower City, and Pacon); CR at I-24, PR at I-17; Tr. at 18-19 (Mr. Jones). *Cf.* CR, PR at App. D (response of Cleo/Crystal, which no longer makes both).

⁴⁶ Tissue paper products are typically printed on high speed, multicolor, web-fed, flexographic presses. CR at I-15, PR at I-11; *see* Tr. at 38-39 (Peter Garlock, President, Garlock Printing) (describing printing process). The design phase for any printed tissue varies and may take up to 18 months. Tr. at 40 (Mr. Garlock).

⁴⁷ CR at I-26-I-27, PR at I-18-I-19.

⁴⁸ *Compare*, for example, CR, PR at Table V-5 (identifying pricing data for bulk tissue in reams, showing U.S. producers' prices to distributors ranging from \$5.54 to \$6.50, and to retailers ranging from ***) *with* Cleo/Crystal Posthearing Brief Exh. 4 ***.

⁴⁹ *Folding Gift Boxes from China*, Inv. No. 731-TA-921 (Final), USITC Pub. 3480 (Dec. 2001) is not to the contrary. *See Preliminary Determination* at 12 n.80 (distinguishing same). In *Folding Gift Boxes*, the Commission declined to expand the domestic like product definition beyond the scope of the investigation to include so-called "give-away" boxes, which were expressly excluded from the scope. Give-away boxes (the out-of-scope product), not unlike most bulk tissue paper, were used by retailers in packaging purchasers' merchandise, whereas retail boxes, not unlike consumer tissue paper, were sold at retail. The parties have thus debated analogizing *Folding Gift Boxes* to the current case.

The *sui generis* nature of the Commission's decision-making in antidumping investigations, particularly as those decisions involve different products considered on different records, counsels against undue reliance on conclusions reached in other investigations. *See Citrosuco Paulista, S.A. v. United States*, 704 F. Supp. 1075, 1088 (Ct. Int'l Trade 1988) (Commission not bound by prior determination concerning even the same imported product). *See also Ranchers-Cattlemen Action Legal Foundation v. United States*, 74 F. Supp. 2d 1353, 1379 (Ct. Int'l Trade 1999) (Commission determinations are *sui generis*; "a particular circumstance in a prior investigation cannot be

(continued...)

terms physical characteristics and uses, and manufacturing facilities, processes, and employees; mixed evidence respecting interchangeability and producer and purchaser perceptions; and limited overlap in terms of channels of distribution and prices. The most salient distinctions observed are more pertinent to the conditions of competition in the tissue paper market rather than the like product definition.⁵⁰ For all of these reasons, we find a single domestic like product, all tissue paper, co-extensive with the scope in this investigation.

III. DOMESTIC INDUSTRY AND RELATED PARTIES

A. Domestic Industry

The domestic industry is defined as “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁵¹ In its preliminary determination, the Commission defined the domestic industry to include all domestic producers of tissue paper, whether those producers are integrated or operate as converters.⁵² Converters make finished products from purchased jumbo rolls of tissue paper; integrated producers make the jumbo rolls as well as the finished downstream products. This conversion of jumbo rolls into finished tissue paper products is estimated to generate *** percent of the value added to the final product.⁵³

It was generally accepted by the parties and the Commission in the preliminary phase that “converters” were properly a part of the domestic industry. No party has disputed the inclusion of

⁴⁹ (...continued)

regarded by the Commission as dispositive of the determination in a later investigation”) (citations omitted). As the Commission recently stated, ““references to determinations defining like products in other investigations of differing products ha[ve] little utility.”” Light-Walled Rectangular Pipe and Tube from Mexico and Turkey, Inv. Nos. 731-TA-1054 and 1055 (Final), USITC Pub. 3728 (Oct. 2004) at 6 n.25 (citation omitted).

We find the records distinguishable. For example, the significant overlap in physical characteristics and uses, and in manufacturing facilities, processes, and employees evident on this record was lacking in Folding Gift Boxes. Entire phases of production (e.g., design and collating), involving different processes, facilities, and equipment, were unique to retail boxes as compared to give-away boxes. Retail boxes were also essentially a seasonal product with distinctive holiday motifs or colors, whereas give-away boxes seldom if ever bore such designs or colors. The seasonality of retail boxes also created warehousing requirements that did not exist for give-away boxes. There was also no overlap in terms of packaging quantities between the two, a significant factor contributing to the blurring of any distinction between bulk and consumer tissue paper. Retail boxes were sold individually or in packages of several; give-away boxes were sold in corrugated containers in bulk without plastic packaging. “Club packs” or other large-count formats did not exist for retail boxes.

Moreover, Respondents here do not dispute that bulk and consumer tissue paper products fall within the scope of this investigation, whereas the give-away boxes in Folding Gift Boxes were outside of the scope. (Respondents in that investigation were requesting that the Commission expand the like product definition to include articles excluded from the scope.)

⁵⁰ Cf. Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996) at 4-6 (declining to separate bicycles into two different like products based on differences in channels of distribution and selling quantities).

⁵¹ 19 U.S.C. § 1677(4)(A). In defining the domestic industry, the Commission’s general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int’l Trade 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996).

⁵² Preliminary Determination at 12-13 & n. 83.

⁵³ CR, PR at III-1 n.2.

converters in the domestic industry definition. The record in the final phase of this investigation is essentially unchanged, and the information does not warrant our revisiting the preliminary definition. Accordingly, and consistent with our single domestic like product finding, we define the domestic industry as all domestic producers (whether integrated or converters).⁵⁴

B. Related Parties

In defining the domestic industry, we must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act.⁵⁵ In its preliminary determination, the Commission found that four responding domestic producers of tissue paper imported subject merchandise from China during the period examined and thus considered whether appropriate circumstances existed to exclude any from the domestic industry. With respect to ***, the Commission found that their subject import quantities were minimal relative to domestic production and that the financial data did not show that they significantly benefitted financially from the importation of subject tissue paper during the period examined. With respect to the fourth producer, Cleo/Crystal, the Commission found that while it clearly had a substantial interest in importation, its production was substantial in 2001, 2002, and 2003, and its production operations did not significantly benefit financially from its import activities. The Commission ultimately concluded that appropriate circumstances did not exist to exclude any of the four companies from the domestic industry, but noted that it would consider the issue further with respect to Cleo/Crystal in any final phase investigation.⁵⁶

The final phase record shows that five domestic producers, ***, and Cleo/Crystal are related parties by virtue of their importation of subject merchandise. No party has suggested that data from any of the first four should be excluded from the data set for the domestic industry.⁵⁷ During the period examined, subject import quantities were very small when compared to each firm's domestic production.⁵⁸ Moreover, the financial data does not show that the domestic production operations of any of these firms derived a substantial benefit from such imports during the period examined so as to warrant their exclusion from the domestic industry.⁵⁹ Accordingly, we determine that appropriate circumstances do not exist to exclude the data of *** from the domestic industry data set.

The parties contest whether appropriate circumstances exist to exclude Cleo/Crystal. We find that the conclusion the Commission reached in the preliminary phase is also warranted on this more highly developed record and, accordingly, decline to exclude Cleo/Crystal's data from the domestic industry data set.

⁵⁴ Ten established firms accounted for nearly all of U.S. production of tissue paper during 2003. CR, PR at III-1 & Table III-1. We note that two firms, DMD Industries and Printwrap Corp., believed to account for a modest share of the U.S. market, did not complete questionnaires. Also, Glitterwrap Inc. and Standard Quality Corp. reportedly began production at or near the end of the period examined, but provided few details regarding domestic production. CR, PR at III-1 n.2.

⁵⁵ See 19 U.S.C. § 1677(4)(B)(ii)(II).

⁵⁶ Preliminary Determination at 13-14.

⁵⁷ A sixth firm, ***, stopped domestic production ***. See CR, PR at Table III-1. The Commission has no usable data regarding the firm's production activities.

⁵⁸ CR, PR at Table III-1 nn. 3, 5, 6-7 & Table IV-1.

⁵⁹ CR, PR at Table VI-2. The only financial data that give pause here are ***. CR, PR at Table III-1 n.6.

With a production history dating back to the 19th century,⁶⁰ Crystal was the largest domestic supplier of tissue paper in the U.S. market through the 1980s and 1990s.⁶¹ It retained this position in the domestic industry through ***, when ***.⁶² Crystal's paper mill and its main offices were located in Middletown, Ohio.⁶³ Its converting operations for manufacturing bulk and consumer tissue paper were in Maysville, Kentucky; it also produced nonsubject paper, such as kraft paper and battery tissue, in Middletown.⁶⁴ In early 2003, the former Crystal paper mill Greentree abruptly shut down after reportedly losing a major customer, and thus was unable to fulfill the tissue roll supply agreement it had signed with Cleo.⁶⁵ Cleo/Crystal sold assets related to Crystal's bulk tissue business in July 2003 and closed Crystal's manufacturing facility in Maysville in October 2003.⁶⁶ To mitigate the effect of any duties resulting from this investigation, however, Cleo/Crystal resumed tissue converting operations at this facility in 2004.⁶⁷

In full year 2003, Cleo/Crystal was the *** U.S. producer, representing *** percent of total U.S. production of tissue paper.⁶⁸ In 2001, the company imported *** square meters of subject merchandise, equivalent to *** percent of its U.S. production. In 2002, it imported *** square meters, equivalent to *** percent of its U.S. production. By 2003, it imported *** square meters, equivalent to *** percent of its U.S. production. In interim 2004, it imported *** square meters, *** percent of its U.S. production as compared to *** percent in interim 2003, when it imported *** square meters.⁶⁹

The record thus shows that Cleo/Crystal was one of the largest U.S. producers during the period examined, and that its imports for a significant portion of that period, while not minimal, were substantially less than its production. The firm's size and its business focus through much of the period militate against exclusion. On the other hand, this business focus showed signs of change in 2003 and, by the end of the period, it appears undisputed that the firm's focus had shifted to importation. Cleo/Crystal, we note, also appears in the investigation as a respondent and opposes the petition.⁷⁰

The Commission has previously indicated that a producer's obtaining related party status late in the period examined is a factor that militates against exclusion.⁷¹ In addition, exclusion may not be warranted simply because a large producer (that was also a related party) has shifted to become a

⁶⁰ Cleo/Crystal Prehearing Brief Exh. 2, Att. 5.

⁶¹ CR at III-7, PR at III-5.

⁶² CR, PR at Table VI-2 (based on net sales).

⁶³ Cleo/Crystal's Prehearing Brief Exh. 2, Att. 5.

⁶⁴ Cleo/Crystal Posthearing Brief at A-1. Crystal spun off its converting assets in 1997 to form Crystal Creative. Cleo/Crystal's Prehearing Brief Exh. 2, Att. 5. The paper mill in Middletown continued operations as Crystal Tissue Company. The paper mill was not part of the Cleo purchase, although the purchase included all rights to the Crystal name, which was well known in the tissue paper business. Tr. at 227 (Andrew Kelly, President, Cleo). Prior to the Cleo purchase of the converting operations and the Crystal name, the mill operations were renamed Greentree Specialty Papers (Greentree).

⁶⁵ CR at IV-6, PR at IV-2.

⁶⁶ CR at III-7, PR at III-5.

⁶⁷ CR at III-8, PR at III-6.

⁶⁸ CR, PR at Table III-1 (as revised by Memorandum INV-CC-019, Feb. 23, 2005 (Mem. INV-CC-019)).

⁶⁹ CR, PR at Table III-1 n.3.

⁷⁰ CR, PR at Table III-1.

⁷¹ See, e.g., Uranium from the U.S.S.R., Inv. No. 731-TA-539 (Preliminary), USITC Pub. 2471 (Dec. 1991) at 16; Polychloroprene from France and the Federal Republic of Germany, Invs. Nos. 731-TA-446-447 (Preliminary), USITC Pub. 2233 at 19 (Nov. 1989). Cf. Minivans from Japan, Inv. No. 731-TA-522 (Preliminary), USITC Pub. 2402 at 29 n.91 (July 1991) (exclusion inappropriate when producer did not obtain related party status until after period examined).

substantial importer of such merchandise during the period examined.⁷² A significant factor is whether the firm's domestic production operations significantly benefitted financially from its relationship to subject imports or from its import activities. Such benefits create the sort of data distorting effect that the exercise of discretion to exclude under the related party provision seeks to overcome.⁷³

A disaggregated analysis of the financial performance of U.S. production operations shows that Cleo/Crystal, ***, experienced ***.⁷⁴ On its face, then, Cleo/Crystal's performance during this period fails to evidence any significant financial benefit to the firm's domestic production operations gained by its supplanting domestic production with subject imports. Nor is there any other evidence to show such a benefit from this business transformation.⁷⁵ Hence, regardless of the firm's intentions in becoming a major importer, about which there is conflicting evidence, the record fails to establish that Cleo/Crystal's domestic production operations benefitted at all, much less significantly, from its import activities.

Accordingly, given Cleo/Crystal's size as a domestic producer and its focus on domestic production through much of the period examined, its focus on importation only occurring late in the period, the lack of a significant benefit from importation to its domestic production operations, and the absence of the sort of data-distorting effects cognizable under the related parties provision, we find that appropriate circumstances do not exist to exclude Cleo/Crystal from the domestic industry. We will consider, however, the reason for Cleo/Crystal's rapid transformation from being one of the leading domestic producers of tissue paper to being one of the industry's leading importers of subject merchandise, and the weight to be accorded the data from its domestic production operations, in analyzing conditions of competition in the U.S. market and the merits of the injury claim.

IV. MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS⁷⁶

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the imports under investigation.⁷⁷ In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.⁷⁸ The statute defines "material injury" as "harm which

⁷² See, e.g., Canned Pineapple Fruit from Thailand, Inv. No. 731-TA-706 (Prelim.), USITC Pub. 2798 (July 1994) at 22 (appropriate circumstances did not exist to exclude Dole, which had been a significant producer but shifted to become a significant importer, from the domestic industry).

⁷³ See Portable Electric Typewriters from Singapore, Inv. No. 731-TA-515 (Final), USITC Pub. 2681 (Sept. 1993) at 9 (principal purpose of exclusion is "to avoid distortions in the data that might mask the injury being experienced by the domestic industry;" declining to exclude Smith Corona from domestic industry despite firm's shift from major producer, particularly in the early years of the period examined, to major importer).

⁷⁴ CR, PR at Table VI-2.

⁷⁵ That the corporate entity as a whole might have benefitted from its new sourcing focus is immaterial.

⁷⁶ Negligibility is not an issue in this investigation. Subject imports from China are not negligible under 19 U.S.C. § 1677(24) because they accounted for more than three percent of the volume of all subject tissue paper imported into the United States in the most recent twelve-month period for which data are available preceding the filing of the petition. In fact, China was virtually the sole source of subject tissue paper imported into the United States during the period examined. CR, PR at Table IV-2.

⁷⁷ 19 U.S.C. § 1673d(b).

⁷⁸ 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B). See also, Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

is not inconsequential, immaterial, or unimportant.”⁷⁹ In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁸⁰ No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁸¹

A. Conditions of Competition

1. Demand

Importers and producers generally reported that demand for tissue paper had not changed since 2001.⁸² The majority of tissue paper purchasers, in contrast, reported an increase in demand during the period examined.⁸³ Overall, apparent U.S. consumption of tissue paper, a proxy for demand, increased modestly during the period examined, rising by 4.9 percent between 2001 to 2003; apparent U.S. consumption was 2.7 percent higher in January-September 2004 than in January-September 2003.⁸⁴ We note that between 2001 and 2003, apparent U.S. consumption of consumer tissue paper decreased ***, while apparent U.S. consumption of bulk tissue paper increased ***.⁸⁵ Apparent U.S. consumption of consumer tissue paper was higher in interim 2004 than in interim 2003, while the reverse was true for bulk tissue paper.⁸⁶

Demand for tissue paper tends to increase in the latter part of the year with increased retailer sales and gift giving for the holidays, with some producers reporting half of all sales volumes occurring in the last four months of the year. In 2003, the last three months of the year accounted for *** of apparent U.S. consumption of consumer tissue paper and *** of apparent U.S. consumption of bulk tissue paper.⁸⁷

⁷⁹ 19 U.S.C. § 1677(7)(A).

⁸⁰ 19 U.S.C. § 1677(7)(C)(iii).

⁸¹ Id.

⁸² Twenty five of 32 responding importers and 10 of 11 responding producers of tissue paper reported that demand was unchanged. CR at II-8, PR at II-6.

⁸³ Sixteen of 29 responding purchasers of tissue paper reported that demand increased, perceived to be led generally by consumer tissue paper. CR at II-8, PR at II-6. See also Target Prehearing Brief at 16 (reporting the extensive growth in its sales of stylized consumer tissue products that are marketed in conjunction with matching gift bags).

⁸⁴ CR, PR at Tables IV-4 & C-1 (apparent U.S. consumption increased from 2.252 billion square meters in 2001 to 2.363 billion square meters in 2003, and was 1.464 billion in interim 2003 as compared to 1.503 in interim 2004). We do not find that the market for bulk and consumer tissue paper is strictly segmented, given the overlaps in terms of the products and their manufacture, their purchasers, and the distribution channels discussed below. Therefore, we have considered the record as a whole and, when appropriate and the data permit, have also examined the data pertaining to bulk and consumer tissue paper.

⁸⁵ CR, PR at Tables C-2-C-3 (from *** square meters in 2001 to *** square meters in 2003 for consumer tissue paper; and from *** square meters in 2001 to *** square meters in 2003 for bulk tissue paper).

⁸⁶ CR, PR at Tables C-2-C-3 (** square meters in interim 2004 compared to *** square meters in interim 2003 for consumer tissue paper; *** square meters in interim 2004 compared to *** square meters in interim 2003 for bulk tissue paper).

⁸⁷ CR at II-9, IV-9, PR at II-7, IV-5.

2. Supply

The U.S. market is supplied by domestic production and subject imports, with very small quantities of nonsubject imports reported for the period examined.⁸⁸ Of the six major domestic producers of tissue paper, three are vertically integrated firms that also manufacture jumbo rolls; three are converters that purchase jumbo rolls.⁸⁹ Three domestic producers manufacture both bulk and consumer tissue paper.⁹⁰

U.S. shipments of domestically produced tissue paper decreased overall during the period examined, while U.S. shipments of tissue paper from China increased, resulting in a significant shift in market shares during the period examined. The domestic industry's share of apparent U.S. consumption fell substantially from 91.0 percent in 2001 to 70.9 percent in 2003, and was 71.3 percent in interim 2004 as compared to 76.1 percent in interim 2003.⁹¹

The domestic industry's production capacity increased between 2001 and 2002, but then declined in 2003 as well as in interim 2004 relative to interim 2003.⁹² This decline reflected in part the temporary closure of Cleo/Crystal's domestic production.⁹³

The reasons for Cleo/Crystal's rapid transformation from major domestic producer to major importer during the latter part of the period examined are the subject of conflicting evidence. Cleo's president testified that tight input supply conditions existed in 2003 and 2004, and that the resulting uncertainty was the major factor. He reported that only one viable source of domestic roll stock was available to it (others existed but were competitors of Cleo/Crystal), which relationship did not work out because of limitations presented by this source.⁹⁴ Cleo also indicated that the closure of a U.S. rotogravure printing facility contributed to its sourcing from China and the closure of the Maysville facility.⁹⁵

We note that, prior to its acquisition, Crystal viewed low-priced imports as a significant source of competition and paid for legal advice in exploring the option of filing an antidumping petition.⁹⁶ Cleo, a subsidiary of CSS Industries, was already importing subject merchandise from China when it acquired Crystal in late 2002.⁹⁷ Crystal itself, as noted above, was sourcing *** of subject merchandise from China prior to its acquisition. With the abrupt closure of the Greentree facility in early 2003,

⁸⁸ There were no U.S. shipments of nonsubject imports during 2001 and 2002. In 2003, the volume of U.S. shipments of nonsubject imports was *** square meters. In interim 2004, the volume was *** square meters, or *** percent of apparent U.S. consumption. CR, PR at Tables IV-3, IV-4.

⁸⁹ CR, PR at III-1 n.2 (Seaman, Putney Paper, and Flower City are integrated; Cleo/Crystal, Garlock, and Eagle are converters). Unlike in the preliminary phase, see Preliminary Determination at 16, Respondents have not argued that integrated producers are disadvantaged by their vertical structure in competing with converters, and the final phase record would not support such a claim in any event.

⁹⁰ CR at III-5, III-7, III-9, PR at III-5-III-7 (Seaman, Flower City, and Pacon; Crystal no longer produces both).

⁹¹ CR, PR at Table IV-4.

⁹² CR, PR at Table III-2 (3.722 billion square meters, 3.878 billion square meters, and 3.814 billion square meters in 2001 to 2003, respectively; 2.737 billion square meters and 2.579 billion square meters in interim periods 2003 and 2004, respectively).

⁹³ CR at III-9, PR at III-7.

⁹⁴ See, e.g., CR at IV-6-IV-8 (as revised by Mem. INV-CC-019), PR at IV-3-IV-4.

⁹⁵ See, e.g., CR at IV-6, PR at IV-2-IV-3.

⁹⁶ See Tr. at 26-27 (Ted Tepe, Vice President, Seaman), 332-333 (Mr. Kelly); Petitioners' Posthearing Brief Exhs. 3 at 2-3 (excerpts from ***) & 4 (press release dated Feb. 10, 2003); Cleo/Crystal Posthearing Brief Exh.1 Att. 4 ***.

⁹⁷ CR at III-7, PR at III-6.

Cleo/Crystal lost a supplier of roll stock, leaving a limited number of producers available as potential domestic sourcing options ***. Flower City and Seaman were direct competitors of Cleo/Crystal in the tissue paper market.⁹⁸

Burrows, an integrated paper company, specialized in the production of tissue paper and a wide variety of other paper products for more than thirty years.⁹⁹ In 2001, it had discontinued its production of subject tissue paper, but continued manufacturing jumbo rolls of tissue paper. Burrows, therefore, did not compete directly with Cleo/Crystal and, moreover, ***.¹⁰⁰ In fact, *** and, ***. ***.¹⁰¹ Thus, there appears to have been available domestic supply of jumbo tissue rolls to meet Cleo/Crystal's requirements. Cleo/Crystal also apparently decided not to import jumbo rolls to supply its converting operation.¹⁰²

With respect to printing as an explanation for Cleo/Crystal's replacement of domestic production with subject imports, it is undisputed that a U.S. rotogravure printer of tissue paper stock closed in 2003. However, the record shows that state-of-the-art flexographic printing, for which there is ample domestic capacity, meets quality requirements of the tissue paper industry.¹⁰³ Moreover, rotogravure printing in the United States remains available.¹⁰⁴ We therefore find that there was sufficient capacity in the United States to meet Cleo/Crystal's printing needs.

U.S. shipments of tissue paper, domestically-produced and from China, were directed to three channels of distribution during the period examined: distributors, retailers, and end users. Most U.S. producers' U.S. shipments were to distributors, although a significant amount were also made to retailers.¹⁰⁵ Overall, in terms of share of U.S. shipments, U.S. producers' U.S. shipments to distributors increased between 2001 and 2003 (from 58.7 percent to 64.7 percent) but were lower in interim 2004 as compared to interim 2003 (69.5 percent and 71.1 percent). As a share of total shipments, U.S. producers' shipments to retailers decreased from 41.0 in 2001 to 34.7 percent in 2003, and were 29.2 percent in interim 2004 as compared to 28.2 percent in interim 2003.¹⁰⁶

During the period examined, the overall share of U.S. shipments of subject imports to distributors increased from 8.0 percent in 2001 to 19.9 percent in 2003, and was 30.3 percent in interim 2004 as compared to 23.0 percent in interim 2003. The share of U.S. shipments of subject imports to retailers declined between 2001 and 2003, from 80.8 percent to 51.8 percent, and was 32.4 percent in interim 2004 as compared to 46.6 percent in interim 2003.¹⁰⁷ Such a decline reflected in part the significant increase in direct shipments to end users during the period examined, as shipments of subject imports to retailers

⁹⁸ CR at IV-6-IV-7, PR at IV-4.

⁹⁹ CR at III-6-III-7. In 1993, it had also constructed a converting plant in the Netherlands, marking its entrance into the international market. CR at III-6 n.20, PR at III-5 n.20.

¹⁰⁰ See CR at IV-6-IV-8, PR at IV-4.

¹⁰¹ CR at IV-7 n.20, PR at IV-4 n.20.

¹⁰² Crystal's investment bankers, ***, reported prior to the firm's sale to Cleo that ***. *** predicted that ***." Cleo/Crystal Prehearing Brief Exh. 2 Att. 5 at 41 (excerpts from *** report).

¹⁰³ ***, telephone interview with USITC staff (Jan. 31, 2005); Tr. at 40-41 (Mr. Garlock).

¹⁰⁴ CR at IV-8, PR at IV-5.

¹⁰⁵ U.S. producers' shipments directly to end users were very small during the period examined. CR, PR at Table I-3 (ranging from 0.2 percent to 0.6 percent between 2001 and 2003 and 1.3 percent in interim 2004 as compared to 0.6 percent in interim 2003).

¹⁰⁶ CR, PR at Table I-3.

¹⁰⁷ CR, PR at Table I-3.

actually increased in terms of quantities.¹⁰⁸ U.S. shipments of subject imports to end users, which captures direct importation by retailers, increased from 11.2 percent in 2001 to 28.2 percent in 2003, and was 37.3 percent in interim 2004 as compared to 30.4 percent in interim 2003.¹⁰⁹ We note that in 2001, 3.4 percent of consumer tissue paper shipments of subject imports and 100.0 percent of bulk tissue paper shipments were to distributors. This fell to 1.3 percent for consumer tissue paper and to 77.3 percent for bulk tissue paper in 2003. For imports of bulk tissue paper, virtually all of the remainder was imported directly by retailers. With respect to consumer tissue paper, the share of shipments by importers to retailers fell from 84.9 percent in 2001 to 68.6 percent in 2003. Direct imports by retailers, however, rose from 11.8 percent in 2001 to 30.1 percent in 2003.¹¹⁰

The increasing share of subject imports procured as direct imports by retailers reflects the growing role of mass merchandisers. These entities may purchase products via reverse internet auctions.¹¹¹ Mass merchandisers such as Target may procure tissue paper in conjunction with other items, such as gift bags, gift boxes, or roll wrap, thereby requiring vendors seeking Target's business to source items from different manufacturers.¹¹²

3. Substitutability

There is a high degree of substitutability between domestically produced tissue paper and subject imports from China.¹¹³ Most U.S. producers, U.S. importers, and U.S. purchasers reportedly perceive tissue paper produced in the United States and in China to be "always" or "frequently" interchangeable.¹¹⁴ In addition, price is considered by purchasers to be one of the most important factors in purchasing decisions for tissue paper. Purchasers cited price more frequently than any other factor as one of the three most important factors in selecting a supplier. Price was cited most often as the most important factor with respect to bulk tissue paper purchases, and the second most important factor (after quality) with respect to consumer tissue paper purchases.¹¹⁵ The significance of price in this comparison is also revealed by the fact that virtually all responding purchasers identified the quality of domestically produced tissue paper and subject imports from China as comparable.¹¹⁶

We do not find that tissue paper purchasers source subject imports due to an inability to obtain specialty types of tissue paper or packaging from domestic producers.¹¹⁷ Sales of specialty tissue in relation to the overall U.S. market for tissue paper appear small, and the record shows that the domestic industry competes for such sales. Questionnaire responses indicate that the domestic industry shipped *** square meters of specialty tissue in 2003, equivalent to *** percent of consumer tissue paper shipments, and that U.S. importers shipped *** square meters of specialty tissue from China in 2003,

¹⁰⁸ U.S. importers' shipments to end users increased from 22.8 million square meters in 2001 to 193.8 million square meters in 2003, and were 159.2 million square meters in interim 2004 as compared to 106.3 million square meters in interim 2003. CR, PR at Table I-3.

¹⁰⁹ CR, PR at Table I-3.

¹¹⁰ CR, PR at II-3-II-4; CR, PR at Tables II-1-II-2.

¹¹¹ The Commission gathered certain pricing information on internet auctions. CR, PR at Table V-1. Several national drug store chains also reported data on reverse internet auctions.

¹¹² CR at I-19, PR at I-14.

¹¹³ CR at II-11, PR at II-8.

¹¹⁴ CR, PR at Table II-6.

¹¹⁵ CR, PR at Table II-3.

¹¹⁶ CR, PR at Table II-5.

¹¹⁷ See Preliminary Determination at 16; CR at I-9-I-12, PR at I-7-I-9.

equivalent to *** percent of consumer tissue paper shipments.¹¹⁸ Moreover, the volume of items largely supplied exclusively by import sources is small, accounting for no more than a few percent of subject imports of consumer tissue paper.¹¹⁹

B. Volume

Section 771(7)(C)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”¹²⁰

Subject import volume increased sharply throughout the period examined, rising from 204.1 million square meters in 2001 to 328.1 million square meters in 2002, and further to 751.4 million square meters in 2003 (an increase between 2001 and 2003 of approximately 268 percent). Subject import volume was 547.6 million square meters in interim 2003 as compared to 575.0 million square meters in interim 2004; thus, the quantity of subject imports was 5.0 percent higher in January-September 2004 than in January-September 2003.¹²¹

During the period examined, subject imports’ U.S. shipment volume relative to apparent U.S. consumption grew from 9.0 percent in 2001 to 12.8 percent in 2002 and to *** percent in 2003, and was *** percent in interim 2004 compared to *** percent in interim 2003. With the virtual absence of nonsubject imports in the U.S. market during the period examined, domestic market share declined by approximately the amount that subject import market share grew, from 91.0 percent in 2001 to 87.2 percent in 2002 and to 70.9 percent in 2003. In interim 2004, the domestic market share was 71.3 percent as compared to 76.1 percent in interim 2003.¹²²

Subject import volume relative to production in the United States increased throughout the period examined, rising from 9.8 percent in 2001 to 14.8 percent in 2002 and to 43.4 percent in 2003. The same ratio was 43.8 percent in interim 2003 and reached 49.7 percent by interim 2004.¹²³

Over the period examined, bulk tissue paper shipments accounted for approximately 53 percent of apparent U.S. consumption of tissue paper, while consumer tissue paper accounted for approximately 47 percent.¹²⁴ U.S. imports of bulk tissue paper from China accounted for all imports of bulk tissue paper during this period. The quantity of U.S. imports of bulk tissue paper from China increased from *** square meters in 2001 to *** square meters in 2003; the quantity was *** square meters in interim 2004, compared with *** square meters in interim 2003.¹²⁵ Subject imports’ market share increased from *** percent in 2001 to *** percent in 2003, and was *** percent in interim 2004 as compared to *** percent in interim 2003.¹²⁶ The domestic industry’s share of apparent U.S. consumption of bulk tissue paper fell from *** percent in 2001 to *** percent in 2003, and was *** percent in interim 2003 as compared to

¹¹⁸ CR at I-11, PR at I-8. See also CR, PR at Tables I-1-I-2. Because they are often sold together in assortments, specialty tissue can impact the price of a larger amount of non-specialty tissue. CR at I-10, PR at I-8.

¹¹⁹ CR, PR at Table I-2.

¹²⁰ 19 U.S.C. § 1677(7)(C)(i).

¹²¹ CR, PR at Table IV-2.

¹²² CR, PR at Table IV-4 (as revised by Mem. INV-CC-019).

¹²³ CR at IV-6, PR at IV-2.

¹²⁴ CR, PR at Tables C-1-C-3.

¹²⁵ CR, PR at Table IV-7 n.7.

¹²⁶ CR, PR at Table C-2.

*** percent in interim 2004.¹²⁷ Relative to U.S. production, the quantity of U.S. imports of bulk tissue paper increased from *** percent in 2001 to *** percent in 2003, and was *** percent in interim 2004, *** percentage points higher than in interim 2003.¹²⁸

U.S. imports of consumer tissue paper from China accounted for all imports of consumer tissue paper in 2001 and 2002, and virtually all throughout the remainder of the period examined. The quantity of U.S. imports of consumer tissue paper increased from *** square meters in 2001 to *** square meters in 2003, and was *** square meters in interim 2004, compared with *** square meters in interim 2003.¹²⁹ Subject imports' market share increased from *** percent in 2001 to *** percent in 2003, and in interim 2003 and interim 2004 was *** percent.¹³⁰ The domestic industry's share of apparent U.S. consumption of consumer tissue paper fell from *** percent in 2001 to *** percent in 2003, and was *** percent in interim 2003 as compared to *** percent in interim 2004.¹³¹ Relative to production, the quantity of U.S. imports of consumer tissue paper from China increased from *** percent in 2001 to *** percent in 2003, and was *** in interim 2004, *** percentage points higher than in interim 2003.

In absolute terms and relative to consumption and production in the United States, the volume of subject imports in the U.S. tissue paper market thus increased substantially over the period examined. With nonsubject imports accounting for a very small portion of the market, the market share losses of the domestic industry essentially tracked the market share gains of subject imports. Given the high degree of substitutability of domestically produced tissue paper and subject imports, the substantial volume in imports across the entire spectrum of the market, and its replacement of sales at the expense of the domestic industry, we find the volume of subject imports (in absolute terms and relative to consumption and production in the United States), and the increase in that volume, to be significant.

C. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹³²

Subject imports and the domestic like product, as previously discussed, are highly substitutable, and price plays an important role in purchasing decisions. The significance of price in the U.S. market is

¹²⁷ CR, PR at Table C-2.

¹²⁸ CR at IV-4 n.7, PR at IV-2 n.7.

¹²⁹ CR, PR at Table IV-6 n.8.

¹³⁰ CR, PR at Table C-3.

¹³¹ CR, PR at Table C-3. Nonsubject imports constituted *** percent of apparent U.S. consumption of consumer tissue paper in 2003, and *** percent in interim 2004 as compared to *** percent in interim 2003. CR, PR at Table C-3.

¹³² 19 U.S.C. § 1677(7)(C)(ii).

highlighted by the fact that most purchasers of tissue paper reported that they “usually” purchase the lowest priced tissue paper.¹³³

We have considered pricing data for four tissue paper products – three consumer (products 1-3) and one bulk (product 4) – to unrelated customers.¹³⁴ In addition to providing quarterly sales price data for each product, importers and U.S. producers were asked to specify if the product was sold to distributors or retailers. The data were used to calculate the weighted-average price in each quarter of the period examined.¹³⁵ In addition, purchase price data for product imported directly by retailers was requested.¹³⁶

Based on the record evidence, we find that subject imports significantly undersold the domestic like product. Data comparing domestic and importer prices for all products show that for the 45 quarters for which direct comparisons were available, subject imports undersold the domestic product in 33 quarters by a combined weighted average margin of *** percent.¹³⁷ With respect to product 1, subject imports undersold the domestic product in 6 of 15 comparisons, by quarterly average margins ranging from *** percent to *** percent. The most significant underselling for product 1 occurred in the ***.¹³⁸

With respect to product 2, subject imports undersold the domestic product in 12 of 13 comparisons, by quarterly average margins ranging from *** percent to *** percent.¹³⁹ With respect to product 3, only four comparisons were available, with subject imports underselling the domestic product in each of the comparisons by quarterly average margins ranging from *** percent to *** percent.¹⁴⁰ With respect to product 4, subject imports undersold the domestic product in 11 of 12 comparisons by quarterly average margins ranging from *** percent to *** percent.¹⁴¹

Consistent with the pattern of underselling revealed by this price data, the vast majority of purchasers (16 of 20) reported that the Chinese product was lower-priced than the domestic product.¹⁴² We also note that import purchase prices for importer/retailers were *** lower than the selling prices of the U.S. producers to retailers.¹⁴³

Domestic prices for product 1 showed no clear trend. Prices to distributors fluctuated before rising at the end of the period examined; prices to retailers appeared relatively stable prior to declining in

¹³³ CR at II-12, PR at II-9.

¹³⁴ CR, PR at Tables V-2-V-5.

¹³⁵ CR, PR at Tables V-2-V-5 & Figure V-1.

¹³⁶ See Preliminary Determination at 18, 22-23. Overall, coverage was 8.3 percent for selling prices of U.S. shipments of domestic product and 14.2 percent for combined selling and purchase prices of U.S. shipments plus direct imports of Chinese imports. CR at V-8, PR at V-4.

¹³⁷ CR, PR at Table V-7 (as revised by Mem. INV-CC-019).

¹³⁸ CR, PR at Table V-2 (available comparisons are of sales to retailers).

¹³⁹ CR, PR at Table V-3 (as revised by Mem. INV-CC-019) (available comparisons are of sales to retailers).

¹⁴⁰ CR, PR at Table V-4 (available comparisons are of sales to retailers). For the consumer tissue paper products (products 1-3) overall, available comparisons showed underselling in *** of *** instances, and the combined weighted average margin of underselling by subject imports was *** percent. CR, PR at Table V-7.

¹⁴¹ CR, PR at Table V-5 (available comparisons are of sales to distributors). The combined weighted average margin of underselling by the bulk tissue product was *** percent. CR, PR at Table V-7.

¹⁴² CR, PR at Table II-5.

¹⁴³ CR, PR at Tables V-2-V-5. Respondents argue, however, that comparing the two does not fairly measure prices at the same levels of trade. See, e.g., Cleo/Crystal Final Comments at 8-9; Target Posthearing Brief at 14-15. Target also indicated that prices reported for such transactions understated transportation costs, but the Importers' Questionnaire at 13 instructed that purchase prices were “landed, duty-paid net values at the U.S. port of entry (i.e., gross sales values less all discounts, allowances, rebates, prepaid freight, and the value of returned goods),” and thus include the cost of ocean transport.

2003.¹⁴⁴ For product 2, domestic prices to distributors trended downward after the second quarter of 2002, and rose in the last quarter of interim 2004. Prices to retailers appeared to increase gradually during the period examined, but showed a decline in the last quarter for which data were available (first quarter 2004).¹⁴⁵ The available data for product 3 only identify ***.¹⁴⁶ Domestic prices to distributors for product 4 generally declined between first quarter 2001 and fourth quarter 2003, and then were at their highest levels of the period examined during interim 2004. Prices to retailers declined overall between first quarter 2001 and fourth quarter 2003, and were higher in interim 2004.¹⁴⁷

We find that the pricing data show some evidence of price depression, but do not demonstrate significant price effects of imports on domestic prices. Falling prices for domestic tissue paper in 2002 and 2003 in certain high-volume channels (e.g., product 1 to retailers, product 2 to distributors, product 4 to distributors) provide some evidence of price depression. However, on balance we do not find this to be significant. Nor do we find, overall, significant suppression of domestic prices.¹⁴⁸

Consistent with the data showing significant underselling, several purchasers confirmed allegations by domestic producers of instances in which sales were lost due to lower-priced subject imports.¹⁴⁹ In addition, ***, stated that ***. Similarly, in connection with a lost revenue allegation regarding bulk tissue paper, ***.¹⁵⁰

The large transfer of market share from domestic to Chinese producers is further borne out by the fact that eleven of twelve responding purchasers reported that since January 2001 they had shifted purchases from U.S. producers to Chinese imports. Three of nine stated that price was the reason for the shift, while one of seven stated that, since January 2001, U.S. producers reduced their prices in order to compete with prices of Chinese imports.¹⁵¹

The evidence obtained from purchasers, importers, and domestic producers regarding pricing demonstrates how subject imports have been able to gain significant U.S. market share at the expense of the domestic industry. The pricing data demonstrate that subject imports are significantly underselling the domestic product. Given the high degree of substitutability between the subject imports and domestically produced tissue paper, and the importance of price to purchasers in the U.S. market, the significant underselling is fueling the rapidly increasing volume and market share of subject imports and its direct displacement of sales by domestic producers. Confirmed allegations of lost sales and lost revenue support this conclusion. For the reasons explained above, we find that underselling has been significant and, although the record reflects some evidence of price depression, we do not find significant price depression or suppression.

¹⁴⁴ CR, PR at Table V-2.

¹⁴⁵ CR, PR at Table V-3.

¹⁴⁶ CR, PR at Table V-4.

¹⁴⁷ CR, PR at Table V-5.

¹⁴⁸ We note that an increase in cost of goods sold (COGS) as a ratio to net sales may evidence price suppression. Here, that ratio increased from 74.3 percent in 2001 to 75.5 percent in 2002 before declining to 72.8 percent in 2003, and was 72.3 percent in interim 2004 as compared to 74.6 percent in interim 2003. CR, PR at Table VI-1.

¹⁴⁹ CR, PR at Tables V-8-V-9.

¹⁵⁰ CR, PR at Table V-9; CR at V-19-V-20, V-22, PR at V-8.

¹⁵¹ CR, PR at Table V-10.

D. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.¹⁵² These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”^{153 154}

By most measures, the domestic industry’s condition worsened over the period examined despite increasing apparent U.S. consumption. The domestic industry’s production capacity increased from 3.722 billion square meters in 2001 to 3.814 billion square meters in 2003, and then decreased in comparing the interim periods (from 2.737 billion square meters in interim 2003 to 2.579 billion square meters in interim 2004).¹⁵⁵ Domestic output decreased by 16.8 percent from 2001 to 2003, and further decreased by 7.4 percent in comparing interim 2004 to interim 2003.¹⁵⁶ Capacity utilization was down 10.5 percentage points between 2001 and 2003 (from 55.9 percent to 45.4 percent, respectively), and down 0.8 percentage points in interim 2004 relative to interim 2003 (to 44.8 percent from 45.6 percent), notwithstanding the idling of some capacity in 2004.¹⁵⁷

U.S. shipment volumes declined as well, decreasing by 18.3 percent between 2001 and 2003, and by 3.8 percent in interim 2004 relative to interim 2003.¹⁵⁸ The number of workers followed output trends between 2001 and 2003, declining from 592 to 428, and was 437 in interim 2004 as compared to 413 in interim 2003.¹⁵⁹ Total wages paid also declined (down 5.8 percent between 2001 and 2003 and 4.8 percent in comparing the interim periods).¹⁶⁰ Productivity showed no sustained increase, and unit labor costs increased throughout the period examined.¹⁶¹ Domestic industry inventories increased.¹⁶²

¹⁵² 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.”).

¹⁵³ 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 885; Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25 n.148.

¹⁵⁴ The Act instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final affirmative determination for subject tissue paper from China, Commerce found a weighted-average dumping margin of 112.64 percent for all producers of tissue paper in China. 70 Fed. Reg. at 7475.

¹⁵⁵ CR, PR at Table III-2.

¹⁵⁶ CR, PR at Table C-1.

¹⁵⁷ CR, PR at Table C-1.

¹⁵⁸ CR, PR at Table C-1.

¹⁵⁹ CR, PR at Table III-6.

¹⁶⁰ CR, PR at Table C-1.

¹⁶¹ CR, PR at Table C-1. Productivity (in square meters per hour) was 1,706 in 2001 and 1,701 in 2003, and 1,727 in interim 2004 compared to 1,723 in interim 2003; unit labor costs were \$7.05 in 2001 and \$7.98 in 2003, and \$7.72 in interim 2003 compared to \$7.94 in interim 2004. CR, PR at Table III-5.

¹⁶² U.S. producers’ inventories were 303.4 million square meters in 2001, 368.1 million square meters in 2002, and 376.3 million square meters in 2003, before declining in a comparison of the interim periods, 467.6 million square meters in interim 2003 and 431.2 million square meters in interim 2004. With declining shipments, the ratio of inventories increased by 7.3 percentage points between 2001 and 2003 and was 1.3 percentage points lower in interim 2004 than in interim 2003. CR, PR at Table C-1.

The domestic industry's financial indicators worsened over the period examined. The domestic industry saw profitability decline as operating income of \$8.2 million in 2001 (a 6.6 percent operating margin) fell to \$5.0 million in 2002 (a 4.2 percent operating margin), and then to \$3.6 million in 2003 (a 3.9 percent operating margin). Operating income thus fell by 56.1 percent from 2001 to 2003. Operating income was \$2.7 million in interim 2004 (a 4.1 percent operating margin) compared to \$1.2 million in interim 2003 (a 1.8 percent operating margin).¹⁶³ Four firms reported operating losses in 2003, compared with three firms in 2001 and 2002.¹⁶⁴ Net sales declined 26.7 percent between 2001 and 2003, and 3.5 percent in interim 2004 relative to interim 2003.¹⁶⁵ Unit net sales values (AUVs) increased 0.4 percent between 2001 and 2003, and were 8.2 percent higher in interim 2004 than in 2003.¹⁶⁶ Capital expenditures declined throughout the period examined, and no firm reported research and development expenditures.¹⁶⁷ Finally, the trend of the domestic industry's return on investment (ROI) mirrored the downward decline in its operating income margin during the full years of the period examined.¹⁶⁸

The domestic industry has experienced significant declines in market share and diminished output and sales, notwithstanding the increase in apparent U.S. consumption of tissue paper. Its financial performance has worsened noticeably in the face of rapid increases in subject import volume and market share. We attribute the domestic industry's performance declines over the period examined in significant part to these rapid increases that have been accompanied by significant underselling.¹⁶⁹ The growth in subject imports at the expense of domestic production is reflected in part in the large decline in domestic sales. This decline, in turn, is responsible for the decrease in the industry's gross profit as well as its rise in per unit selling, general and administrative (SG&A) expenses.¹⁷⁰ These translated into a decline in industry operating profits of over 50 percent from 2001 to 2003.

Respondents argue that subject imports have not had a significant adverse impact on the domestic industry. Rather, they argue, Cleo/Crystal began importing from China due to its inability to obtain jumbo rolls or rotogravure printing from domestic sources. The resulting impact on Cleo/Crystal's domestic production and financial performance from this transition is thus not attributable to subject imports, according to Respondents.¹⁷¹

¹⁶³ CR, PR at Tables VI-1, C-1. Petitioners point out that, if ***. According to *** it differs from other producers in that it ***. CR at VI-7, PR at VI-3.

¹⁶⁴ CR, PR at Tables VI-1, VI-3. Three firms reported operating losses in interim 2004, compared with four firms in interim 2003.

¹⁶⁵ CR, PR at C-1. *** fiscal year runs from July to June and therefore straddles the calendar year. Table VI-1 includes data for *** fiscal year that ends during the calendar year at issue. Table E-1 in Appendix E includes data for *** fiscal year that begins during the calendar year at issue. While the year-to-year trends vary, both tables show significant declines in net sales, operating income, and operating margins from 2001 to 2003.

¹⁶⁶ CR, PR at C-1.

¹⁶⁷ CR, PR at Table VI-4.

¹⁶⁸ CR at VI-6, PR at VI-2; CR, PR at Table VI-5 (ROI declined from 12.5 percent in 2001, to 7.4 percent in 2002, and then to 6.5 percent in 2003).

¹⁶⁹ There has been some improvement in the domestic industry's financial performance in interim 2004, due to increased AUVs. We note that, separate from a modest increase in consumption, the investigation has had an effect on the market, as evidenced by Cleo's decision to resume domestic production due to this antidumping proceeding. CR at III-8, PR at III-6.

¹⁷⁰ The large sales decline did not lead to a higher unit cost of goods sold (unit COGS) overall between 2001 and 2003 due to reduced raw material costs. Unit direct labor and other factory costs increased, but were offset by this decline in raw material costs. EDIS document 225046 (combined tissue paper data for domestic producers).

¹⁷¹ See, e.g., Cleo/Crystal Prehearing Brief at 41-48; Cleo/Crystal Posthearing Brief at 9-13; Target Prehearing Brief at 22; Target Posthearing Brief at 12-14.

Reduced sales by Cleo/Crystal and its operating losses have impacted the performance results of the domestic industry.¹⁷² Based on the final phase record, we are not persuaded that the U.S. market was unable to support Cleo/Crystal as a domestic tissue producer such that any declines in its production or financial performance should not be attributable to subject imports. As discussed above in the section on conditions of competition, there were several available domestic sources of roll stock, including ***. Moreover, the domestic industry has capacity to supply rotogravure and other comparable printing techniques. The fact that Crystal was actively exploring an antidumping petition with Seaman to address injury caused by dumped imports provides further evidence that price competition from subject imports was a pressing concern for Crystal. Thus, we find no basis to treat Cleo/Crystal's data differently than the data of other domestic producers in evaluating the impact of subject imports.

Respondents have also argued that *** did not cause injury to the domestic industry. They claim that the domestic industry has either not tried to sell to Target or cannot meet its needs.¹⁷³ The record shows, however, that the ***.¹⁷⁴ *** and it appears that tissue paper products produced by Seaman ***.¹⁷⁵ Evidence respecting the domestic industry's capacity, including with respect to the manufacture of specialty tissue paper products, the comparability of subject imports and the domestic product, and the fact that Target is currently purchasing domestic tissue paper products, lead us to reject Target's claim.¹⁷⁶

Cleo/Crystal also contends that any reductions in the domestic industry's profit were caused by its inability to ***, not by Chinese imports.¹⁷⁷ ***.¹⁷⁸ While rising unit labor costs do explain in part the industry's lower unit profits, these costs do not account for all of the decline, nor for the fall in absolute operating income attributable to lower industry sales volumes. With respect to SG&A costs, these expenses irregularly declined from 2001 to 2003. As noted above, the increase in *per unit* SG&A costs is itself the result in significant part of falling domestic sales quantities due to subject imports.¹⁷⁹ Thus, we are not persuaded that these costs are unreasonable or sever the requisite causal link.

As discussed above, we find both the volume of subject imports and the underselling of the subject imports to be significant. As subject imports captured significant market share, U.S. producers' production, capacity utilization, shipments and employment all decreased. The industry's sales quantities and values declined contributing to lower operating income and profitability. We find that subject imports have a significant adverse impact on the domestic industry.

V. CRITICAL CIRCUMSTANCES

In its final determination regarding tissue paper products from China, Commerce made a critical circumstances determination with respect to the PRC-wide entity, including China National and Fujian Naoshan. For nine manufacturer/exporters that received a separate rate (so-called Section A

¹⁷² CR at VI-6, PR at VI-3.

¹⁷³ See, e.g., Target Posthearing Brief at 9-12; Target Final Comments at 2-5.

¹⁷⁴ Petitioners' Posthearing Brief Exh. 1 at 27-28 & Exh.7.

¹⁷⁵ CR at V-19, PR at V-9; Petitioners' Posthearing Brief Exh. 8.

¹⁷⁶ We also note that Target's claim, as well as Cleo/Crystal's arguments regarding its cessation of domestic production, pertain only to consumer tissue and not bulk tissue. Thus these arguments could not explain the significant market share gains by subject imports of bulk tissue at the expense of domestic producers, nor the sharp drop in profitability of the bulk tissue operations of domestic producers, that occurred from 2001 to 2003. Bulk tissue represented the majority of domestic tissue paper production over the period examined.

¹⁷⁷ See, e.g., Cleo/Crystal Posthearing Brief at 13-14.

¹⁷⁸ Tr. at 141 (Mr. Jones).

¹⁷⁹ ***. CR at VI-5 n.3, PR at VI-1 n.3.

Respondents), Commerce found that critical circumstances did not exist.¹⁸⁰ Because we have determined that the domestic tissue paper industry is materially injured by reason of subject imports from China, we must further consider “whether the imports subject to the affirmative [Commerce critical circumstances] determination ... are likely to undermine seriously the remedial effect of the antidumping duty order to be issued.”¹⁸¹ The SAA indicates that the Commission is to evaluate “whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order.”¹⁸²

The Act provides that in making this finding the Commission shall consider, among other factors it considers relevant:

- (I) the timing and the volume of the imports,
- (II) a rapid increase in inventories of the imports, and
- (III) any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.¹⁸³

Consistent with Commission practice,¹⁸⁴ in considering the timing and volume of covered imports, we consider import quantities prior to the filing of the petition with those subsequent to the filing of the petition using monthly statistics on the record regarding imports of those firms for which Commerce has made an affirmative critical circumstance determination (covered imports).

The petition in this investigation was filed on February 17, 2004. We have reviewed covered import data for the period September 2003 through August 2004. Comparing the three-month period preceding the petition’s filing, December 2003 through February 2004, with the three-month period March 2004 through May 2004, covered imports increased by *** percent from *** square meters to *** square meters. Comparing the six-month period September 2003 through February 2004 with the six-month period March 2004 through August 2004, covered imports decreased by *** percent from *** square meters to *** square meters.¹⁸⁵ We do not consider the increase in covered import volume in the three-month period following the filing of the petition or the decrease in covered import volume in the six-month period as likely to undermine seriously the remedial effect of the antidumping duty order, especially in view of the seasonal nature of the sales in the industry.

We also have considered the extent to which there was an increase in inventories of covered imports. Our inventory data encompass all subject Chinese imports, and not just those covered by Commerce’s affirmative critical circumstances determination. The most relevant data pertain to the interim periods. End-of-period inventories for U.S. importers of subject tissue paper were *** square

¹⁸⁰ 70 Fed. Reg. at 7477-78.

¹⁸¹ 19 U.S.C. § 1673d(b)(4)(A)(i).

¹⁸² SAA at 877.

¹⁸³ 19 U.S.C. § 1673d(b)(4)(A)(ii).

¹⁸⁴ See, e.g., Certain Frozen Fish Fillets from Vietnam, Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 at 20-22 (Aug. 2003); Certain Ammonium Nitrate from Russia, Inv. No. 731-TA-856 (Final), USITC Pub. 3338 at 12-13 (Aug. 2000).

¹⁸⁵ CR at IV-12-IV-13, PR at IV-7-IV-8. We note that one foreign producer subject to Commerce’s affirmative critical circumstances determination, China National, provided Commerce with monthly data for its exports of tissue paper to the United States. China National’s data confirm the trend demonstrated by the “covered” imports. Comparing the three-month period of December 2003 to February 2004 with the three-month period March 2004 to May 2004, China National’s tissue paper exports to the United States increased *** percent, from *** square meters to *** square meters. However, comparing the six-month period September 2003 to February 2004 with the six-month period March 2004 to August 2004, China National’s exports decreased *** percent, from *** square meters to *** square meters. CR at IV-14, PR at IV-8.

meters in September 2003, and *** square meters in September 2004, a decrease of *** percent.¹⁸⁶ Relative to U.S. imports and U.S. shipments of imports, inventories of imported tissue paper were lower in interim 2004 than in interim 2003.¹⁸⁷ Thus, we do not find that there has been a rapid increase in inventories of the subject merchandise following the filing of the petition.

Nor do we find the existence of any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.

Based on the record in these investigations, we find that the imports subject to Commerce's affirmative critical circumstances determination are not likely to undermine seriously the remedial effect of the antidumping duty order to be issued, and therefore make a negative finding with respect to critical circumstances.

CONCLUSION

For the above-stated reasons, we determine that the domestic industry producing tissue paper is materially injured by reason of subject imports of tissue paper from China that are sold in the United States at less than fair value. We make a negative finding with respect to critical circumstances.

¹⁸⁶ CR, PR at Table VII-2.

¹⁸⁷ CR, PR at Table VII-2.

DISSENTING VIEWS OF VICE CHAIRMAN DEANNA TANNER OKUN, COMMISSIONER MARCIA E. MILLER, AND COMMISSIONER DANIEL R. PEARSON

Based on the record in this investigation we find two like products; bulk tissue paper and consumer tissue paper. We determine that an industry in the United States is materially injured by reason of imports of bulk tissue paper from China that have been found by the Department of Commerce (Commerce) to be sold in the United States at less than fair value (LTFV). We make a negative critical circumstances determination with regard to bulk tissue paper from China. We find that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports of consumer tissue paper from China, that have been found by Commerce to be sold in the United States at LTFV.

I. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”¹ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”² In turn, the Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation”³

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.⁴ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.⁵ The Commission looks for clear dividing lines among possible like products, and disregards minor variations.⁶ Although the Commission must accept the Commerce’s determination as to the scope of the imported merchandise allegedly subsidized or sold at LTFV, the Commission determines what domestic product is

¹ 19 U.S.C. § 1677(4)(A).

² *Id.*

³ 19 U.S.C. § 1677(10).

⁴ See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

⁵ See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess., at 90-91 (1979).

⁶ Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 249 at 90-91 (Congress has indicated that the domestic like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

like the imported articles Commerce has identified.⁷ The Commission must base its domestic like product determination on the record in the investigation before it. The Commission is not bound by prior determinations, even those pertaining to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.⁸

B. Product Description

In its final determination regarding subject imports from China, Commerce defined the imported merchandise within the scope of the investigation, certain tissue paper, as -

cut-to-length sheets of tissue paper having a basis weight not exceeding 29 grams per square meter. Tissue paper products . . . may or may not be bleached, dye-colored, surface-colored, glazed, surface decorated or printed, sequined, crinkled, embossed, and/or die cut. . . . [The width of each cut-to-length sheet is] equal to or greater than one-half (0.5) inch. Subject tissue paper may be flat or folded, and may be packaged by banding or wrapping with paper or film, by placing in plastic or film bags, and/or by placing in boxes for distribution and use by the ultimate consumer. Packages of tissue paper . . . may consist solely of tissue paper of one color and/or style, or may contain multiple colors and/or styles.⁹

Expressly excluded from the scope of investigation are the following tissue paper products:

(1) Tissue paper products that are coated in wax, paraffin, or polymers, of a kind used in floral and food service applications; (2) tissue paper products that have been perforated, embossed, or die-cut to the shape of a toilet seat . . . ; [and] (3) toilet or facial tissue stock, towel or napkin stock, paper of a kind used for household or sanitary purposes, cellulose wadding, and webs of cellulose fibers¹⁰

Subject tissue paper is a class of lightweight paper that generally exhibits a gauze-like, fairly transparent character, and has a basis weight of less than 29 grams.¹¹ Available in a variety of colors, designs, and packaging, it is generally used for internal wrapping within a box or bag, decorative

⁷ Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

⁸ See Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

⁹ 70 Fed. Reg. 7475, 7476 (Feb. 14, 2005). Subject imports from China do not have distinct classification numbers assigned under the HTS, and may fall under one or more of several different broad subheadings that cover a range of paper goods. Id. As such, they enter the United States free of duty at normal trade relations rates. Final Confidential Staff Report (Feb. 18, 2005) (CR) at I-4, Public Staff Report (PR) at I-3.

¹⁰ 70 Fed. Reg. at 7476.

¹¹ CR at I-5, PR at I-4.

purposes, or as a lightweight gift wrap.¹² It is made from flat rather than dry-creped tissue paper, the latter of which is used for sanitary or household purposes.¹³

C. Analysis and Findings

In the preliminary phase of the investigation, the Commission defined the domestic like product as all tissue paper corresponding to the scope of the investigation.¹⁴ The Commission reached this decision based on the lack of a clear dividing line between bulk tissue paper and consumer tissue paper. The Commission indicated, however, that it would collect additional information and revisit this issue in any final investigation. In this final phase of the investigation, Respondents continue to argue, as they did in the preliminary phase, that there are two like products, while Petitioners argue for one like product. Based on the final record, we determine that bulk tissue paper and consumer tissue paper are two distinct like products. In reaching this determination we rely on the Commission's traditional six-factor like product analysis.

1. Physical Characteristics and Uses

Bulk tissue and consumer tissue paper share many of the same physical characteristics. Both are made from the same base tissue stock often referred to as jumbo rolls.¹⁵ Both bulk and consumer tissue paper may be plain white, or solid colored, decorated, or customized to meet customer specifications, and may be sold flat or folded. They are available in a variety of sheet sizes with some of the sheet sizes overlapping in dimension.¹⁶ Both kinds of tissue are used for wrapping although lower grades of bulk white tissue are used primarily to stuff or wrap shoes and handbags, an end use for which consumer tissue paper is generally not used.¹⁷

There are significant differences between bulk and consumer tissue paper in terms of size and form of packaging. Bulk tissue paper is normally packaged in large quantities (in reams of 480 or 500 sheets and half reams 250 sheets).¹⁸ Bulk tissue is typically packaged in utilitarian poly bags either as flat sheets or quire-folded sheets or may be boxed.¹⁹ Consumer tissue, in contrast, is usually packaged for sale as a retail item in smaller quantities of sheets (5 to 40 sheets). Although there are some retail ready packages of seasonal tissue folds with sheet counts between 90-120 sheets, and "club packs" containing up to 400 sheets, smaller sheet counts represent the overwhelming majority of consumer tissue packages.²⁰ Consumer tissue is packaged in poly bags or with paper bands printed with artwork designed to appeal to the ultimate consumer in the retail store.²¹ Occasionally, the outer sheet of tissue may be printed. Additionally, unlike bulk tissue paper, consumer tissue paper is often designed, marketed, and sold in conjunction with related products such as gift bags, ribbons, and bows.²²

¹² CR at I-6-I-7, PR at I-5. Lower grades of bulk white tissue paper appear to have little decorative value, however, and are used principally as dunnage to stuff or wrap such items as shoes and handbags.

¹³ CR at I-5, PR at I-4.

¹⁴ Certain Tissue Paper Products and Crepe Paper Products from China, Inv. No. 731-TA-1070 (Preliminary), USITC Pub. 3682 (Apr. 2004), at 12.

¹⁵ CR at I-5, PR at I-4.

¹⁶ CR at I-25, PR at I-6, I-15.

¹⁷ CR at I-6-7, PR at I-5.

¹⁸ CR at I-8, PR at I-6; Cleo's Posthearing Brief at 2.

¹⁹ CR at I-8-9, PR at I-6; Cleo's Prehearing Brief at 5.

²⁰ Club packs account for *** percent of domestic tissue paper shipments. CR at I-10, PR at I-7.

²¹ Cleo's Prehearing Brief at 5. Similarly, Respondent Target states that attractive packaging is a key purchasing decision for retailers of consumer tissue paper. Target Posthearing Brief at 1.

²² Testimony of Deborah Kelly, Target, tr. at 204.

Variation in packaging size and form illustrates the fundamental difference in how purchasers view these products. Bulk tissue is packaged in utilitarian poly bags and boxes reflecting the use of bulk tissue as a business supply item. In contrast, consumer tissue is packaged for sale as a retail item, and in a manner designed to appeal to the ultimate consumer. For example, consumer tissue is packaged in colorful, customized primary packaging and in decorated corrugated containers that are intended to be in-store displays.²³

2. Interchangeability

Consistent with the differences in use noted above, the record indicates that customers who purchase consumer tissue generally do not purchase bulk tissue. Indeed, purchaser questionnaire responses reveal there is limited customer overlap between bulk and consumer tissue.²⁴ Many purchasers find dissimilarities in terms of size, weight, packaging, and ultimate end user.²⁵ Even when the same firm purchases both bulk and consumer tissue they may be purchased by different departments and are not viewed as substitutable products.²⁶ Thus, while some general degree of interchangeability exists in that both types of tissue may be used for wrapping, the record supports a finding of limited interchangeability between bulk and consumer tissue paper.

3. Customer and Producer Perceptions

It appears unlikely that purchasers would substitute bulk tissue for consumer tissue or vice versa. As noted *supra*, there is limited interchangeability between bulk and consumer tissue which necessarily limits the ability or willingness of purchasers to substitute between the two.²⁷ The differences in packaging, noted *supra*, reflect the differences in customer perceptions between bulk and consumer tissue paper.

With regard to producers' perceptions, although some producers produce both,²⁸ they recognize them as separate business segments.²⁹ The fact that these firms recognized bulk and consumer tissue as separate business segments indicates that producers view the markets as distinct.

4. Channels of Distribution

The record evidence on channels of distribution shows significant distinctions between bulk tissue sales and tissue paper sales. Although consumer tissue and bulk tissue both are sold through distributors and retailers, consumer tissue sales are largely made directly to retailers, with a minority of

²³ CR at I-22, PR at I-15.

²⁴ Of the twenty purchasers providing responses on the differences between bulk and consumer tissue paper, only five indicated that they purchase both bulk and consumer tissue paper. CR at D-6-D-7, PR at D-6-D-7.

²⁵ CR at I-25 and D-6-D-7, PR at I-17 and D-6-D-7.

²⁶ Testimony of Deborah Kelly, Target, tr. at 201-202.

²⁷ For example, one large purchaser Target reported that there is no comparability in characteristics and uses between bulk and consumer tissue. In particular, Target noted that consumer tissue is designed to coordinate with gift bag and wrapping paper assortments, whereas the bulk tissue is not. Testimony of Deborah Kelly, Target, tr. at 201-202.

²⁸ With respect to bulk tissue paper, *** percent of 2003 domestic shipments were made through distributors, *** percent to retailers, and *** percent direct to the consumer. CR, PR at Table III-1.

²⁹ For example, Seaman purchased the bulk tissue operations of Crystal Creative Products without also purchasing its consumer tissue operations. CR at III-5, PR at III-5.

sales going to distributors.³⁰ In contrast, the overwhelming majority of bulk tissue sales are made through distributors, with a smaller percentage going directly to retailers and less than one percent going directly to the consumer.³¹ The record reveals that bulk and consumer tissue are generally sold by different firms and generally purchased by different firms.³² Additionally, there is some indication that when firms purchase both types of tissue, they have separate purchasing departments for each type of tissue.³³ Thus, we find limited overlap in the channels of distribution for bulk and consumer tissue paper.

5. Manufacturing Facilities and Production Employees

The record indicates that individual U.S. producers generally manufacture one type of tissue paper. Of twelve producers, only four manufacture both bulk and consumer tissue, and only one of these manufactures significant quantities of both.³⁴ The evidence indicates that for the minority of firms that manufacture both bulk and consumer tissue paper, both products are produced in the same facilities with common employees and similar processes. Nevertheless, consumer tissue paper requires either different production lines and/or specialized equipment for the distinct packaging.³⁵ Moreover at least one large purchaser requires a lengthy design phase for the production of consumer tissue paper.³⁶

6. Price

The record in this investigation indicates a substantial price differential between consumer tissue and bulk tissue. Average unit values for U.S. shipments of consumer tissue paper were *** per thousand square meters in 2001, *** in 2002, and *** in 2003. In contrast, average unit value for bulk tissue were markedly lower: *** per thousand square meters in 2001, *** in 2002 and *** in 2003.

D. Conclusion

Based on the additional information gathered in this final phase of the investigation and in view of the differences in physical characteristics and uses, limited interchangeability, differing customer and producer perceptions, distinct channels of distribution, and significant price differences, we define the domestic like product as consisting of two separate like products: bulk tissue paper and consumer tissue paper.

We note Petitioners' argument that Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand,³⁷ presents a similar situation to the facts presented here. We disagree. In that investigation,

³⁰ According to questionnaire responses, *** percent of domestic shipments in 2003 were directly to retailers versus only *** percent through distributors. Compare CR, PR at Table II-1 with CR, PR at Table II-2.

³¹ CR at I-25-I-26, PR at I-18.

³² Only six of 31 responding purchasers purchased both bulk and consumer tissue paper. CR at II-4, PR at II-4. Moreover, of the twenty purchasers that commented on the differences between bulk and consumer tissue paper, only five indicated that they purchase both bulk and consumer tissue paper. CR at D-6-D-7, PR at D-6-D-7.

³³ Respondent Target, for example, purchases bulk tissue through a different department than its consumer tissue, and those separate purchases are put to separate uses. Bulk tissue represents a cost of doing business for Target, while consumer tissue is purchased with the intent to resell it and generate a revenue stream. Target Posthearing Brief at 2.

³⁴ CR, PR at Table III-1. In 2003, Seaman's production was *** square meters of bulk tissue, and *** square meters of consumer tissue. Seaman's Producer Questionnaire response, and EDIS Doc. No. 224865.

³⁵ CR at I-16, PR at I-12.

³⁶ Target's Postconference Brief at 2.

³⁷ Polyethylene Retail Carrier Bags from China, Malaysia, and Thailand. Inv. Nos. 731-TA-1043-1045 (Final), USITC Pub. 3710 at 6-9 (Aug. 2004).

though there were differences generally among the various types of polyethylene retail carrier bags (“PRCBs”), all of the PRCBs were used as a business supply item.³⁸ In the present investigation, the record makes clear that only bulk tissue is used as a business supply item. Consumer tissue is made to sell at retail. We find this to be a relevant distinction between these two investigations.

II. DOMESTIC INDUSTRY

The domestic industry is defined as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”³⁹ In defining the domestic industry, the Commission’s general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.⁴⁰ In this investigation we have found two like products consisting of bulk and consumer tissue paper, and we find two separate domestic industries producing those two like products - an industry producing bulk tissue paper and an industry producing consumer tissue paper - consisting of all domestic firms producing these products.

A. Related Parties

In defining the domestic industry, we must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act.⁴¹ In its preliminary determination, the Commission found that four responding domestic producers of tissue paper imported subject merchandise from China during the period examined and thus considered whether appropriate circumstances existed to exclude any from the domestic industry. With respect to ***, the Commission found that their subject import quantities were minimal relative to domestic production and that the financial data did not appear to have been distorted by any benefit from importation of the subject merchandise. With respect to Crystal Creative Tissue (Crystal), the Commission found that while it clearly had a substantial interest to maintain its access to subject merchandise, its production was substantial in 2001, 2002, and 2003, and its financial performance did not reflect a significant financial benefit from its import activities. The Commission ultimately concluded that appropriate circumstances did not exist to exclude any of the companies from the domestic industry, but noted that it would consider the issue further with respect to Crystal in any final phase investigation.⁴²

The final phase record shows that five domestic producers, ***, and Crystal are related parties by virtue of their importation of either bulk or consumer tissue paper, or both. No party has suggested that data from any of the first four should be excluded from the data set for the domestic industry.⁴³ The available information with respect to each firm’s importation of subject merchandise during the period examined shows that the share of total imports accounted for is very small when compared to each firm’s domestic production of bulk or consumer tissue paper, or both, with the exception of Crystal after 2002.⁴⁴ Moreover, the financial data does not show that the domestic production operations of any of these firms derived a substantial benefit from such imports during the period examined so as to warrant their

³⁸ Id. at 6.

³⁹ 19 U.S.C. § 1677(4)(A)

⁴⁰ See, e.g., United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int’l Trade 1994), aff’d, F.3d 1352 (Fed Cir. 1996).

⁴¹ See 19 U.S.C. § 1677(4)(B)(ii)(II).

⁴² Preliminary Determination at 13-14.

⁴³ Nor has any party suggested that *** data from a sixth firm, ***, which stopped domestic production ***, should be excluded. See CR, PR at Table III-1.

⁴⁴ CR, PR at Table III-1 nn. 3, 5, 6-7; Table IV-1; see also questionnaire responses of cited producers.

exclusion from the domestic industry.⁴⁵ Accordingly, we determine that appropriate circumstances do not exist to exclude the data of *** from the domestic industry data set.⁴⁶

The parties contest whether appropriate circumstance exist to exclude Crystal. We find the conclusion the Commission reached in the preliminary phase is also warranted in the final phase. Crystal was a significant U.S. producer of bulk tissue paper until mid-year 2003, and of consumer tissue paper throughout the period examined.⁴⁷ Crystal had *** imports of bulk tissue paper throughout the period examined. As a ratio to domestic production of bulk tissue paper Crystal's imports of bulk tissue paper ranged between *** between 2001 and 2003.⁴⁸

As discussed in greater detail below, Crystal's decision to increase its imports of consumer tissue paper in 2003 resulted primarily from an interruption in their supply of jumbo rolls. Crystal did not import consumer tissue paper in such a manner as to shield its domestic production operations. Nor did Crystal's domestic production operations benefit from their imports of consumer tissue.⁴⁹ For these reasons, we decline to exclude Crystal from the domestic industries producing bulk or consumer tissue paper.

III. MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS OF BULK TISSUE PAPER⁵⁰

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the imports under investigation.⁵¹ In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.⁵² The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."⁵³ In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁵⁴ No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."⁵⁵

For the reasons discussed below, we determine that the industry in the United States producing bulk tissue paper is materially injured by reason of subject imports from China found by Commerce to be sold at LTFV.

⁴⁵ CR, PR at Table VI-2. The only financial data that give pause here are ***. CR, PR at Table III-1 n.6.

⁴⁶ Petitioners' Prehearing Brief at 18.

⁴⁷ In 2003 Crystal accounted for ***. CR, PR at Table III-1, C-2A, and C-3A.

⁴⁸ Compare Crystal's importers' questionnaire and domestic producers' questionnaire.

⁴⁹ CR, PR at Table VI-2.

⁵⁰ Negligibility is not an issue in this investigation. Subject imports from China are not negligible under 19 U.S.C. § 1677(24) because they accounted for more than three percent of the bulk and of the consumer tissue paper imported into the United States in the most recent twelve-month period for which data are available preceding the filing of the petition. CR at IV-4 n. 7 (bulk tissue paper) and IV-6 n.8 (consumer tissue paper), PR at IV-2 nn. 7,8.

⁵¹ 19 U.S.C. § 1673d(b).

⁵² 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B). See also, Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

⁵³ 19 U.S.C. § 1677(7)(A).

⁵⁴ 19 U.S.C. § 1677(7)(C)(iii).

⁵⁵ Id.

A. Conditions of Competition

Bulk tissue paper is used primarily by retailers to wrap and protect purchases leaving the stores. Demand for bulk tissue increased in both 2002 and 2003. By 2003, apparent U.S. consumption of bulk tissue paper was nearly *** square meters, up *** percent from 2001. Demand for bulk tissue in interim 2004 was down *** percent from interim 2003.⁵⁶ Although retailers are the primary users of bulk tissue, most tissue paper was sold by producers and importers to distributors rather than directly to retailers.⁵⁷ Sales of bulk tissue are somewhat seasonal, with the greatest volume of sales occurring in the fourth quarter, as demand is driven by overall retail sales.⁵⁸

There were eight identified producers of bulk tissue in the U.S. market by the end of the period of investigation.⁵⁹ Crystal was a producer of bulk tissue earlier in the period examined, but its bulk business was sold to Seaman in 2003 after Crystal itself had been acquired by Cleo.⁶⁰

Producers, importers, and purchasers all found the domestic like product and subject imports of bulk tissue to be interchangeable. A significant majority of each group reported that subject imports from China were always or frequently interchangeable with the domestic like product.⁶¹ Similarly, a majority of both domestic producers and importers reported that non-price differences were only “sometimes” or “never” important.⁶²

Price is an important factor for purchasers when choosing a supplier of tissue paper. More purchasers named price as the most important factor in selecting a supplier, and all responding bulk purchasers ranked price as one of the top three factors.⁶³ Three-quarters of responding bulk tissue purchasers reported that they “always” or “usually” chose the lowest priced material.⁶⁴ Purchasers overwhelmingly identified subject imports as having lower prices than the domestic like product.⁶⁵

B. Volume

Section 771(7)(c)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”⁶⁶

U.S. consumption of bulk tissue paper was healthy throughout most of the period of investigation, increasing by *** percent between 2001 and 2003. The volume of subject imports, however, increased at a significantly greater rate. Subject imports rose from *** square meters in 2001 to *** square meters in 2003, an increase of *** percent. Subject imports were also *** percent higher in interim 2004 than in 2003, though overall apparent U.S. consumption was *** percent lower in interim 2004 than in 2003.⁶⁷

Shipments by the domestic industry, however, declined over the period examined, and were *** percent lower in 2003 than in 2001, despite the increase in apparent U.S. consumption. The domestic

⁵⁶ CR/PR at Table C-2.

⁵⁷ CR/PR at Table II-1.

⁵⁸ CR at I-6, PR at I-4.

⁵⁹ CR/PR at Table III-1.

⁶⁰ CR at III-7, PR at III-6.

⁶¹ CR/PR at Table II-6.

⁶² CR/PR at Table II-7.

⁶³ CR/PR at Table II-3.

⁶⁴ CR at II-12, PR at II-9.

⁶⁵ CR/PR at Table II-5.

⁶⁶ 19 U.S.C. § 1677(7)(C)(i).

⁶⁷ CR, PR at Table C-2; CR at IV-4 n. 7, PR at IV-2 n. 7.

industry's share of the market fell from *** percent in 2001 to *** percent in 2003. In interim 2004, the domestic industry's share fell further, to *** percent of apparent U.S. consumption.⁶⁸

Considered in terms of market share, the growth in subject import volume was also substantial. Subject imports accounted for only *** percent of apparent U.S. consumption in 2001. By 2003, subject imports accounted for *** percent, and in interim 2004, subject imports were *** percent of apparent U.S. consumption.⁶⁹

Subject imports therefore managed to capture all of the increase in demand between 2001 and 2003, increasing both absolutely and relatively. The volume of subject imports in interim 2004 was higher than in interim 2003, though apparent U.S. consumption was lower in interim 2004 than in interim 2003.⁷⁰

The increase in subject imports is significant, both absolutely and relative to domestic consumption. These increases came entirely at the expense of the domestic industry, as there were no nonsubject imports in the U.S. market.⁷¹ Therefore we find the volume of subject imports and the increase in that volume, both in absolute terms and relative to U.S. consumption, to be significant.

C. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.⁷²

The record indicates that prices for subject imports were consistently, and significantly, lower than those for the domestic like product. The Commission gathered product-specific pricing information on one bulk tissue paper product. Subject imports sold by importers to distributors consistently undersold the domestic like product in all but one of the 12 quarters for which comparisons were available.⁷³ The margins of underselling were substantial in most of the period of investigation, ranging from a low of *** percent to a high of *** percent between 2001 and 2003. Only in 2004 were the margins of underselling below *** percent. The frequency and margins of underselling were significant.

As we noted above, there is some seasonality in the demand for bulk tissue paper. Shipments tend to be at their highest level in the fourth quarter, driven by higher retail sales.⁷⁴ Prices for the domestic like product, when compared to prices for the same quarter the previous year, declined steadily after the first quarter of 2002 and through 2003, after subject imports entered the U.S. market and began underselling by substantial margins.⁷⁵ This suggests that underselling by subject imports had negative effects on prices for the domestic like product.

⁶⁸ CR, PR at Table C-2.

⁶⁹ CR, PR at Table C-2.

⁷⁰ CR, PR at Table C-2.

⁷¹ CR, PR at Table C-2.

⁷² 19 U.S.C. § 1677(7)(C)(ii).

⁷³ CR, PR at Table V-5.

⁷⁴ CR at I-6, PR at I-4.

⁷⁵ CR, PR at Table V-5.

We note that these quarter-over-quarter declines did not continue into 2004. However, the record suggests that the pendency of this investigation slowed the growth in import volume and also brought some price discipline into the market. The rate of increase in subject import volume between interim 2003 and interim 2004 was slower than for previous periods.⁷⁶ The product-specific pricing data show a decline in import sales in the third quarter, when sales would normally be rising toward a fourth-quarter peak.⁷⁷ The product-specific pricing data also indicate that underselling margins were significantly lower in the second and third quarters of 2003 than in all but one other quarter over the period of investigation.⁷⁸

Other evidence in the record indicate that underselling by subject imports depressed U.S. prices and reduced sales of the domestic like product. Purchaser *** admitted that its domestic supplier of bulk tissue “***” its prices because of the presence of subject imports in the market.⁷⁹ Purchaser *** admitted shifting to subject imports for some of its purchases for price reasons.⁸⁰

The record suggests that low-priced imports prompted these shifts. Purchasers found bulk tissue paper from domestic producers and subject imports to be largely interchangeable. Purchasers reported price as an important factor and three-quarters of responding purchasers always or frequently purchased the product with the lowest price. Purchasers also overwhelmingly reported that subject imports were priced below the domestic like product.

The product-specific data show that subject imports undersold the domestic like product consistently, and generally by substantial margins. We therefore find underselling by the subject imports to be significant. The record as a whole indicates that subject imports were sold at prices well below those of the domestic industry throughout the period of investigation, and that this underselling affected both prices for the domestic like product and sales volume of the domestic like product. We therefore find that underselling by subject imports depressed domestic prices to a significant degree.

D. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.⁸¹ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”^{82 83}

Bulk tissue paper production capacity increased by *** percent between 2001 and 2003. Production of bulk tissue paper, however, peaked in 2002 and declined in 2003. Domestic production of bulk tissue in 2003 was down *** percent from its peak in 2002 and down *** percent from 2001. As a

⁷⁶ CR, PR at Tables V-5 and C-2.

⁷⁷ CR, PR at Table V-5.

⁷⁸ CR, PR at Table V-5.

⁷⁹ CR at V-22, PR at V-7, V-8.

⁸⁰ CR at V-21, PR at V-7, V-8.

⁸¹ 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.”).

⁸² 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 885; Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25 n.148.

⁸³ The Act instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final affirmative determination, Commerce found a weighted-average dumping margin of 112.64 percent for all producers of certain tissue paper products from China. 70 Fed. Reg. 7475 (Feb. 14, 2005).

result, the domestic industry's capacity utilization rate in 2003 was *** percent, down *** percentage points from its 2002 peak.⁸⁴

U.S. shipments of bulk tissue paper also peaked in 2002. In 2003, U.S. shipments of bulk tissue paper were down *** percent from the 2002 peak and down *** percent from 2001. The domestic industry's share of apparent U.S. consumption fell by nearly *** percentage points between 2001 and 2003 to *** percent in 2003. Net sales by the industry in 2003 were down by *** percent from 2001, while inventories in 2003 were *** percent higher than in 2001.⁸⁵

The value of the industry's net sales was down by *** percent between 2001 and 2003. As a result, the domestic industry's financial performance in 2003 showed significant erosion from 2001 levels. The industry's unit cost of goods sold was essentially unchanged between 2001 and 2003 despite lower production levels, but operating income plunged by *** percent. Operating income as a percentage of net sales was just *** percent in 2003; in 2001, the ratio had been *** percent. The number of production and related workers in 2003 was *** percent lower than in 2001. Capital expenditures were \$*** million in 2001 but only \$*** in 2003.⁸⁶

The losses registered by the domestic industry between 2001 and 2003 occurred at a time when apparent U.S. consumption was increasing. But that increase in demand was captured by subject imports, and prices were depressed by the significant volumes of low-priced subject imports. As a result, the domestic industry's sales declined, the value of those sales declined, and the industry's performance in 2003 showed general declines from 2001 levels.

We note that the domestic industry's position in interim 2004 showed some improvement over interim 2003. We find that this improvement was prompted by the pendency of this investigation. As we noted above, the institution of this investigation appears to have slowed the growth in the volume of subject imports and lessened underselling margins.⁸⁷ The improvement seen in interim 2004 does not weaken the link between the increased volume of low-priced subject imports and the injury suffered by the domestic industry. While some factors showed improvement in interim 2004 over interim 2003, the industry's market share, capacity utilization rate, and ratio of operating income to net sales remained below 2001 levels.⁸⁸ We find that subject imports have had a significant negative impact on the domestic industry.

We therefore determine that the domestic industry producing bulk tissue paper is materially injured by reason of subject imports from China.

IV. CRITICAL CIRCUMSTANCES

In its final determination, the Commerce Department made an affirmative critical circumstances determinations with respect to the subject merchandise produced and/or exported by two Chinese producers, China National and Fujian Naoshan, in addition to the PRC-wide entity.

Because we have determined that the domestic industry is materially injured by reason of subject imports of bulk tissue paper, we must further evaluate whether the imports subject to the affirmative Commerce critical circumstances determination are likely to undermine seriously the remedial effect of the antidumping duty order to be issued.⁸⁹ The statute provides that in making this evaluation the Commission shall consider, among other factors it considers relevant:

- (I) the timing and the volume of the imports,

⁸⁴ CR, PR at Table C-2.

⁸⁵ CR, PR at Table C-2.

⁸⁶ CR, PR at Table C-2.

⁸⁷ CR, PR at Table C-2.

⁸⁸ CR, PR at Table C-2.

⁸⁹ 19 U.S.C. § 1673d(b)(4)(A)(i).

- (II) a rapid increase in inventories of the imports, and
- (III) any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.⁹⁰

The SAA further indicates that the Commission is to consider whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order.⁹¹ Consistent with Commission practice, in considering the timing and volume of subject imports, we consider import quantities prior to the filing of the petition with those subsequent to the filing of the petition using monthly statistics on the record regarding those firms for which Commerce has made an affirmative critical circumstance determination.⁹²

The petition in this investigation was filed on February 17, 2004, and suspension of liquidation for subject imports from China occurred on September 21, 2004, when Commerce issued its preliminary determination.⁹³ We have reviewed the subject import data for bulk tissue imports covered by Commerce's affirmative critical circumstances determination. The Commission traditionally compares the six-month period before and after the filing of the petition.⁹⁴ Comparing the six-month period September 2003 – February 2004 with the six-month period March 2004 – August 2004, covered subject imports decreased from *** square meters to *** square meters, or by *** percent.⁹⁵ In view of the decrease in the volume of imports, the remedial effect of the antidumping duty order is not likely to be undermined.

We have also considered the extent to which there was an increase in inventories of the subject imports. We recognize that inventories did increase, but this increase is consistent with the overall increase of inventories across the period examined.⁹⁶ Additionally, apparent consumption increased throughout the period examined, rising by *** percent in 2002, and by *** percent in 2003. In view of this increase in demand, we view the increase in inventories as insufficient to merit an affirmative finding of critical circumstances.⁹⁷

We also do not find the existence of any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.

On balance, we find that the imports subject to Commerce's affirmative critical circumstances determination are not likely to undermine seriously the remedial effect of the antidumping duty order to be issued, and therefore make a negative finding with respect to critical circumstances.

V. NO MATERIAL INJURY BY REASON OF SUBJECT IMPORTS OF CONSUMER TISSUE PAPER

For the reasons discussed below, we determine that the industry in the United States producing consumer tissue paper is not materially injured by reason of subject imports from China sold at LTFV.

⁹⁰ 19 U.S.C. § 1673d(b)(4)(A)(ii).

⁹¹ SAA at 877.

⁹² See, e.g., Certain Frozen Fish Fillets from Vietnam, Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 at 20-22 (Aug. 2003); Certain Ammonium Nitrate from Russia, Inv. No. 731-TA-856 (Final), USITC Pub. 3338 at 12-13 (Aug. 2000).

⁹³ 69 Fed. Reg. 56407 (September 21, 2004).

⁹⁴ Certain Frozen Fish Fillets from Vietnam, Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 (Aug. 2003); See also Certain Crepe Paper Products from China, Inv. No. 731-TA-1070A (Final), USITC Pub. 3749 (Jan. 2005).

⁹⁵ Compiled from Critical Circumstances Worksheet, EDIS document no. 225047.

⁹⁶ CR/PR at Table C-2.

⁹⁷ Id.

A. Conditions of Competition

The U.S. market for consumer tissue paper has generally been stable from the beginning to the end of the period examined. Apparent domestic consumption of consumer tissue paper was approximately *** square meters in 2001 versus *** square meters in 2003.⁹⁸ Consumer tissue paper is predominantly sold directly to retailers with only a minority of shipments sold through distributors.⁹⁹ The market for consumer tissue paper is seasonal, peaking at the Christmas holiday season.¹⁰⁰ Consumer tissue paper is used by individual consumers to wrap packages and gifts. As such, potential substitutes include wrapping paper, mylar, PVC, and foil.¹⁰¹

A key factor in the market conditions for consumer tissue paper during the period examined was the tight supply of jumbo rolls, which are the main input in tissue production. Four domestic tissue paper producers are integrated firms that produce and internally consume jumbo rolls. An additional firm, ***.¹⁰² The remaining producers of subject consumer tissue paper are converters that purchase jumbo rolls.¹⁰³ Crystal is a converter, and as noted *supra*, has been a significant domestic producer of consumer tissue paper. Crystal obtained its jumbo rolls primarily from Greentree Specialty Papers (Greentree). In January 2003 Greentree informed Crystal that it would not be able to meet its contractual obligations to supply jumbo rolls.¹⁰⁴ Crystal attempted to meet its needs for jumbo rolls ***.¹⁰⁵ As a result of this interruption in their jumbo roll supply, Crystal was forced to shut down its U.S. consumer tissue production facility.¹⁰⁶ In light of the insufficient supply of jumbo rolls, Crystal increased its imports of finished consumer tissue paper during 2003 to meet its customer obligations.¹⁰⁷ The record indicates that the supply of jumbo rolls available to Crystal at the time of the supply interruption was insufficient to enable them to maintain their domestic production operations.¹⁰⁸ We consider the increase in imports of consumer tissue paper in 2003, and any negative trends attributable to this increase, in light of these underlying conditions.

Another condition of competition in the consumer tissue paper market is that some retailer customers in this market segment require suppliers to bid on a group of products that not only includes tissue paper, but also includes such related products as gift bags, wrapping paper, treat sacks, and tags.¹⁰⁹ As a result, these retailers prefer suppliers that can provide the full array of related products.¹¹⁰ The record indicates that the domestic industry's ability to compete with a full array of related products is somewhat limited.¹¹¹

⁹⁸ CR, PR at Table C-3.

⁹⁹ In 2003 *** percent of U.S. shipments of consumer tissue paper were direct to retailers while only *** percent were through distributors. CR, PR at Table II-2.

¹⁰⁰ CR at II-9, PR at II-7.

¹⁰¹ CR at II-9, PR at II-7.

¹⁰² CR at I-13, PR at I-10.

¹⁰³ Id.

¹⁰⁴ Cleo Posthearing Brief at A-2, answers in response to questions from Commissioner Miller.

¹⁰⁵ Id. at A-4.

¹⁰⁶ Id.

¹⁰⁷ Id.

¹⁰⁸ Id. at A-5-A-7.

¹⁰⁹ CR at V-4, PR at V-3.

¹¹⁰ Target Corporation Posthearing Brief at 6.

¹¹¹ Id. at 7-8.

B. Volume

Section 771(7)(C)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.”¹¹²

Subject imports of consumer tissue paper increased from *** square meters in 2001 to *** square meters in 2003.¹¹³ Subject import market share increased from *** percent in 2001 to *** percent in 2003.¹¹⁴

Viewed in isolation, this increase is significant. In the context of the conditions in the market, however, the increase is not significant. The most significant increases occurred from 2002 to 2003 when subject import volume increased from *** million square meters to *** square meters. Thus, the increase from 2002 to 2003 accounted for approximately *** percent of the total increase in subject imports over the period examined.¹¹⁵ This increase occurred as a result of the jumbo roll supply interruption faced by Crystal which required it to increase imports of finished consumer tissue paper in 2003. As a result of this supply interruption Crystal increased their imports of subject consumer tissue paper from approximately *** square meters to *** square meters from 2002 to 2003.¹¹⁶ The increase in Crystal’s imports therefore accounted for *** percent of the total increase in subject imports. Crystal’s increase in imports were not sufficient to fully ***. As a result, Crystal’s ***.¹¹⁷ Because *** we do not find such imports are significant.

Additionally, a portion of the market represented by large retailers, like Target, have specialized needs that generally are not met by the domestic industry. These retailers, among other things, require their suppliers to provide an array of related products to qualify as suppliers.¹¹⁸

While the subject imports increased both absolutely and relative to domestic production and consumption, a significant portion of the increase was due to Crystal’s supply interruption, which, on balance, mitigates the effect of the increase in subject imports. Therefore we do not find the increase to be significant.

C. Price Effects of Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether -

- (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
- (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹¹⁹

Price plays an important role in sales of consumer tissue products but was not the overriding consideration. It was most frequently cited as the second and third most important factor by

¹¹² 19 U.S.C. § 1977(7)(C)(i).

¹¹³ CR at IV-6 n. 8, PR at IV-2 n. 8.

¹¹⁴ Relative to domestic production subject imports increased from *** percent in 2001 to *** percent in 2003.

¹¹⁵ CR at IV-6 n. 8, PR at IV-2 n. 8.

¹¹⁶ See Importers’ Questionnaire response of Crystal Creative Tissue.

¹¹⁷ In 2002 Crystal’s domestic production and imports of consumer tissue totaled *** square meters versus *** in 2003. Crystal’s domestic producers’ and importers’ questionnaire responses.

¹¹⁸ Target’s responses to Commission questions at 5-6; and testimony of Deborah Kelly, tr. At 207-212.

¹¹⁹ 19 U.S.C § 1677(7)(C)(ii).

purchasers.¹²⁰ While 13 purchasers “usually” or “always” purchase the lowest priced consumer tissue paper, 10 “sometimes” or “never” purchase the lowest priced offering.¹²¹

The Commission collected quarterly weighted-average price information from U.S. producers and importers from January 1, 2001 through September 2004 on three types of consumer tissue products. Further, the Commission obtained pricing data from the U.S. industry broken down by channel of distribution (sales to distributors versus sales to retailers) for each product.

The pricing data collected by the Commission shows a mix of underselling and overselling by the subject imports. For product 1 subject imports oversold domestic prices in 9 out of 15 possible comparisons.¹²² U.S. prices for sales to distributors generally trended upward, while U.S. prices for sales to retailers were generally stable.¹²³ The price data for product 2 is of limited value because of the limited direct comparisons between domestic and import prices.¹²⁴ The ***. In contrast, ***. Therefore, the limited comparisons preclude a probative analysis of the price data for product 2. The number of direct comparisons for product 3 was even more limited.

There is no record evidence of price suppression as the ratio of cost of goods sold to net sales value declined from 2001 to 2003.¹²⁵ Although this ratio increased somewhat in the interim periods it remained below the level experienced by the domestic industry in 2001 and 2002.¹²⁶ Therefore, we find limited underselling by subject imports and that subject imports did not significantly depress or suppress U.S. producer prices.¹²⁷

D. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.¹²⁸ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”^{129 130}

¹²⁰ CR, PR at Table II-3.

¹²¹ CR at II-12, PR at II-9.

¹²² Defined as tissue paper, folds, 40 sheets (20"x24"-26"), white, in poly bag or band.

¹²³ CR, PR at Table V-2.

¹²⁴ Defined as tissue paper, folds, 5 sheets (20"x24"-26"), solid color sheets other than specialty tissue paper products, in poly bag or band.

¹²⁵ CR, PR at Table C-3.

¹²⁶ Id.

¹²⁷ We recognize that there are some confirmed lost sales/revenue allegations. However, there are also several allegations that were denied by the purchaser. Moreover, of the 11 purchasers that reported shifting from U.S. produced to imported tissue paper only three indicated that price was a factor, and only in conjunction with other factors such as volume, quality, and service. Based on our analysis of volume, price, and our subsequent discussion of the impact of subject imports we do not find the instances of confirmed lost sales to be significant.

¹²⁸ 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” Id. At 885.).

¹²⁹ 19 U.S.C. § 1677(C)(iii).

¹³⁰ The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(C)(iii)(V). In its final affirmative determination Commerce found a weighted-average margin of 112.64 percent for all producers of certain tissue paper products in China. 70 FR 7475, February 14, 2005.

We find that subject imports did not have a significant adverse impact on the domestic industry producing consumer tissue paper. While domestic industry production and shipments of consumer tissue paper declined overall from 2001 to 2003, the decline largely occurred between 2002 and 2003. Domestic industry production and shipments increased by *** and *** percent respectively from 2001 to 2002, but then declined by *** and *** percent, respectively.¹³¹ We largely attribute this decline to ***. The presence of subject imports were not the primary cause of these declines, as such, we do not find that these declines had a negative impact on the domestic industry as a whole.

Moreover, other indicia of the health of the domestic industry such as production capacity, the number of production related workers, wages paid, productivity, and capital expenditures either were generally stable or increased from 2001 to 2002 before declining in 2003.¹³²

The average unit value of U.S. shipments increased *** from 2001 to 2003, (from *** per thousand square meters to *** per thousand square meters).¹³³ Moreover, the domestic industry's profitability indicia remained positive and trended upward from 2001 to 2003. Both per unit operating income and the operating income to net sales ratios increased from 2001 to 2003.¹³⁴

In light of our finding that the increase in subject import volume was not significant, that subject imports prices have not suppressed or depressed prices to a significant degree, and the lack of any significant correlation between subject imports and the decline in any indicia of the health of the domestic industry in the period examined, we do not find that subject imports have had a significant adverse impact on the domestic industry.

VI. NO THREAT OF MATERIAL INJURY BY REASON OF IMPORTS CONSUMER TISSUE PAPER

Section 771(F) of the Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether “further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted.”¹³⁵ The Commission may not make such a determination “on the basis of mere conjecture or supposition,” and considers the threat factors “as a whole” in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued.¹³⁶ In making our determination, we considered all statutory factors that are relevant to this investigation.¹³⁷

A. Analysis of Statutory Threat Factors

Based on our evaluation of the relevant statutory factors, we have determined that the domestic consumer tissue paper industry is not threatened with material injury.¹³⁸

Substantially increased imports of subject consumer tissue paper are not likely. Although the volume and market share of subject imports increased, the *** of this increase occurred from 2002 to

¹³¹ CR, PR at Table C-3.

¹³² Id.

¹³³ Id.

¹³⁴ Id.

¹³⁵ 19 U.S.C. § 1677(7)(F)(ii).

¹³⁶ Id.

¹³⁷ 19 U.S.C. § 1677(7)(F)(i). Statutory threat factor (I) is inapplicable because Commerce made no subsidy findings. Statutory threat factor (VII) is also inapplicable because this investigation does not involve imports of both raw and processed agriculture products.

¹³⁸ Companies responding to the Commission's foreign producers' questionnaires accounted for at least *** percent of subject imports in each year of the period examined.

2003 coincident with the raw material supply interruption at Crystal. *** reductions in exports to the United States are projected.¹³⁹ Chinese tissue paper manufacturers maintained high capacity utilization throughout the period examined, and production capacity utilization is projected to increase slightly.¹⁴⁰ There is nothing in the record to suggest a substantial increase in production capacity is imminent. There are also no known antidumping duty orders in third-country markets suggesting that other export markets are open to absorb any additional exports.¹⁴¹

We have also considered inventory levels. Inventory levels relative to production and relative to total shipments have decreased.¹⁴² Shipments to the Chinese home market have markedly increased over the period examined with further increases projected, and shipments to third-country markets have steadily increased; thus the potential for product shifting is minimized.¹⁴³

Subject imports did not significantly affect price levels for the domestic product during the period examined. Domestic producer prices were generally stable during the period examined and were not depressed or suppressed by subject imports.

For the reasons stated above, we find no threat of material injury by reason of subject imports.

¹³⁹ CR, PR at Table C-4.

¹⁴⁰ Capacity utilization was 97.9 percent in 2001, 95.1 percent in 2002, and 84.6 percent in 2003. CR, PR at Table C-4.

¹⁴¹ CR at VII-7, PR at VII-5.

¹⁴² CR, PR at Table C-4.

¹⁴³ CR, PR at Table C-4.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by Seaman Paper Company of Massachusetts, Inc. (“Seaman”); American Crepe Corporation (“American Crepe”); Eagle Tissue LLC (“Eagle”); Flower City Tissue Mills Co. (“Flower City”); Garlock Printing & Converting, Inc. (“Garlock”); Paper Service Ltd. (“Paper Service”); Putney Paper Co., Ltd. (“Putney”); and the Paper, Allied-Industrial, Chemical and Energy Workers International Union AFL-CIO, CLC (“PACE”) (collectively “Petitioners”) on February 17, 2004, alleging that industries in the United States are materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of certain tissue paper products and crepe paper products from China.¹ Information relating to the background of the investigation is presented below.²

<u>Date</u>	<u>Action</u>
February 17, 2004 . . .	Petition filed with Commerce and the Commission; institution of Commission investigation (69 FR 8232, February 23, 2004)
March 15, 2004	Commerce’s notice of initiation (69 FR 12128)
April 1, 2004	Commission’s preliminary determination (69 FR 20037)
September 21, 2004 . . .	Commerce’s preliminary determination (69 FR 56407) and scheduling of the final phase of the Commission’s investigation (69 FR 60423, October 8, 2004), subsequently revised (69 FR 65632, November 15, 2004)
December 9, 2004 . . .	Commission’s hearing on crepe paper and tissue paper ³
February 14, 2005 . . .	Commerce’s final determination on tissue paper (70 FR 7475)
March 8, 2005	Commission’s vote on tissue paper
March 21, 2005	Commission determination on tissue paper transmitted to Commerce

Although the original petition in this investigation (731-TA-1070) covered both crepe paper and tissue paper, the U.S. Department of Commerce (“Commerce”) conducted separate investigations on the two products, and only postponed its final determination on the latter product. Following an affirmative determination by Commerce regarding LTFV sales of crepe paper from China, the U.S. International Trade Commission (“Commission” or “USITC”) made an affirmative determination with respect to material injury by reason of the subject imports, which it transmitted to Commerce on January 18, 2005. As the Commission's investigation of crepe paper from China (investigation No. 731-TA-1070A) is now complete, the information presented in this report reflects the record compiled in the Commission's investigation of tissue paper from China (investigation No. 731-TA-1070B).

¹ The tissue paper products subject to this investigation are described in the section entitled *The Subject Product* in Part I of this report.

² Select *Federal Register* notices cited in the tabulation are presented in appendix A.

³ A list of witnesses appearing at the hearing is presented in appendix B.

PREVIOUS AND RELATED INVESTIGATIONS

The Commission has not previously conducted antidumping or countervailing duty investigations concerning tissue paper. In 2001, the Commission conducted an investigation on another paper product, folding gift boxes from China, issuing a final affirmative determination in December of that year.⁴

ORGANIZATION OF THE REPORT

Information on the subject merchandise, final dumping margins, and the domestic like product is presented in Part I. Information on conditions of competition and other economic factors is presented in Part II. Information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment, is presented in Part III. Information on the volume of imports of the subject merchandise, apparent U.S. consumption, and market shares is presented in Part IV. Part V presents data on prices in the U.S. market. Part VI presents information on the financial experience of U.S. producers. Information on the subject country foreign producers and U.S. importers' inventories is presented in Part VII.

SUMMARY OF DATA PRESENTED IN THE REPORT

A summary of data collected in the investigation is presented in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of 10 firms that manufacture tissue paper. The questionnaire responses accounted for nearly all U.S. production of certain tissue paper products during 2003. U.S. imports are based on questionnaire data from 38 firms, including all known major importers.

THE NATURE AND EXTENT OF SALES AT LTFV

On February 14, 2005, Commerce published its final determination in the *Federal Register*. Commerce's period of investigation for certain tissue paper products was July 1, 2003 through December 31, 2003. In its final determination, Commerce found a weighted-average dumping margin of 112.64 percent for all producers of certain tissue paper products in China.⁵

SUMMARY OF MARKET PARTICIPANTS

The domestic industry producing certain tissue paper consists of 12 established companies, the largest of which are ***. At least 42 U.S. companies are known to import certain tissue paper from China.⁶ The largest importers are ***. There are few known importers and very small volume of certain tissue paper from countries other than China. The largest purchasers of certain tissue paper include TJ Maxx and May Department Stores, both of which purchase bulk tissue paper for wrapping merchandise purchased by their customers, and Wal-Mart and Target, both of which purchase consumer tissue paper.⁷

⁴ *Folding Gift Boxes from China, Inv. No. 731-TA-921 (Final)*, USITC Publication 3480 (December 2001).

⁵ *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Tissue Paper Products from the People's Republic of China*, 70 FR 7475, February 14, 2005.

⁶ Six established U.S. producers or former producers import or purchase imports of the subject merchandise. In addition, two firms that recently initiated production imported tissue paper during the period for which data were collected.

⁷ *Petition*, p. 12. The petition identifies 12 additional companies that purchase substantial volumes of tissue paper: ***. *Petition*, exhibit 9.

THE SUBJECT PRODUCT

Commerce's Scope

The merchandise covered by this investigation is certain tissue paper products from China. Commerce has defined the scope for certain tissue paper products as follows:

The tissue paper products subject to investigation are cut-to-length sheets of tissue paper having a basis weight not exceeding 29 grams per square meter. Tissue paper products subject to this investigation may or may not be bleached, dye-colored, surface-colored, glazed, surface decorated or printed, sequined, crinkled, embossed, and/or die cut. The tissue paper subject to this investigation is in the form of cut-to-length sheets of tissue paper with a width equal to or greater than one-half (0.5) inch. Subject tissue paper may be flat or folded, and may be packaged by banding or wrapping with paper or film, by placing in plastic or film bags, and/or by placing in boxes for distribution and use by the ultimate consumer. Packages of tissue paper subject to this investigation may consist solely of tissue paper of one color and/or style, or may contain multiple colors and/or styles. . . . Excluded from the scope of this investigation are the following tissue paper products: (1) tissue paper products that are coated in wax, paraffin, or polymers, of a kind used in floral and food service applications; (2) tissue paper products that have been perforated, embossed, or die-cut to the shape of a toilet seat, i.e., disposable sanitary covers for toilet seats; (3) toilet or facial tissue stock, towel or napkin stock, paper of a kind used for household or sanitary purposes, cellulose wadding, and webs of cellulose fibers (HTS 4803.00.20.00 and 4803.00.40.00).^{8 9}

U.S. Tariff Treatment

As noted in Commerce's scope, the tissue paper products subject to this investigation do not have distinct tariff or statistical categories assigned to them under the HTS and likewise appear to be imported under one or more of several very broad categories covering a range of paper goods by name and/or weight, including but not necessarily limited to the following HTS subheadings: 4802.30; 4802.54; 4802.61; 4802.62; 4802.69; 4804.39; 4806.40; 4808.30; 4808.90; 4811.90; 4823.90; 4820.50.00; 4802.90.00; 4805.91.90; and 9505.90.40. As such, the subject tissue paper products from China enter the United States free of duty at normal trade relations ("NTR") rates.¹⁰

⁸ *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Tissue Paper Products from the People's Republic of China*, 70 FR 7475, February 14, 2005.

⁹ Tariff treatment of this product is presented in the next section of this report. Although the Harmonized Tariff Schedule of the United States ("HTS") subheadings are provided for convenience and customs purposes, the written description of the scope is dispositive.

¹⁰ All NTR rates in Chapter 48 of the HTS are "free."

General

The tissue paper products subject to this investigation are produced from flat tissue paper, rather than dry creped tissue paper such as that used for sanitary and other household purposes.¹¹ The term “tissue paper” refers to a class of lightweight paper that generally exhibits a gauze-like, fairly transparent character and that has a basis weight¹² of less than 29 grams per square meter (18 pounds per 3,000 square feet).¹³ The principal upstream product for the subject tissue paper products is flat tissue paper in rolls, often referred to as “jumbo rolls.” The key performance characteristics of the subject tissue products include appearance, strength, and durability.¹⁴

In general the subject tissue paper is a component of the U.S. gift wrap market, which was valued at an estimated ***.¹⁵ In that year, the liner paper portion of the gift wrap market, in which subject tissue paper falls, comprised ***. The subject tissue paper is often used in conjunction with gift bags, a very high growth portion of the gift wrap market, which reportedly has boosted sales of subject tissue paper. Seasonal demand results from major holidays, while events such as minor holidays and personal occasions (e.g., weddings, baby showers, birthdays, anniversaries) drive everyday purchases. Certain tissue paper (referred to in this report as consumer tissue) is sold packaged for retail sale to various retailers (e.g., mass merchants, warehouse discount clubs, specialty stores, party supply stores, drug stores, and grocery stores). In addition, tissue paper (referred to as bulk tissue) is sold in bulk to independent retailers, department stores, specialty stores, catalog stores, cosmetic companies and/or manufacturers, which typically use the tissue paper in their own businesses or stores, often as a wrap to protect customer purchases. Sales of bulk tissue are also seasonal (with the greatest volume of sales in the fourth quarter) because demand is driven by overall retail sales and the consequent consumption of tissue paper by retailers.¹⁶

Physical Characteristics and Uses

As noted in Commerce’s scope, certain tissue paper products are cut-to-length sheets that may be colored, decorated, or customized in a variety of ways and that are sold either flat or folded. Basis

¹¹ Flat tissue paper is so called because it is not creped during the paper making process as is dry-creped tissue paper, which is used for toilet or facial tissue, towels, napkins, and other similar uses. ***, interview by USITC Staff, ***, February 27, 2004, and “3.10 Tissue Grades,” found at http://www.paperloop.com/toolkit/paperhelp/3_10.shtml and retrieved on March 8, 2004.

¹² Basis weight is a traditional measure of the weight of paper, expressed as the weight in pounds of a ream of paper (traditionally 500 24-inch by 36-inch sheets). Therefore, the basis is 3,000 square feet (6 square feet per sheet times 500 sheets). However, for certain types of paper, including tissue, 480-sheet reams have become the accepted industry standard, thus confusing comparisons of paper weights. For the purposes of this section, basis weights reflect a basis of 3,000 square feet. Metric paper weights are expressed in terms of grams per square meter.

¹³ *The Dictionary of Paper*, American Paper Institute, 4th ed. (Philadelphia: Winchell, 1980), p. 419.

¹⁴ *Petition*, pp. 5, 30.

¹⁵ The information in this paragraph is derived from questionnaire responses, witness testimony, and a market analysis appearing in *Respondents Cleo’s and Crystal Creative’s Prehearing Brief*, exhibit 2, pp. 1-4, 14, and 23.

¹⁶ Respondents indicated that bulk tissue is also known as “retail” tissue because it is often supplied to retail businesses as a supply item (*Hearing Transcript*, testimony of Frederick L. Ikenson, counsel to the respondents, Blank Rome, p. 12). Likewise, Seaman, noted that its bulk sales program is called “retail packaging” and that the term “bulk” is not generally used in the industry (*Hearing Transcript*, testimony of Ted Tepe, Vice President, Sales, Seaman, p. 58). However, staff note that subject tissue paper is sometimes purchased in bulk by manufacturers (e.g., ***) or other non-retailers (e.g., dry cleaners). Also, consumer tissue is sold to retailers, albeit packaged for resale as a retail item. Therefore, the term “bulk” is used in this report as a more descriptive term which avoids confusion resulting from the terms “resale” and “retail.”

weights for subject tissue paper products reportedly range from 13.8 grams per square meter (8.5 pounds) to 24.4 grams per square meter (15 pounds), and the ink for printed designs may add as much as an additional 4.9 to 6.5 grams per square meter (3 to 4 pounds).¹⁷

Certain tissue paper is available in standard or custom colors, printed designs, and packaging. Nonetheless, white tissue paper is a large part of the U.S. market.¹⁸ ***.¹⁹ The industry recognizes four different grades of white tissue based on the whiteness and brightness of the tissue paper.²⁰ While in-scope tissue paper generally is used for internal wrapping within a box or bag, decorative purposes,²¹ or as lightweight gift wrap,²² lower grades of white tissue paper reportedly have little decorative value and are used principally as dunnage to stuff or wrap items such as shoes and handbags.²³

In a supplemental question, petitioners and respondents were asked to estimate the share (by quantity) of their 2003 U.S. shipments of consumer tissue paper represented by white, solid color (other than white), printed, and other varieties. The ranges and weighted averages for each category are shown in table I-1. The reported ranges indicate a relatively wide variation between the individual firms' tissue paper shipments. The weighted averages for white and solid color tissue paper of both domestic and import shipments were comparable and together comprised about two-thirds of both domestic and import shipments in 2003. Printed and other tissue paper accounted for about one-third of both domestic and import shipments in 2003, but the relative amounts of each varied by approximately *** percentage points.

¹⁷ ***, interview by USITC Staff, ***, February 27, 2004.

¹⁸ *Conference Transcript*, testimony of William Shafer, president, Flower City, p. 26; testimony of George Jones, president, Seaman, p. 64; and testimony of Robert Moreland, president, Standard Quality, p. 186.

¹⁹ *Respondents Cleo's and Crystal Creative's Prehearing Brief*, exhibit 2, p. 2.

²⁰ White tissue grades range in color and brightness from the whitest sheet (no. 1) through off-white shades to a light grey (no. 4). Brightness is measured relative to a known standard and expressed as a percentage of that standard. Consumer tissue paper requires a brightness of 80 or greater. *Conference Transcript*, testimony of Robert Moreland, president, Standard Quality, pp. 186-187; testimony of Sheldon Freeman, product manager, Wego, p. 186; testimony of Andrew Kelly, president, Cleo, p. 191; and "2.6.1 Brightness," found at http://www.paperloop.com/toolkit/paperhelp/2_6_1.shtml and retrieved on March 12, 2004.

²¹ *Petition*, p. 5.

²² *Respondents Cleo's and Crystal Creative's Prehearing Brief*, exhibit 2, p. 2.

²³ *Conference Transcript*, testimony of Sheldon Freeman, product manager, Wego, p. 187.

Table I-1**Consumer tissue paper: Estimated U.S. shipments of white, solid color, printed, and other tissue paper, 2003¹**

Type of paper	Domestic shipments		Imports from China	
	Range	Average	Range	Average
	<i>Share of quantity (percent)</i>			
White	***	***	0 to 100	45.6
Solid colors ²	***	***	11 to 100	19.2
Printed	***	***	20 to 50	26.2
Other ³	***	***	0 to 22	9.0
Total	100	100	100	100
¹ Responses represent virtually all of U.S. production and two-thirds of imports. ² Other than white. ³ Treatments such as hot-stamped or spot-glitter.				
Source: Compiled from data submitted in response to supplemental Commission questions.				

Certain tissue paper products are available in an array of sheet sizes and packaging options. Packages vary by sheet count, format, and size.²⁴ Sheet dimensions for certain tissue paper products vary depending on the purchaser's requirements. Common sheet sizes are 20 inches x 20 inches, 20 inches x 24 inches, 20 inches x 26 inches, and 20 inches x 30 inches.²⁵ Bulk tissue is typically sold by the ream (480 sheets) packaged in poly bags either as flat sheets or quire-folded sheets.²⁶ Bulk tissue paper may also be sold in half ream (250 sheets)²⁷ or 2 ream packages and in 5 or 10 ream boxes.²⁸ Alternatively, low grades of white tissue paper may not be counted and packaged in poly bags but instead weighed and packed directly in corrugated containers in 38 pound quantities.²⁹ Department stores and specialty retailers purchase tissue in bulk, often printed with their logos ***.³⁰

Consumer tissue is typically sold packaged for sale as a retail item, commonly in smaller quantities (e.g., 5 to 40 sheets)³¹ although sheet counts for seasonal packages and club packs range from

²⁴ ***, interview by USITC Staff, ***, February 27, 2004.

²⁵ *Conference Transcript*, testimony of Ted Tepe, vice president consumer products, Seaman, p. 114.

²⁶ A quire is one twentieth of a ream or 24 sheets. Reportedly, regional market preferences vary with purchasers in the East preferring flat reams and those on the West Coast preferring quire-folded reams. ***, interview by USITC Staff, ***, February 27, 2004. Questionnaire responses indicate that in 2003, 7.0 percent of U.S. producers' U.S. shipments of bulk tissue was quire-folded. A minor amount of U.S. imports of bulk tissue in 2003 was quire-folded.

²⁷ Producer and importer questionnaire responses indicate that 4.4 percent of U.S. producers' U.S. shipments and 8.1 percent of U.S. imports of bulk tissue paper in 2003 were in half-ream quantities.

²⁸ The 5 ream box is equivalent to a 38 pound box. ***, telephone interview by USITC Staff, November 2, 2004.

²⁹ *Conference Transcript*, testimony of Robert Moreland, president, Standard Quality, p. 208.

³⁰ *Respondents Cleo's and Crystal Creative's Prehearing Brief*, exhibit 2, p. 4.

³¹ *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, p. 121.

90 to 400 sheets.³² As with bulk tissue, the format of packages of consumer tissue varies. Common folded formats (“tissue folds”) include 4 inch x 10 inch, 4 inch x 20 inch, and 8 inch x 20 inch packages.³³ The size of the package is not indicative of the size of the sheet, which may be the same across different package formats. Occasionally, consumer tissue may be sold in flat format packages or in reams.³⁴ Tissue folds usually are packaged in poly bags or paper bands,³⁵ but occasionally the outer sheet of tissue may be printed as the wrapper.³⁶ Conference testimony by respondents suggested that certain tissue paper from China is available in resealable poly bags that are not offered by the more automated domestic industry.³⁷ Questionnaire responses indicate that in 2003, the domestic industry shipped *** square meters of tissue paper in resealable poly bags, equivalent to *** percent of domestic consumer tissue paper shipments, and that U.S. importers shipped *** square meters of tissue paper in resealable poly bags, equivalent to *** percent of U.S. shipments of imports of consumer tissue.

Club packs may be either flat or folded and generally are sold to shoppers club retailers (warehouse stores).³⁸ U.S. imports of club packs in 2003 amounted to *** square meters or *** percent of subject imports of consumer tissue paper. However, Cleo contends that ***’s U.S. sales of club packs represent *** U.S. sales of club packs in 2003.³⁹ The domestic industry reportedly shipped *** square meters of tissue paper in club packs in 2003, or *** percent of domestic consumer tissue paper shipments.⁴⁰

Special tissue packages include stepped folds (assortment packs folded so that the consumer can see all of the colors or designs in the package)⁴¹ and combination packs (which may include nonsubject mylar, fabric, non-woven, or poly sheets).⁴² Because they are typically sold together, specialty tissue

³² In contrast to every-day tissue which is white or decorated in generic designs or colors, seasonal tissue is decorated with holiday motifs or traditional holiday colors (e.g., red and green) and packages of seasonal tissue usually have higher sheet counts than packages of everyday tissue. ***, interview by USITC Staff, ***, February 27, 2004. Club packs are sold to warehouse stores such as Sam’s or Costco. Sheet counts for club packs typically range from 120 to 400 sheets. *Conference Transcript*, testimony of Kathleen Cannon, counsel for the petitioners, Collier Shannon Scott, p. 41, and *Respondents Cleo’s and Crystal Creative’s Postconference Brief*, p. 4.

³³ In metric terms, the common folded formats are 10 centimeters x 25 centimeters, 10 centimeters x 51 centimeters, and 20 centimeters x 51 centimeters. *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, p. 122.

³⁴ ***, telephone interview by USITC Staff, November 16, 2004 and *Petitioners’ Posthearing Brief*, exhibit 1, p. 40.

³⁵ *Conference Transcript*, testimony of Bonita Rooney, senior buyer, Target Stores, p. 133.

³⁶ ***, interview by USITC Staff, ***, February 27, 2004.

³⁷ *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, pp. 128-129.

³⁸ ***, interview by USITC Staff, ***, February 27, 2004.

³⁹ ***’s 2003 U.S. shipments of club packs reportedly totaled *** square meters, of which *** square meters or *** percent were produced in the United States. The balance of *** square meters includes ***’s 2003 direct imports of club packs. Staff revised ***’s reported sales of club packs to exclude the ***. *See Respondents Cleo’s and Crystal Creative’s Posthearing Brief*, p. A-25, exhibit 4, and ***, telephone interview by USITC Staff, February 28, 2005.

⁴⁰ In its questionnaire response, Seaman noted that club packs were ***.

⁴¹ ***, interview by USITC Staff, ***, February 27, 2004.

⁴² *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, p. 123.

(e.g., dip-dyed,⁴³ die-cut,⁴⁴ handmade,⁴⁵ hot-stamped with shiny designs,⁴⁶ and spot-glitter printed⁴⁷ tissue paper), can influence the sale of a larger amount of non-specialty tissue. Assortment packs may include specialty and non-specialty sheets of tissue paper⁴⁸ often in ratios of one to one or two to three.⁴⁹ At the preliminary conference, respondents suggested that certain tissue (specifically die-cut, hot-stamped, and handmade tissue) and certain product combinations (specifically assortments containing non-tissue sheets) were available in China but were not offered by the more automated domestic industry.⁵⁰ The testimony of U.S. producers at the conference stressed advanced dyeing and printing capabilities and noted their introduction of die-cut tissue to the U.S. tissue market and its continued production in the United States.^{51 52} In turn, the Commission noted in its *Views* in the preliminary phase its intention to explore the availability of innovative products and packaging.⁵³ Accordingly, the Commission collected data on sales of specialty consumer tissue paper and on the variety of products offered by U.S. producers and importers.⁵⁴ Questionnaire responses indicate that the domestic industry shipped *** million square meters of specialty tissue in 2003, equivalent to *** percent of consumer tissue paper shipments, and that U.S. importers shipped *** square meters of specialty tissue from China in 2003, equivalent to *** percent of consumer tissue paper shipments.⁵⁵

Individual responses made clear, however, that there is no consensus within the industry as to what constitutes “specialty” tissue paper. For example, one importer stated that everything but white, red, and green tissue paper is a specialty,⁵⁶ and respondent Cleo considers all tissue paper that has been printed, die-cut, embossed, hot-stamped, spot-glittered, or packed in an assortment to be specialties.⁵⁷ On the other hand, petitioners consider only those items “not manufactured routinely” to be specialties which they identify as die-cut, handmade, and hot-stamped tissue paper.⁵⁸ Therefore, petitioners and respondents were asked to estimate the share (by quantity) of their 2003 U.S. shipments of consumer tissue paper represented by specific types of tissue paper. The results (table I-2) indicate that die-cut, dip-

⁴³ Dip-dyed tissue paper is not colorfast and is used for arts and craft end uses. ***, interview by USITC Staff, ***, February 27, 2004.

⁴⁴ Die-cut tissue paper may have scalloped edges or a regular pattern of small cut-out designs or shapes.

⁴⁵ *Conference Transcript*, testimony of Bonita Rooney, senior buyer, Target Stores, p. 139.

⁴⁶ *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, p. 123.

⁴⁷ *Respondents Cleo’s and Crystal Creative’s Postconference Brief*, p. 5.

⁴⁸ *Respondents Cleo’s and Crystal Creative’s Posthearing Brief*, p. A-80.

⁴⁹ ***, telephone interview with USITC staff, February 8, 2005.

⁵⁰ *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, pp. 128-129.

⁵¹ *Conference Transcript*, testimony of George Jones, president, Seaman, pp. 73-74, and testimony of Ted Tepe, vice president consumer products, Seaman, pp. 74-75.

⁵² To demonstrate their ability to make the product, petitioners offered a sample of die-cut tissue paper (sold in bulk) as an exhibit during the Commission’s hearing. *Hearing Transcript*, testimony of George Jones, president, Seaman, p. 20.

⁵³ *See Certain Tissue Paper Products and Crepe Paper Products From China, Investigation No. 731-TA-1070 (Preliminary)*, USITC Publication 3682, April 2004, p. 16.

⁵⁴ Data regarding the variety of products offered by each U.S. producer and importer appear in tables III-1 and IV-1.

⁵⁵ As noted previously, subject imports accounted for the *** of sales of consumer tissue paper in resealable poly bags and in club packs in 2003, although sales of domestically produced club packs increased in 2004.

⁵⁶ ***. *** telephone interview with USITC staff, November 12, 2004.

⁵⁷ *Respondents Cleo’s and Crystal Creative’s Posthearing Brief*, p. A-24.

⁵⁸ *Petitioners’ Posthearing Brief*, p. 33.

dyed, hot-stamped, spot-glittered, and handmade tissue combined represented less than *** percent of domestic shipments and 11 percent of imports from China in 2003. There was a wide range for assortment packs for both domestic and import shipments, but in both cases the weighted average was greater than one-fifth of such shipments.

Table I-2

Consumer tissue paper: Estimated U.S. shipments of die-cut, dip-dyed, hot-stamped, spot-glittered, and handmade tissue and assortments as a share of U.S. shipments, 2003¹

Type of paper	Domestic		Imports from China	
	Range	Average	Range	Average
	Share of quantity (percent)			
Die-cut	***	***	1 to 8	2.9
Dip-dyed	***	***	10	6.5
Hot-stamped	0	0.0	1	(²)
Spot-glittered	0	0.0	0 to 8	(²)
Handmade	0	0.0	(²)	(²)
Assortments	***	***	10 to 53	26.0

¹ Responses represent virtually all of U.S. production and two-thirds of imports.
² Less than 1 percent.

Source: Compiled from data submitted in response to supplemental Commission questions.

Manufacturing Facilities and Production Employees

The domestic industry producing certain tissue paper products includes 12 established firms. Four are vertically integrated firms that also manufacture rolls of tissue paper (known as jumbo rolls), the principal upstream raw material for certain tissue paper products.⁵⁹ Others are converters that purchase jumbo rolls.⁶⁰ It is estimated that the integrated U.S. producers of tissue paper products, Flower City, Paper Service, Putney, and Seaman, currently operate a total of eight paper machines (five fourdrinier and three cylinder machines)⁶¹ having an average width of 88 inches (2.2 meters) and total annual capacity of

⁵⁹ The information pertaining to paper machines and capacity estimates in this paragraph are based on *Lockwood-Post's Directory 2000* and *Lockwood-Post Directory of Pulp & Paper Mills, North American Edition*.

⁶⁰ *Petition*, p. 10 n .2. The conversion of jumbo rolls into certain tissue paper products is estimated to generate *** percent value added. *Petitioners' Postconference Brief*, app. 1. Of the major producers of certain tissue paper products, Seaman is an integrated producer, Crystal Creative is a converter, Putney Paper is integrated, Garlock is a converter, Flower City is integrated, and Eagle is a converter.

⁶¹ Named for a Frenchman who popularized the design, fourdriniers have a continuous loop of bronze mesh screen or "wire," that is looped horizontally around rollers at both ends. As the wire revolves, pulp is spread across one end of it. Water drains through as it advances thereby forming the sheet (web), which is removed from the other end as it enters the press. Thus, a continuous sheet of paper is formed. Cylinder machines are so called because the sheet is formed on the surface of a large, rotating cylinder that is partially submerged in a vat containing the pulp. The sheet is picked off the cylinder by a rotating felt and conveyed to the press section.

78,500 tons or 4.2 billion square meters.⁶² Three integrated firms, ***, have shut down their paper mills, and one integrated firm, ***, no longer ***.⁶³ Approximately eight other U.S. paper mills (in addition to ***) are capable of producing rolls of flat tissue paper suitable for manufacturing certain tissue paper products but do not at present.⁶⁴

Typically, the U.S. paper mills that make rolls of flat tissue paper do not have pulp mills and, therefore, rely on purchases of market pulp and/or waste paper.⁶⁵ Bales of dried pulp and/or waste paper are put into a repulper (essentially a very large blender) along with water, dyes, and chemical additives.⁶⁶ A revolving agitator stirs the mixture thereby separating the individual wood fibers. Refiners clean and condition the resulting pulp slurry before it is pumped to storage chests to await delivery to the paper machine.

Next, the pulp slurry is pumped to the “wet end” of the paper machine, which forms a thin sheet of pulp in a continuous process. Water drains from the sheet as it is formed and conveyed to the press section. The press forms the sheet squeezing out more water, after which the sheet enters the dryer section to be dried. Tissue paper machines have either conventional or Yankee dryer. A conventional dryer has two or more tiers of steam-heated cylinders 30 to 60 inches (0.8 to 1.5 meters) in diameter which dry the sheet as it passes over and under successive cylinders.⁶⁷ A conventional dryer imparts an unburnished finish to the sheet called a machine finish (MF). A Yankee dryer is particularly effective drying lightweight papers and consists of one large, steam-heated cylinder 9 to 15 feet (2.7 to 4.6 meters) in diameter that dries the sheet completely as it passes once around.⁶⁸ The cylinder is polished and imparts a hard, smooth finish called a machine glaze (MG). In general, MG papers are especially suited for printed tissue paper, especially those with intricate designs.⁶⁹ However, the amount of gloss varies

⁶² The conversion of the annual capacities noted in this section from tons to square meters assumes an average basis weight of 17 grams per square meter. As paper machines may be used to produce heavier tissue paper or non-tissue grades (i.e., paper weighing more than 29 grams per square meter), actual capacity on the basis of area would be somewhat less.

⁶³ E-mail from ***, January 24, 2005.

⁶⁴ An industry official estimated that ***. The mills operate ***. The industry official further opined that U.S. imports of tissue paper from China, ***, ***, ***, e-mails of January 19, 24, 27 and February 4, 2005, and telephone interview by USITC staff, January 27, 2005. *Respondent Cleo's and Crystal Creative's Prehearing Brief*, exhibit 2, p. 6 and *Posthearing Brief*, p. A-15 and exhibit 2, p. 3. *Lockwood-Post's Directory 2000* and *Lockwood-Post Directory of Pulp & Paper Mills, North American Edition*.

⁶⁵ Fiber comes from wood pulp, waste paper (i.e., recycled fiber) or a combination of both depending on the grade. Lower grades may be made entirely from post-consumer recycled fiber. *Conference Transcript*, testimony of Robert Moreland, president, Standard Quality, p. 186. Pre-consumer recycled fiber may be used to avoid the contaminants in post-consumer recycled fiber. Wood pulp is necessary to achieve the required sheet strength and is principally bleached, softwood kraft, which has relatively long fibers. “Kraft” denotes the chemical process (a.k.a. sulfate) by which the wood is pulped and is the most important chemical pulp because of its strength.

⁶⁶ The tissue paper made from dyed pulp is colorfast, which is a key performance specification. ***, interview by USITC Staff, ***, February 27, 2004. Chemical additives include whiteners, fixatives, and sulphuric acid. *Petition*, p. 10.

⁶⁷ “11.8.8 MG (Yankee) and Related Dryers,” found at http://www.paperloop.com/tollkit/paperhelp/11_8_8_key.shtml and retrieved March 8, 2004, and ***, interview by USITC Staff, ***, February 27, 2004.

⁶⁸ “11.8.8 MG (Yankee) and Related Dryers,” found at http://www.paperloop.com/tollkit/paperhelp/11_8_8_key.shtml and retrieved March 8, 2004, and ***, interview by USITC Staff, ***, February 27, 2004.

⁶⁹ Respondent Cleo indicated that ***. ***, telephone interview with USITC staff, February 8, 2005.

from sheet to sheet depending on how highly polished the surface of a particular Yankee dryer is, so MG papers produced on different machines would exhibit a range of finishes.^{70 71}

As the paper exits the dryer, it is wound onto a large reel. Once filled, the reel is hoisted by an overhead crane to a winder that is in line with the back end of the paper machine. The winder unwinds the reel, slits the sheet to the appropriate width, and rewinds the sheet onto paperboard cores. The resulting jumbo rolls are wrapped with kraft paper or shrink wrap for protection during transit.⁷² Diameters and widths of the rolls vary depending on the attributes of the converting equipment for which the paper is intended.⁷³ If necessary, tissue paper products are typically printed on high speed, multi-color, web-fed (rotary), flexographic presses.⁷⁴ Modern presses yield intricate graphic designs and greatly increase manufacturers' printing capacity.⁷⁵ Customers may have their own seasonal designs, and their tissue purchases may become part of a coordinated product line.⁷⁶

Jumbo rolls intended for bulk and consumer tissue paper may be produced from the same reel of tissue paper. Bulk and consumer tissue paper often are printed on the same presses⁷⁷ and typically share the same basic converting process,⁷⁸ which includes sheeting, folding, and packaging. Because tissue paper is lightweight and lacks stiffness, it is not possible to cut individual sheets.⁷⁹ Therefore, converting lines have multiple back stands (i.e., roll stands),⁸⁰ and multiple sheets (commonly 10 or 24 sheets)⁸¹ are converted simultaneously to ensure that the web has enough rigidity to feed properly. Electric charges may be imparted to the sheets in order to "pin" them together.⁸² Generally, sheeters are rotary knives that cut the tissue paper at regular intervals as the web advances through the machine. Wider sheeters may also slit the web longitudinally in addition to the perpendicular cuts being made by the rotary knife. Guillotines also are used to cut large quantities of sheets to size at one time.

⁷⁰ ***, interview by USITC Staff, ***, February 27, 2004, and ***, telephone interview by USITC Staff, January 27, 2005.

⁷¹ Of *** U.S. paper machines currently operated by producers of certain tissue paper products, *** are equipped with Yankee dryers. Of the *** U.S. tissue paper machines operated by other firms, *** are so equipped. *Lockwood-Post's Directory 2000* and *Lockwood-Post Directory of Pulp & Paper Mills, North American Edition*.

⁷² The meaning of the term, "jumbo roll," varies across the paper industry but in this context means nothing more than a roll of tissue paper as it comes off the back end of the winder. One traditional meaning of the term, "jumbo roll," is a roll greater than 24 inches in diameter and weighing more than 500 lbs. In the packaging and printing industries, corrugators and printing presses have grown in size, often exceeding 100 inches in width. Therefore, the term now refers to rolls of paper that are 100 inches or more in width.

⁷³ The diameter (24 to 40 inches) and the width of a jumbo roll vary depending on the height of the back stands (i.e., rolls stands) and width of the converting equipment. ***, interview by USITC Staff, ***, February 27, 2004.

⁷⁴ ***, interview by USITC Staff, ***, February 27, 2004.

⁷⁵ Flexographic presses have raised rubber plates (analogous to a rubber stamp) from which ink is transferred to paper. Modern printing presses utilize features such as laser manufacturing of printing plates and automatic registration. Presses can be monitored remotely by the manufacturer to ensure peak operating condition. Richter, Jochen, "Flexo Printing Keeps Advancing," *Official Board Markets*, Vol. 79, No. 36, September 6, 2003, p. 1, and ***, interview by USITC Staff, ***, February 27, 2004.

⁷⁶ ***, interview by USITC Staff, ***, February 27, 2004.

⁷⁷ *Respondents Cleo's and Crystal Creative's Postconference Brief*, p. 7.

⁷⁸ *Petition*, p. 31.

⁷⁹ ***, interview by USITC Staff, ***, February 27, 2004.

⁸⁰ *Conference Transcript*, testimony of George Jones, president, Seaman, p. 20.

⁸¹ Twenty-four sheets equals a quire (one twentieth of a ream) based on a 480 sheet ream.

⁸² ***, interview by USITC Staff, ***, February 27, 2004.

Production of tissue folds requires the paper be folded in two directions, both parallel and perpendicular to the direction of the machine. On a particular converting line, the folding equipment may be interspersed with the sheeting equipment. Folds made parallel to the machine flow are made before sheeting while the paper is still a continuous web. Then, the folded web is cut with a rotary sheeter as described above. Once cut to size, the sheets are folded perpendicular to machine flow by a tucker; additional tucks may be made depending on the size of the package.⁸³ Stepped folds are made by offsetting different colored rolls by 1 inch on the roll stands. The offset is maintained throughout folding and sheeting, and once packaged, the different colors can be seen through the package.⁸⁴

Once sheeting and folding are complete, tissue paper may be packaged in a variety of ways. In a continuous process, form, fill, and seal equipment automatically wraps a tissue fold in plastic film and seals the ends of each package. A three step process is used for preformed plastic bags. A jet of air opens the mouth of the bag, the tissue fold is inserted, and the open end is sealed. Larger, hard to handle products (e.g., flat and quire-folded reams) may be packaged in plastic wrap using "L" bagger equipment, which requires more manual labor to insert the product and seal the bag. If necessary, a certain number of individual packages may be further packed in wholesale bags, which help the distributors control their shipments and quantities. Finally, the individual packages or wholesale packages are packed manually into corrugated containers for shipping.

Interchangeability and Customer and Producer Perceptions

As discussed in greater detail in Part II of the staff report, there are several potential substitutes for certain tissue paper. However, various forms of dry creped tissue paper (e.g., sanitary and other household tissue paper) are not considered by market participants to be a substitute for certain tissue paper. Domestically produced tissue paper and tissue paper from China appear to be largely interchangeable. U.S. producers, U.S. importers, and U.S. purchasers reportedly perceive certain tissue paper produced in the United States and in China to be “always” or “frequently” interchangeable.⁸⁵

Channels of Distribution

Questionnaire responses indicate that, with respect to domestically produced certain tissue paper products, 64.7 percent of U.S. shipments in 2003 were made through distributors and 34.7 percent were made directly to retailers (with very minor shipments directly to final consumers). With respect to certain tissue paper products from China, questionnaire responses indicate that 19.9 percent of U.S. shipments in 2003 were made through distributors, 51.8 percent were made directly to retailers, and 28.2 percent were made directly to final consumers.⁸⁶ The data appear in table I-3.

⁸³ *Conference Transcript*, testimony of George Jones, president, Seaman, p. 117.

⁸⁴ ***, interview by USITC Staff, ***, February 27, 2004.

⁸⁵ For additional details on interchangeability and customer and producer perceptions, please see Part II, “Supply and Demand Considerations” and “Substitutability Issues.”

⁸⁶ For additional details on channels of distribution, please see Part II, “Channels of Distribution and Market Segmentation.”

Table I-3

Certain tissue paper products: U.S. producers' U.S. shipments and U.S. shipments of imports from China, by channel of distribution, 2001-03, January-September 2003, and January-September 2004

Item	Calendar year			January-September	
	2001	2002	2003	2003	2004
Quantity (1,000 square meters)					
U.S. producers					
U.S. shipments to distributors	1,202,762	1,225,062	1,084,351	792,282	743,923
U.S. shipments to retailers	839,238	879,599	581,103	314,550	312,476
U.S. shipments to end users	7,172	4,132	9,610	6,888	13,990
U.S. importers					
U.S. shipments to distributors	16,144	46,112	136,766	80,252	129,335
U.S. shipments to retailers	163,817	201,213	355,733	162,757	138,130
U.S. shipments to end users	22,753	63,563	193,759	106,319	159,152
Share (percent)					
U.S. producers					
U.S. shipments to distributors	58.7	58.1	64.7	71.1	69.5
U.S. shipments to retailers	41.0	41.7	34.7	28.2	29.2
U.S. shipments to end users	0.4	0.2	0.6	0.6	1.3
U.S. importers					
U.S. shipments to distributors	8.0	14.8	19.9	23.0	30.3
U.S. shipments to retailers	80.8	64.7	51.8	46.6	32.4
U.S. shipments to end users	11.2	20.4	28.2	30.4	37.3
Source: Compiled from data submitted in response to Commission questionnaires.					

Consumer tissue paper is reportedly a high-margin item for retailers⁸⁷ and as noted above, subject tissue paper is sold through various types of retail stores.⁸⁸ Information provided by respondents notes that the mass merchant channel is the *** growth segment of the retail industry and that industry consolidation has reportedly afforded mass merchants increased buying power.⁸⁹ Therefore, they

⁸⁷ Respondents Cleo's and Crystal Creative's Prehearing Brief, exhibit 2, pp. 2, 22.

⁸⁸ Respondents Cleo's and Crystal Creative's Prehearing Brief, exhibit 2, p. 4.

⁸⁹ Respondents Cleo's and Crystal Creative's Prehearing Brief, exhibit 2, p. 22.

typically require high levels of management, logistical,⁹⁰ and/or design expertise of their suppliers,⁹¹ all of which may be manifest in vendor prequalification programs.⁹² Subject tissue paper may be purchased in conjunction with other items such as gift bags, gift boxes, and/or roll wrap⁹³ requiring vendors to source items from different manufacturers.

Price

Price data collected by the Commission for specific tissue paper products appear in Part V of this report. In the aggregate, the average unit values for U.S. shipments of domestically produced certain tissue paper products were \$57.98 per thousand square meters in 2001, \$57.54 in 2002, and \$56.04 in 2003. By comparison, the average unit values paid by direct importers for U.S. imports of certain tissue paper products from China were \$33.98 per thousand square meters in 2001, \$37.24 in 2002, and \$40.07 in 2003. The average unit values for U.S. shipments of imports of certain tissue paper products from China were \$55.39 per thousand square meters in 2001, \$55.62 in 2002, and \$*** in 2003.⁹⁴ Because certain U.S. retailers are themselves direct importers of the subject merchandise from China, both calculations of average unit values are believed to be relevant.

DOMESTIC LIKE PRODUCT ISSUES

The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price. In this investigation, petitioners have identified one domestic like product, certain tissue paper products.⁹⁵ Petitioners oppose further subdivision or expansion of the domestic like products.⁹⁶ Respondents contend that the Commission should find two distinct domestic like products, consumer tissue paper and, in contrast, bulk tissue paper.^{97 98}

⁹⁰ Respondents Cleo's and Crystal Creative's Prehearing Brief, exhibit 2, p. 22.

⁹¹ Respondent Target's Responses to Hearing Questions, p. 2.

⁹² Respondent Target's Responses to Hearing Questions, p. 7.

⁹³ Respondent Target's Responses to Hearing Questions, p. 1.

⁹⁴ For additional details on prices, please see Part V, "Price Data." For additional details on average unit values, please see Part III and Part IV.

⁹⁵ Petition, p. 30.

⁹⁶ Petitioners' Postconference Brief, pp. 4-14.

⁹⁷ Respondents Cleo's and Crystal Creative's Posthearing Brief, p. 2, and Respondent Target's Posthearing Brief, p. 1.

⁹⁸ The Commission noted in its *Views* in the preliminary phase of this investigation its intention of collecting additional information and revisiting the issue as to whether bulk tissue paper and consumer tissue paper should be characterized as two domestic like products. See *Certain Tissue Paper Products and Crepe Paper Products From China, Investigation No. 731-TA-1070 (Preliminary)*, USITC Publication 3682, April 2004, p. 12. Accordingly, this report contains additional quantitative and narrative information from questionnaire responses in the final phase of this investigation. Comparisons between bulk and consumer tissue paper by U.S. producers, U.S. importers, and U.S. purchasers are reproduced in full in appendix D.

Physical Characteristics and Uses

Certain tissue paper products are cut-to-length sheets of tissue paper in various sizes, colors, and printed designs that are packaged in various forms.⁹⁹ In questionnaire responses, U.S. producers of certain tissue paper products generally indicated that the physical characteristics of sheets of bulk and consumer tissue were essentially the same. However, the respondents contend that there are discernable physical differences in the tissue paper based on sheet size and design.¹⁰⁰ According to the respondents and one purchaser of both bulk and consumer tissue (see purchaser comments in appendix D), sheets of bulk tissue generally are larger than sheets of consumer tissue.¹⁰¹ Petitioners dispute the claim that bulk tissue sheets are always larger than consumer tissue sheets and note that some retailers are reducing the size of their tissue paper in order to control cost.¹⁰² They suggest that there is substantial overlap in sheet sizes.¹⁰³ A comparison of Seaman's standard sizes for bulk (***) sizes) and consumer (***) sizes) tissue paper is shown in table I-4.

Table I-4
Standard dimensions of Seaman's consumer and bulk tissue paper products

* * * * *

Respondents also contend that bulk and consumer tissue have different designs; bulk tissue is often plain, solid color, or has a basic pattern,¹⁰⁴ whereas consumer tissue is customized with colors, artwork, and designs¹⁰⁵ that are sometimes coordinated with other products such as gift bags (see purchaser comments in appendix D). Of 2003 U.S. shipments of bulk tissue paper, *** percent was white tissue paper, *** percent was solid colored tissue paper (other than white), *** percent was printed tissue paper, and *** percent was other tissue paper.¹⁰⁶ (Comparable figures for consumer tissue paper appear in table I-1.)

Respondents stress the differences in packaging between bulk and consumer tissue. Bulk tissue packaging is functional and minimally adorned,¹⁰⁷ whereas consumer tissue paper is packaged in colorful, customized primary packaging¹⁰⁸ and in decorated corrugated containers that are intended to be in-store displays. Finally, respondents contend that a difference exists based on sheet counts of bulk and consumer tissue packages.¹⁰⁹ Purchasers report that sheet counts for packages of consumer tissue paper range from 5 to 480 sheets; sheet counts for packages of bulk tissue paper vary from 200 sheets (see

⁹⁹ *Petition*, p. 30.

¹⁰⁰ *Respondents Cleo's and Crystal Creative's Postconference Brief*, pp. 4, 5.

¹⁰¹ *Respondents Cleo's and Crystal Creative's Postconference Brief*, p. 5.

¹⁰² *Hearing Transcript*, testimony of George Jones, president, Seaman, p. 22.

¹⁰³ *Petitioners' Prehearing Brief*, p. 6 and *Postconference Brief*, pp. 6, 7.

¹⁰⁴ *Respondents Cleo's and Crystal Creative's Prehearing Brief*, p. 5.

¹⁰⁵ *Respondents Cleo's and Crystal Creative's Postconference Brief*, p. 5.

¹⁰⁶ The reported shares by type of tissue paper are weighted averages based on shipment data provided by five U.S. producers of bulk tissue paper and representing *** percent of total U.S. shipments of bulk tissue paper in 2003. *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. 5, e-mail from Kathleen Cannon, Counsel to the Petitioners, Collier Shannon Scott, to Fred Forstall, USITC, February 16, 2005, and *Hearing Transcript*, p. 67.

¹⁰⁷ *Respondents City Paper et al.'s Postconference Brief*, p. 4.

¹⁰⁸ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. 5 and *Postconference Brief*, p. 5.

¹⁰⁹ *Respondents Cleo's and Crystal Creative's Prehearing Brief*, p. 6 and *Postconference Brief*, p. 3.

purchaser comments in appendix D) to multiple reams, and in some cases, bulk tissue is sold strictly by weight.

Petitioners assert that such differences in dimensions, colors, and designs as noted above demonstrate a continuum within a single domestic like product, and argue that the sale of tissue paper in bulk does not constitute a separate domestic like product from the sale of the same tissue paper in consumer packages.¹¹⁰ Petitioners assert that the characteristics of tissue paper sold in bulk to retailers and to consumers are similar and that the vast majority of the tissue sold to consumers in the U.S. market is white or a single color.¹¹¹ They also suggest that differences in package size reflect customers' shelf space and that tissue paper sold in bulk to retailers can be either folded or flat.¹¹²

Respondents emphasize the difference in the end uses of consumer tissue, which is used for "decorative wrapping," and bulk tissue, which is sold to retail stores¹¹³ to protect merchandise and laundry and to fill voids in goods and packages.¹¹⁴ Petitioners note that in either case, the tissue paper is used as internal wrapping in a box or bag.¹¹⁵

Manufacturing Facilities and Production Employees

The domestic industry producing certain tissue paper products includes 12 established producers, of which Seaman, Flower City, and Pacon currently produce both consumer and bulk tissue paper.¹¹⁶ In addition, Crystal Creative (acquired in 2002 by U.S. importer Cleo) produced both consumer and bulk tissue paper until 2003 when it suspended production at its Maysville, KY, facility;¹¹⁷ it now produces only consumer tissue, having recently resumed converting operations at Maysville.¹¹⁸ These four firms accounted for *** percent of total U.S. tissue paper production in 2001, *** percent in 2002, and *** percent in 2003.

Respondents acknowledge that certain manufacturing steps (e.g., printing) may be accomplished on the same equipment for both bulk and consumer tissue paper,¹¹⁹ but they note that the manufacture of consumer tissue paper begins with a design phase that can require an 18-month lead time.¹²⁰ They contend that bulk and consumer tissue often are manufactured on different production lines or on different "types" of equipment, the principal differences being size¹²¹ and the number of folds. Finally, they note

¹¹⁰ *Petitioners' Prehearing Brief*, p. 8.

¹¹¹ *Petitioners' Prehearing Brief*, p. 7 and *Postconference Brief*, p. 6.

¹¹² *Petitioners' Prehearing Brief*, p. 6 and *Postconference Brief*, pp. 6, 7.

¹¹³ *Respondents Cleo's and Crystal Creative's Prehearing Brief*, pp. 6, 7 and *Postconference Brief*, p. 3.

¹¹⁴ *Respondents City Paper et. al.'s Postconference Brief*, p. 5.

¹¹⁵ *Petitioners' Postconference Brief*, p. 8.

¹¹⁶ *Conference Transcript*, testimony of George Jones, president, Seaman, p. 19; testimony of William Shafer, president, Flower City, p. 26.

¹¹⁷ *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, pp. 125-126.

¹¹⁸ CSS Industries 10-Q for the quarter ending September 30, 2004, *Petitioners' Posthearing Brief*, exhibit 6, p. 16.

¹¹⁹ *Respondents Cleo's and Crystal Creative's Postconference Brief*, p. 7.

¹²⁰ *Respondent Target's Postconference Brief*, p. 2.

¹²¹ Jumbo rolls used in the production of bulk tissue paper are typically wider. *Respondents Cleo's and Crystal Creative's Postconference Brief*, p. 7.

that bulk and consumer tissue often are manufactured in different factories¹²² or by different firms.¹²³ Petitioners contend that all tissue paper shares the same basic manufacturing process¹²⁴ and that bulk grades and consumer grades may be produced in the same facility with common employees and similar processes.¹²⁵ In its questionnaire response, one firm, ***, asserted that there was no crossover of product between bulk and consumer tissue. However, ***, reported that it made bulk and consumer tissue with the very same equipment. Another U.S. producer, ***, uses the same equipment to produce bulk and club packs.¹²⁶

Interchangeability and Customer and Producer Perceptions

Respondents contend that at the level “defining the products as sold,” bulk tissue paper (sold to retailers) and consumer tissue paper (sold to consumers) are not interchangeable.¹²⁷ Respondents also note the differences in quantities per package between consumer and bulk tissue, arguing that individuals that purchase consumer tissue do not wish to purchase tissue paper in reams¹²⁸ and that club packs, in fact, are consumed by consumers and not by businesses.¹²⁹ Petitioners dispute this contention, arguing that small businesses may also purchase club packs.¹³⁰ Respondents also assert that consumer tissue is a more “flashy” commodity¹³¹ that retailers do not use as dunnage for their products.¹³²

U.S. producers reportedly view bulk tissue paper and consumer tissue paper as the same, or at least very similar, with one exception. *** indicated that the only similarity between consumer and bulk tissue is the base tissue stock. That company pointed to differences in the packaging, diversity of product with packages, labeling, artwork, folds, and customers of consumer and bulk tissue paper.

Customer perceptions were more mixed. While three purchasers suggested that there were no differences (or general interchangeability) between bulk and consumer tissue, one (***) stated flatly that there was no comparability between the tissue types, stressing differences in package size, content, price (to consumer), and seasonal offerings. Many purchasers indicated that they purchased only one form of tissue paper; others pointed out distinctions in the size, weight, packaging, and ultimate consumer of bulk and consumer tissue paper.¹³³

¹²² *Respondents City Paper et. al.’s Postconference Brief*, p. 10.

¹²³ *Respondents Cleo’s and Crystal Creative’s Postconference Brief*, p. 7.

¹²⁴ *Petition*, p. 31.

¹²⁵ *Petitioners’ Postconference Brief*, p. 8.

¹²⁶ E-mail from Kathleen Cannon, Counsel to the Petitioners, Collier Shannon Scott, to Fred Forstall, USITC, March 25, 2004.

¹²⁷ *Respondents Cleo’s and Crystal Creative’s Prehearing Brief*, p. 7.

¹²⁸ *Respondents City Paper et. al.’s Postconference Brief*, p. 6.

¹²⁹ *Respondents City Paper et. al.’s Postconference Brief*, p. 13, and *Respondents Cleo’s and Crystal Creative’s Postconference Brief*, p. 4.

¹³⁰ *Petitioners’ Postconference Brief*, p. 7.

¹³¹ *Respondents City Paper et. al.’s Postconference Brief*, p. 8.

¹³² *Respondents City Paper et. al.’s Postconference Brief*, p. 7.

¹³³ Many importers addressed this issue based on whether or not they themselves imported bulk and consumer tissue paper; those that imported only one variety tended not to be able to compare the two varieties. Seven importers generally found consumer and bulk tissue paper to be interchangeable and five importers generally found the two varieties not to be at all interchangeable. Many of those importers with clearly stated views are parties to this investigation.

Channels of Distribution

According to the petition, certain tissue paper products are sold through both distributors and retailers.¹³⁴ Distributor sales, however, are more prevalent for bulk tissue paper than for consumer tissue paper. Questionnaire responses indicate that, with respect to consumer tissue paper, *** percent of domestic shipments in 2003 were made through distributors and *** percent were made directly to retailers. With respect to bulk tissue paper, *** percent of 2003 domestic shipments were made through distributors, *** percent were made directly to retailers, and *** percent were made directly to the consumer. One U.S. producer, ***, indicated that bulk and consumer tissue were sold to the same distributors, sometimes on the same order, but that larger distributors tended to buy more bulk tissue paper. Respondents contend, however, that bulk and consumer tissue generally are sold by different firms¹³⁵ and generally are purchased by different firms. High-end retailers (e.g., Saks, Nordstrom) and laundries buy bulk tissue, and party stores, gift stores, and low-end retailers (e.g., Target, Wal-Mart) purchase consumer tissue.¹³⁶ Respondents also contend that U.S. manufacturers that sell both bulk and consumer tissue have separate sales personnel for each type of tissue.¹³⁷ Respondents note that when firms purchase both types of tissue paper the purchases are made by different parts of the organization.¹³⁸ Petitioners agree that some differences in channels of distribution do exist and that a greater percentage of bulk tissue sales is to distributors and a greater percentage of consumer tissue goes to retailers, but point out that substantial volumes of each go through the other channel of distribution.¹³⁹

Price

U.S. purchasers and U.S. importers of certain tissue paper products report that prices depend on such factors as the quantity purchased, the design (e.g., colors or prints), the grade of paper, the basis weight, whether the paper is a specialty (e.g., die cut), packaging, and freight (see purchaser comments in appendix D). Respondents contend that prices generally are higher for consumer tissue based on the difference in quantities and packaging¹⁴⁰ and the fact that bulk tissue is sold by weight¹⁴¹ or on a ream or half ream basis.¹⁴² One U.S. producer, ***, indicated that the price of bulk tissue was lower than consumer tissue because it generally required less packaging and fewer folds. However, petitioners maintain that prices are within a reasonable range of a single like product.¹⁴³ Price data collected by the Commission for tissue paper folds (consumer tissue paper) and tissue paper reams (bulk tissue paper) appear in Part V of this report. In the aggregate, the average unit values for U.S. shipments of consumer tissue paper were \$*** per thousand square meters in 2001, \$*** in 2002, and \$*** in 2003. By comparison, the average unit values for bulk tissue paper were lower: \$*** per thousand square meters in 2001, \$*** in 2002, and \$*** in 2003.

¹³⁴ *Petition*, p. 31.

¹³⁵ *Respondents Cleo's and Crystal Creative's Postconference Brief*, p. 6.

¹³⁶ *Respondents City Paper et. al.'s Postconference Brief*, p. 7.

¹³⁷ *Respondents Cleo's and Crystal Creative's Prehearing Brief*, p. 2.

¹³⁸ *Respondent Target's Postconference Brief*, p. 2.

¹³⁹ *Petitioners' Prehearing Brief*, pp. 7, 8.

¹⁴⁰ *Respondents Cleo's and Crystal Creative's Postconference Brief*, p. 7.

¹⁴¹ *Respondents City Paper et. al.'s Postconference Brief*, p. 30.

¹⁴² *Respondents Cleo's and Crystal Creative's Prehearing Brief*, p. 15.

¹⁴³ *Petitioners' Postconference Brief*, p. 10.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

CHANNELS OF DISTRIBUTION AND MARKET SEGMENTATION

Certain tissue paper products are generally sold in two forms, consumer and bulk, and are used for both the protective and decorative wrapping or packaging of items.¹ The product sold in bulk form is frequently white and without design, but is also sold in colors and/or with designs, including firm logos. The product sold to the consumer is often white but is frequently colored and/or printed and may be sold as part of a set of products with coordinated colors and designs.

As presented in Part I, U.S. producers of certain tissue paper products reported that their domestic shipments of tissue paper sold to distributors (relative to total shipments) rose from 58.7 percent in 2001 to 64.7 percent in 2003; virtually all of the remainder went to retailers. As shown in table II-1, bulk tissue paper shipments to distributors fell steadily from *** percent in 2001 to *** percent in 2003, and sales to retailers rose from *** percent in 2001 to *** percent in 2003. For consumer tissue paper (table II-2), *** percent of U.S. shipments in 2001 were to distributors; this percentage rose to *** percent in 2003. The remainder were to retailers, *** percent in 2001 and *** percent in 2003.²

¹ Respondents assert that these two product forms of tissue paper have different distribution chains because bulk tissue paper (typically sold in reams) is purchased by retailers as a supply item and consumer tissue paper (typically sold in folds) is purchased by retailers for resale to consumers. Other differences include: differences in production, differences in packaging, and differences in marketing. Bulk tissue production is relatively straightforward, while consumer tissue production requires more design, folding, collating, special decorative treatments, complicated and varied packaging, and may be sold with other nonsubject products such as mylar or fabric. *Hearing Transcript*, testimony of Andrew Kelly, president, Cleo, pp. 181-184. Petitioners argue that consumer and bulk tissue paper have similar physical characteristics (e.g., color and sheet size) and are produced in the same facilities, on the same equipment, and by the same workers. *Hearing Transcript*, testimony of George Jones, president, Seaman, pp. 18-22. Petitioners also contend that there is no demarcation between retailers and consumers in channels of distribution, as tissue products are sold to retailers or distributors and are not sold directly to consumers. Further, petitioners argue that whether tissue paper is given away at the point of sale or resold to consumers, the end user is the consumer. *Petitioners' Postconference Brief*, p. 6.

² The Commission noted in its *Views* in the preliminary phase of this investigation its intention of collecting additional information and exploring whether any distinctions between bulk tissue paper and consumer tissue paper should be considered as a condition of competition. *See Certain Tissue Paper Products and Crepe Paper Products From China, Investigation No. 731-TA-1070 (Preliminary)*, USITC Publication 3682, April 2004, p. 12. Accordingly, Part II of this report discusses bulk and consumer tissue separately, and subsequent sections of this report distinguish between the two forms as appropriate.

Table II-1

Certain tissue paper products: U.S. producers' U.S. shipments and U.S. shipments of imports of bulk tissue paper, by channel of distribution, 2001-03, January-September 2003, and January-September 2004

Bulk tissue paper	Calendar year			January-September	
	2001	2002	2003	2003	2004
Quantity (1,000 square meters)					
U.S. producers					
U.S. shipments to distributors	***	***	***	***	***
U.S. shipments to retailers	***	***	***	***	***
U.S. shipments to end users	***	***	***	***	***
U.S. importers					
U.S. shipments to distributors	***	***	***	***	***
U.S. shipments to retailers	***	***	***	***	***
U.S. shipments to end users	***	***	***	***	***
Share (percent)					
U.S. producers					
U.S. shipments to distributors	***	***	***	***	***
U.S. shipments to retailers	***	***	***	***	***
U.S. shipments to end users	***	***	***	***	***
U.S. importers					
U.S. shipments to distributors	100.0	81.5	77.3	77.4	91.7
U.S. shipments to retailers	0.0	0.2	0.3	0.3	0.1
U.S. shipments to end users	0.0	18.3	22.5	22.3	8.1
Source: Compiled from data submitted in response to Commission questionnaires.					

Table II-2

Certain tissue paper products: U.S. producers' U.S. shipments and U.S. shipments of imports of consumer tissue paper, by channel of distribution, 2001-03, January-September 2003, and January-September 2004

Consumer tissue paper	Calendar year			January-September	
	2001	2002	2003	2003	2004
Quantity (1,000 square meters)					
U.S. producers					
U.S. shipments to distributors	***	***	***	***	***
U.S. shipments to retailers	***	***	***	***	***
U.S. shipments to end users	***	***	***	***	***
U.S. importers					
U.S. shipments to distributors	***	***	***	***	***
U.S. shipments to retailers	***	***	***	***	***
U.S. shipments to end users	***	***	***	***	***
Share (percent)					
U.S. producers					
U.S. shipments to distributors	***	***	***	***	***
U.S. shipments to retailers	***	***	***	***	***
U.S. shipments to end users	***	***	***	***	***
U.S. importers					
U.S. shipments to distributors	3.4	2.9	1.3	2.2	2.1
U.S. shipments to retailers	84.9	76.3	68.6	64.3	47.2
U.S. shipments to end users	11.8	20.8	30.1	33.6	50.7
Source: Compiled from data submitted in response to Commission questionnaires.					

Data reported by importers of tissue paper indicate that the majority of their U.S. shipments went to retailers (or direct to end users, typically because the tissue paper was imported directly by a retailer).³ Shipments to these customers fell from 92.0 percent in 2001 to 80.1 percent in 2003. In 2001, 3.4 percent of consumer tissue paper shipments, and 100.0 percent of bulk tissue paper shipments, were to distributors. This fell to 1.3 percent for consumer tissue paper and to 77.3 percent for bulk tissue paper in 2003.⁴ For imports of bulk tissue paper, the product not sold to distributors was largely imported directly

³ ***.

⁴ At the staff conference, petitioners discussed the increasing market power of some mass merchandisers and their ability to bypass the distributor channel and import directly from China. According to petitioners, these large retailers exert pressure on distributors to obtain lower prices from U.S. producers by threatening to import directly from China if such prices cannot be secured from domestic sources. *Conference Transcript*, testimony of Patrick Magrath, director, Georgetown Economic Services, pp. 92-93. Petitioners also stated that "club" stores such as

(continued...)

by retailers/end users. In contrast, the share of sales to retailers for consumer tissue from China fell from 84.9 percent in 2001 to 68.6 percent in 2003. Imports by retailers/end users rose from 11.8 percent in 2001 to 30.1 percent in 2003.

Of the 31 purchasers of tissue paper products that answered the questionnaires, 18 purchased only consumer tissue paper products, seven purchased only bulk tissue paper products, and six purchased both consumer and bulk tissue paper products.⁵ Twenty purchasers were retailers, 10 were distributors, and one was an end user that manufactured ***. Retailers were assumed to be resellers of consumer tissue paper and end users of bulk tissue paper. In this case, 19 retailers sold consumer tissue paper, four distributors sold only consumer tissue paper, four distributors sold only bulk tissue paper, two distributors sold both, and six firms were end users of bulk tissue paper, including five retailers, three of which also sell consumer tissue paper.

Geographic Markets

Ten of 11 responding producers of tissue paper reported shipping nationwide; ***.⁶ Most responding importers of tissue paper (25 of 35) reported shipping nationwide. Five of the nine importers selling bulk tissue reported that they paper sold nationwide, as did 24 of the 31 importers selling consumer tissue paper. The other importers sold to various regions, most notably the Northeast, Midwest, and Southeast.

SUPPLY AND DEMAND CONSIDERATIONS⁷

U.S. Supply⁸

Based on available information, U.S. producers of certain tissue paper products have the ability to respond to changes in prices with moderate-to-large changes in the quantity of shipments of U.S.-produced certain tissue paper products to the U.S. market. The main factors contributing to this degree of responsiveness are excess capacity and substantial inventories. This ability to respond to changes in demand, however, may be reduced by the seasonality of demand and the amount of customized tissue paper.

⁴ (...continued)

Costco blur the line between retailers and distributors by functioning as both a consumer outlet and a distributor to small businesses. *Conference Transcript*, testimony of Ted Tepe, vice president of consumer products, Seaman, p. 92.

⁵ Purchasers were asked to respond separately if their answers differed between consumer tissue paper and bulk tissue paper. Six purchasers bought both consumer tissue paper and bulk tissue paper. Two of these, ***, gave separate answers for bulk and consumer tissue paper in at least some of the questions. Similarly, producers and importers were asked in the pricing section to provide separate answers for consumer tissue paper and bulk tissue paper, if their answers differed. One producer, ***, and two importers, ***, sometimes answered separately for bulk and consumer tissue paper.

⁶ Parts II and V of this report include anecdotal information from ***.

⁷ Reported data on Chinese production capacity, production, capacity utilization, inventories, and exports of certain tissue paper products are shown in detail in Part VII of this report.

⁸ Unless otherwise noted, information in this section is compiled from responses to Commission questionnaires, and data are presented in Part III and appendix C (U.S. industry) and Part VII (foreign industry) of this report.

Industry Capacity

Data reported by U.S. producers indicate that there is significant excess capacity with which to expand production of certain tissue paper products in the event of price changes. Overall, domestic capacity utilization for tissue paper declined from 55.9 percent in 2001 to 45.4 percent in 2003. Domestic capacity utilization for bulk tissue paper products declined irregularly from *** percent in 2001 to *** percent in 2003; consumer tissue paper capacity utilization declined irregularly from *** percent in 2001 to *** percent in 2003.⁹

Although purchasers did not report any shortages or seasonal constraints for certain tissue paper products, most purchasers did report that both availability and delivery were very important factors in their purchasing decisions. All three purchasers that reported disqualifying suppliers reported that one of the reasons was delivery delays or long lead times; based on other information in the questionnaires it seems likely the firms in question were selling Chinese product.¹⁰

In addition to possible shortages for purchasers of tissue paper products, a reliable supply of jumbo rolls is necessary for production. Crystal reported that it had difficulty finding a source of domestic jumbo rolls that was not a competitor,¹¹ leading it to shift from domestically produced to imported tissue paper.¹² The petitioners, in contrast, report a number of sources of both domestic and imported jumbo rolls in the United States.¹³ The general availability of jumbo rolls for purchase is discussed in Part I, while company-specific experiences are discussed in greater detail in Parts III and IV of this report.

Inventory Levels

U.S. producers' inventories of certain tissue paper products, as a ratio to total shipments, increased during the period for which data were collected. Inventories for tissue paper, as a share of total shipments, increased from 14.5 percent in 2001 to 21.8 percent in 2003. For bulk tissue paper products, inventories, as a ratio to total shipments, increased irregularly from *** percent in 2001 to *** percent in 2003 while for consumer tissue paper inventories increased from *** percent in 2001 to *** percent in 2003. These data indicate that U.S. producers have the ability to use inventories of certain tissue paper products as a source of increased shipments to the U.S. market.

⁹ Respondents characterize capacity as the ability to meet seasonal demand. Ability to meet seasonal demand, however, depends a great deal on the timing of the orders given to the producers. Respondents contrasted the time required to determine the consumer tissue paper products that Cleo will sell with the timing required by U.S. production techniques. *Hearing Transcript*, testimony of Andrew Kelly, president, Cleo, pp. 185-187.

¹⁰ One of these firms purchased both consumer tissue paper and crepe paper. It did not report for what product or firm the delays occurred but purchased all its tissue paper from Chinese sources. One reported that ***, which sells Chinese bulk tissue paper, was disqualified because of, among other things, delivery delays. The third reported that *** was disqualified because of long lead times. This company is not known to be a domestic producer. Other reasons firms were disqualified included poor quality, high price, and not bidding on a sale.

¹¹ *Hearing Transcript*, Andrew Kelly, president of Cleo, pp. 192-194.

¹² *Hearing Transcript*, Andrew Kelly, president of Cleo, pp. 193-194.

¹³ *Hearing Transcript*, Robert Costa, president of Eagle Tissue, and William Shafer, vice president of Flower City, pp. 87-90.

Export Markets

Exports represented a small share of the quantity of total shipments of certain tissue paper products, accounting for between 2.0 and 2.7 percent for certain tissue paper products. These numbers suggest that U.S. producers have a limited ability to divert shipments to or from alternate markets in response to changes in the prices of certain tissue paper products.

Production Alternatives

None of the U.S. producers reported manufacturing any other product on the same equipment used to produce tissue paper. Certain U.S. producers, however, did report a degree of overlap in the equipment used to produce bulk tissue paper and consumer tissue paper. The printing and decorating of bulk and consumer tissue paper, to the extent that these processes are required, typically takes place on the same or similar equipment. Consumer tissue paper, however, frequently is folded more times than bulk tissue paper and is placed in smaller packages. The equipment used for this folding and packaging typically will not be used for bulk tissue paper. On the other hand, equipment used for bulk tissue paper can be used in producing consumer packages with large numbers of sheets such as “club packs.” Additional details on the production process appear in Part I of this report.

U.S. Demand

Based on available information, both consumer and bulk tissue paper products are likely to experience at least moderate changes in overall demand in response to changes in price. The main factor contributing to this degree of price sensitivity is the existence of various substitute products for certain tissue paper products.

Demand Characteristics

Purchasers reported end uses for tissue paper including wrapping or packaging purchases, filler for gift bags, wrapping for gifts, and use in production of confetti and streamers.¹⁴

Importers and producers typically agreed that demand for subject tissue paper had not changed since 2001; 25 of the 32 responding importers of tissue paper and 10 of the 11 responding producers of tissue paper reported that demand was unchanged. In contrast, most purchasers of tissue paper (16 of 29) reported demand had increased.¹⁵ Reported changes in demand by product are provided in the following tabulation.

¹⁴ *** also reported the use of tissue paper in production of piñatas in Mexico. Telephone interview by USITC staff, October 6, 2004.

¹⁵ The number reporting that demand increased includes *** which reported both unchanged and increased demand. While *** purchased both bulk and consumer tissue paper products, it did not report if its answers differed by product or by year. In addition, one purchaser of bulk paper reported that demand increased in 2002, fell in 2003, and increased in 2004.

	<u>Producers</u>			<u>Importers</u>			<u>Purchasers</u> ¹⁶		
	<u>Total</u>	<u>Bulk</u>	<u>Consumer</u>	<u>Total</u>	<u>Bulk</u>	<u>Consumer</u>	<u>Total</u>	<u>Bulk</u>	<u>Consumer</u>
Unchanged	10	9	4	25	9	19	12	6	10
Increased	1	0	1	6	0	6	16	5	13
Decreased	0	0	0	2	1	1	3	2	1

Producers reported that demand had fluctuated with the economy; demand for bulk tissue paper had fallen in the United States and risen in other parts of the globe as the manufacture of shoes and garments had left the United States and because less bulk was used by modern retailers; and that demand for consumer tissue had increased with the growing use of decorative gift bags. Six importers also reported that demand for consumer tissue had increased with increased use of decorative gift bags. For bulk tissue, ***. Importers also reported that the movement of manufacture facilities to other countries, and changes in the retail sector towards internet sales, had reduced the demand for bulk tissue. For consumer tissue, importers stated that demand had increased with better value, greater availability of printed tissue, and the use in crafts projects.

Demand for tissue paper, particularly consumer tissue paper, tends to be seasonal with some producers reporting half of all sales volume occurring in the last four months of the year.¹⁷ This tissue paper is sometimes sold to retailers along with other products either to provide matching sets of products such as gift bags with matching tissue paper, gift tags, and wrapping paper, or to reduce the number of providers to increase the efficiency of the purchasing departments.

Available information indicates that apparent U.S. consumption of certain tissue paper products increased modestly over the period for which data were collected. Between 2001 and 2003, apparent U.S. consumption of consumer tissue paper decreased ***, while apparent U.S. consumption of bulk tissue paper increased ***. Apparent U.S. consumption of bulk tissue paper was lower in January-September 2004 than in the same period of 2003, while the opposite was true for consumer tissue paper.

Substitute Products

Purchasers were asked to list the top three substitutes for both subject products. Twenty-one purchasers of tissue paper reported substitutes. Substitutes for tissue paper included mylar, PVC, foil, wrapping paper, newsprint, bogus paper,¹⁸ nonwoven polypropylene, bubble wrap, fabric, shredded paper, and shredded mylar. All but two of the 21 responding purchasers reported that changes in the price of these substitutes had not affected demand for certain tissue paper. One of the two reported that substitutes are higher priced and are seen as being higher value products; one firm reported that retail sales had been reduced.

¹⁶ One purchaser, ***, reported demand for bulk tissue paper was unchanged while demand for consumer tissue paper had increased. One purchaser, ***, reported both demand was unchanged and that demand had increased but did not report why. All these responses are recorded.

¹⁷ *Hearing Transcript*, testimony of Robert Costa, president, Eagle Tissue, p. 124.

¹⁸ The term "bogus" implies that the paper in question has been manufactured using recycled fiber or low grade stock in a manner intended to imitate a particular grade of paper. Bogus wrapping paper is made from recycled fiber and dyed so that it resembles unbleached wrapping paper and is typically used for end uses that don't require the strength of normal wrapping paper. *The Dictionary of Paper*, American Paper Institute, Fourth Ed., 1980, pp. 47, 49.

In their questionnaire responses, a majority of U.S. producers reported that there are no direct substitute products for certain tissue paper products (nine of 12).¹⁹ In contrast, a slight majority of importers believe that substitute products exist (13 of 25) including; mylar sheets, mylar shreds, paper shreds, gift wrap, fabric, bubble wrap, foam wrap, foam peanuts, plastic bags, and unprinted newsprint.²⁰ Producer, importer, and purchaser responses by product are shown in the following tabulation.²¹

	<u>Producers</u> ²²			<u>Importers</u>			<u>Purchasers</u>		
	<u>Total</u>	<u>Bulk</u>	<u>Consumer</u>	<u>Total</u>	<u>Bulk</u>	<u>Consumer</u>	<u>Total</u>	<u>Bulk</u>	<u>Consumer</u>
No substitutes	9	9	3	13	2	11	9	4	6
Substitutes	3	1	2	13	3	11	21	7	17

Cost Share

Certain tissue paper products are typically sold as such to purchasers as an intermediate product in the production of another product. Therefore, the issue of cost share is not relevant and these data were not requested in the questionnaire.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported certain tissue paper products depends upon such factors as relative prices, quality, decoration, design sets, and conditions of sale. Based on available data, staff believes that there is a high degree of substitution between domestic certain tissue paper products and subject imports.

Purchasers were asked to identify the three major factors considered by their firm in deciding from whom to purchase certain tissue paper products (table II-3). Quality was the factor most frequently mentioned as the most important factor for consumer tissue paper (cited by nine of the 22 responding consumer tissue purchasers) and was most frequently mentioned as the second most important factor for bulk tissue paper. Price was most frequently cited as the most important factor for bulk tissue paper (cited by five of the 11 bulk purchasers) and was most frequently mentioned as the second and third most important factor for consumer tissue paper.

¹⁹ Among responding U.S. producers, *** noted separate responses for bulk tissue paper and consumer tissue paper. According to ***, there are no substitute products for bulk tissue paper; however, mylar sheets, tissue and mylar shreds, and gift wrap are possible substitutes for consumer tissue paper.

²⁰ Among responding importers, *** and *** noted separate responses for bulk tissue paper and consumer tissue paper. According to ***, possible substitutes for bulk tissue paper are unprinted newsprint papers of varying weights and miscellaneous packaging papers. *** reported that there are no substitute products for bulk tissue paper. *** and *** reported that possible substitutes for consumer tissue paper are shredded paper or foil, fabric, mylar sheets, and other gift wrap.

²¹ One importer of both consumer tissue paper and crepe reported substitutes for crepe including jointed cardboard banners, and plastic streamers. It has not been included in the firms reporting substitutes for tissue paper.

²² One producer reported that there were no substitutes for bulk tissue paper but there were substitutes for consumer tissue paper.

Table II-3

Certain tissue paper products: Most important factors in selecting a supplier of tissue paper products, as reported by U.S. purchasers of bulk and consumer tissue paper

Factor	Total			Bulk			Consumer		
	First ¹	Second ²	Third ³	First ⁴	Second ²	Third ⁵	First ⁴	Second	Third ³
Quality	11	9	3	3	4	3	9	6	2
Price	9	9	10	5	3	3	6	7	8
Contract/traditional supplier/relationship	5	1	2	2	1	1	4	0	1
Service/reliability	3	4	7	2	2	5	3	2	6
Availability/delivery	3	4	2	2	1	1	1	3	2
Style/design/delux	1	3	0	0	0	0	1	3	0
Product line/variety	1	0	2	0	0	0	1	0	2
Minimum order/minimum shipments	0	1	1	0	1	0	0	1	1
Terms	0	1	1	0	1	0	0	0	1
Other ⁶	1	2	0	0	1	0	1	1	0

¹ Two firms reported both quality/value and price as first factor.

² One firm reported both the production capacity of the producer and service as second factor.

³ One firm reported delivery and service as third factor.

⁴ One firm reported both quality/value and price as first factor.

⁵ One firm reported both reliability and timeliness of delivery as third factor.

⁶ Other includes: for bulk, production capability second factor; for consumer tissue, produce exclusive product for first factor and packaging for second factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were asked what factors determined the quality of certain tissue paper products. The factors mentioned by purchasers of tissue paper included: basis weight/thickness, strength, consistency, porosity, softness, texture, feel, durability, size, proper length, proper cut, color, color fastness, brightness, artwork, and packaging.

Purchasers were asked if they always, usually, sometimes, or never purchased the lowest price material. Their responses by product are shown in the following tabulation.

	<u>Total</u>	<u>Bulk</u>	<u>Consumer</u>
Always	2	1	1
Usually	17	8	12
Sometimes	9	3	8
Never	2	0	2

Purchasers were asked if certain types or sizes of tissue paper products were only available from a single source. All 27 responding purchasers reported that they were not.²³ Purchasers were also asked if they purchased certain tissue paper products from one source although a comparable product was available at a lower price from another source. Six purchasers of bulk tissue paper responded, reporting reasons such as shorter lead time for U.S. product, Chinese product not comparable to the U.S. product, U.S. producers allow lower minimum order size, U.S. greater reliability of supply for reorders, better printing quality, better production time, relationship with supplier, and time required to change suppliers. Fifteen purchasers of consumer tissue paper responded, reporting reasons such as lead time, minimum order size, contracts, reliability of supply, availability, contract, quality, coloring, packaging, time required to change suppliers, and purchase of tissue is dependent on the collection being purchased since the tissue paper is part of a design package that is purchased as a group from a single source.

Purchasers were asked to rate the importance of 16 factors in their purchasing decisions (table II-4).²⁴ Overall, the factors rated as very important were availability (31), reliability of supply (31), delivery time (29), product consistency (28), quality meets industry standard (27), lower price (25), and delivery terms (21). For bulk tissue paper, factors listed as very important included availability (reported to be very important by all 13 responding purchasers), delivery time (12), product consistency (12), reliability of supply (12), lower price (10), quality meets industry standard (10), and delivery terms (9). Purchasers of consumer tissue paper most frequently reported availability of supply and reliability of supply as very important factors with 22 of the 24 responding firms reporting that these were very important. Other important factors frequently listed as very important by purchasers of consumer tissue included delivery time (21), quality meets industry standard (21), lower price (18), product consistency (18), delivery terms (14), and responsiveness to customer's requests (14).

Purchasers were asked for a country-by-country comparison on the same 16 factors (table II-5). Most bulk tissue paper purchasers reported that U.S. and Chinese product were comparable for seven factors: availability, minimum quantity requirement, packaging, product consistency, quality meets industry standard, quality exceeds industry standard, and U.S. transportation costs. For delivery terms, and delivery time, most purchasers reported that the U.S. product was superior while most firms reported that the Chinese product was superior in lower-price and for product range. Answers were mixed for discounts offered, extension of credit, reliability of supply, responsiveness to customer product requests, and technical support. The majority of purchasers of consumer tissue paper reported that the U.S. and Chinese products were comparable for all factors except delivery time (for which most responding purchasers reported that the U.S. product was superior) and lower price (for which most responding firms reported the Chinese product was superior).

²³ One purchaser reported that "poly tissue" was only available from China, however this is not subject product.

²⁴ The Commission noted in its *Views* in the preliminary phase of this investigation its intention to explore the issue of certain nonprice characteristics associated with imports of the subject merchandise from China by some purchasers. *See Certain Tissue Paper Products and Crepe Paper Products From China, Investigation No. 731-TA-1070 (Preliminary)*, USITC Publication 3682, April 2004, p. 18 n.138. Accordingly, Part II of this report presents the relative importance of a range of purchase factors and compares purchasers' views regarding U.S.- and Chinese-produced products.

Table II-4
Certain tissue paper products: Importance of purchase factors, as reported by purchasers of tissue paper

Factor	Number of purchasers responding								
	Total			Bulk			Consumer		
	V	S	N	V	S	N	V	S	N
Availability	31	2	0	13	0	0	22	2	0
Delivery terms	21	10	1	9	4	0	14	8	1
Delivery time	29	2	1	12	0	0	21	2	1
Discounts offered	11	17	5	4	8	1	7	12	4
Extension of credit	8	16	8	6	3	4	4	14	5
Lower price	25	8	0	10	3	0	18	6	0
Minimum quantity requirements	11	13	9	5	4	4	8	11	5
Packaging	17	14	1	8	5	0	11	10	1
Product consistency	28	5	0	12	1	0	18	5	0
Product range	11	18	4	4	8	1	8	12	3
Quality meets industry standards	27	4	1	10	2	0	21	2	1
Quality exceeds industry standards	11	19	3	4	8	0	7	14	3
Reliability of supply	31	1	1	12	1	0	22	1	1
Responsiveness to customers' product requests	20	8	5	8	3	2	14	7	3
Technical support/service	9	18	7	6	6	1	4	14	6
U.S. transportation costs	12	15	6	8	3	2	7	12	5
Other ¹	5	0	0	2	0	0	3	0	0

¹ Other factors include: for bulk tissue paper, financial stability of provider, and complying with the purchaser standards; for consumer tissue paper, complying with purchaser standards, embellishment of product, and design and trend capabilities.

Note.—Not all companies gave responses for all factors.

Note.—V=very important; S=somewhat important; N=not important.

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-5
Certain tissue paper products: Comparisons of Chinese, U.S., and nonsubject product, as reported by purchasers of bulk and consumer tissue paper

Factor	Total			Bulk			Consumer			Total ¹					
	U.S. vs Chinese			U.S. vs Chinese			U.S. vs Chinese			U.S. vs nonsubject			Chinese vs nonsubject		
	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I
	<i>Number of firms responding</i>														
Availability	7	13	0	3	4	0	5	11	0	1	2	0	0	3	0
Delivery terms	9	10	0	4	3	0	7	8	0	1	2	0	0	3	0
Delivery time	14	6	0	4	3	0	12	4	0	1	2	0	0	3	0
Discounts offered	3	11	4	2	2	2	1	11	3	0	3	0	0	3	0
Extension of credit	5	13	2	2	3	1	3	11	2	0	3	0	0	3	0
Lower price	2	2	16	1	0	6	1	2	13	0	2	1	0	3	0
Minimum quantity requirements	4	13	2	2	5	0	3	10	2	0	3	0	0	3	0
Packaging	3	16	2	2	4	1	2	12	2	0	2	1	0	3	0
Product consistency	5	15	1	1	5	1	4	12	0	0	3	0	0	3	0
Product range	2	12	6	1	2	4	1	10	5	0	1	2	0	2	1
Quality meets industry standards	1	18	1	1	5	1	0	16	0	0	3	0	0	3	0
Quality exceeds industry standards	3	15	2	1	4	2	2	13	1	0	2	1	0	3	0
Reliability of supply	7	9	4	2	3	2	5	9	2	0	3	0	0	3	0
Responsiveness to customers' product requests	5	11	3	2	2	3	3	10	2	0	2	1	0	3	0
Technical support/service	7	11	2	3	3	1	5	9	2	0	3	0	0	3	0
U.S. transportation costs	3	15	1	3	4	0	1	13	1	0	3	0	0	3	0

¹ All three firms purchased consumer paper and one firm also purchased bulk tissue paper. The U.S. and nonsubject bulk tissue paper were comparable in all cases except the nonsubject product was inferior for lower price, packaging, product range, quality exceeds industry standard and responsiveness to customer requests. The same firm reported that Chinese and nonsubject bulk tissue paper were comparable for all 16 factors.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior.

Note.--Not all companies gave responses for all factors.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers, importers, and purchasers were asked to discuss the degree of interchangeability between certain tissue paper products produced in the United States and product imported from other countries; table II-6 summarizes this information. Table II-7 summarizes U.S. producers' and importers' responses regarding the perceived importance of differences in factors other than price. Differences reported by the producers and importers include: ability to meet narrow shipping windows required by seasonal demand; Chinese product range not available in the United States; differences in packaging; *** role as supplier and competitor; quality; delivery; Chinese product sometimes has better art work; it is easier to match tissue paper to gift bags if they are produced in the same factory or in vicinity; and the Chinese are more willing to create new profitable products through availability and technical support which the U.S. mills are unwilling to produce because of quantity requirements necessary for efficiency in U.S. plants.²⁵

At the hearing and in questionnaire responses, respondents stated that some of the specialty consumer tissue paper products, such as hot-stamped tissue paper and rotogravure printing, are not readily available from U.S. producers.²⁶ In addition, they reported that the Chinese uses a "staged production process" that allows more flexibility and customization.²⁷ Respondents also asserted that certain Chinese suppliers of consumer tissue have a greater ability to provide more sophisticated packaging and seasonal on-time delivery while the sales cycle is incompatible with the highly automated production process used by the U.S. producers.^{28 29} In addition, Target reported that it requires exclusivity for design, and that quality and design are key factors in its purchases.³⁰

Petitioners reported that the majority of both the bulk and consumer tissue paper sold is not specialty product but plain white or solid colored and that purchasers are not buying imports in order to get specialty product.³¹ While some customers purchase matching gift bags and tissue paper, this makes up a relatively small share of sales.³² Seaman reports that it can and does coordinate its tissue paper with other manufacturers of products such as ribbons, boxes, and bags.³³ Seaman stated it, not the Chinese, first produced dye-cut tissue,³⁴ that Seaman could and did produce all types of standard and specialty products, and that Seaman had never lost business due to the inability to supply a specialty product.³⁵

²⁵ This firm, ***, also reported that new products are important for its sales.

²⁶ *Hearing Transcript*, Andrew Kelly, president of Cleo, p. 197.

²⁷ *Hearing Transcript*, Andrew Kelly, president of Cleo, pp. 196-198.

²⁸ *Hearing Transcript*, Andrew Kelly, president of Cleo, pp. 185-188.

²⁹ The availability of so-called specialty items, as well as tissue paper sold in club packs and resealable bags, is described in greater detail in Part 1 of this report.

³⁰ *Hearing Transcript*, George Vollmer, product manager of Target, pp. 214-215.

³¹ *Hearing Transcript*, George Jones, president of Seaman, pp. 21-22.

³² *Hearing Transcript*, Ted Tepe, vice president, sales, Seaman, pp. 62-63. Mr. Tepe estimated that sales of product that matches other types of products made up less than 10 percent of Seaman's sales, *Hearing Transcript*, p. 100.

³³ *Hearing Transcript*, George Jones, president of Seaman, p. 64 and Ted Tepe, vice president, sales, Seaman, pp. 98-99.

³⁴ *Hearing Transcript*, George Jones, president of Seaman, p. 21.

³⁵ *Hearing Transcript*, Ted Tepe, vice president, sales, Seaman, p. 31.

Table II-6

Certain tissue paper products: U.S. producers', importers', and purchasers' perceived degree of interchangeability between certain tissue paper products produced in the United States and in other countries in sales of consumer and bulk tissue paper products in the U.S. market

	Total											
	Producers				Importers				Purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	9	2	1	0	16	8	7	3	14	6	1	0
U.S. vs. nonsubject	8	1	1	0	7	1	2	1	4	1	0	0
China vs. nonsubject	8	1	1	0	7	1	2	1	4	1	0	0

	Bulk												Consumer											
	Producers				Importers				Purchasers				Producers				Importers				Purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	8	2	0	0	5	4	1	1	6	0	1	0	4	0	1	0	13	6	6	2	12	6	0	0
U.S. vs. nonsubject	7	1	0	0	3	0	1	1	2	0	0	0	3	0	1	0	5	1	1	0	4	1	0	0
China vs. nonsubject	7	1	0	0	3	0	1	1	2	0	0	0	3	0	1	0	5	1	1	0	4	1	0	0

Note – A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-7

Certain tissue paper products: Perceived importance of differences in factors other than price between certain tissue paper products produced in the United States and in other countries in sales of bulk and consumer tissue paper products in the U.S. market

	Total								Bulk								Consumer							
	Producers				Importers ¹				Producers				Importers				Producers				Importers ¹			
	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	1	2	2	7	4	4	13	10	0	2	2	6	0	3	3	2	1	0	1	3	4	1	11	10
U.S. vs. nonsubject	1	1	0	7	2	1	6	2	0	1	0	6	0	0	2	1	1	0	0	3	2	1	4	2
China vs. nonsubject	1	1	0	7	2	0	4	2	0	1	0	6	0	0	2	1	1	0	0	3	2	0	2	2

¹ One importer reported that U.S. and nonsubject consumer tissue paper differences in factors other than price occurred both sometimes and frequently. Both answers are recorded below.

Note – A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were asked if they required certification or prequalification for certain tissue paper products. Overall, 19 purchasers did not need certification or prequalification while 13 required it. Six of the 13 responding bulk tissue paper purchasers and 15 of the 24 responding consumer tissue paper purchasers reported that they did not require certification/prequalification. The remaining purchasers required certification/qualification including factory visits; ability to produce types of packages including color and pattern combinations; and ability of the producers to produce the amount required. Three purchasers reported qualification times which ranged from 2 weeks to 3 months.

Purchasers were asked if any producers had failed to qualify their product or lost their approved status. Only three of the 25 responding purchasers reported that some firms failed to qualify, two of the 12 bulk tissue purchasers and one³⁶ of the 22 consumer tissue paper purchasers. Bulk tissue purchasers reported that the reasons bulk product was disqualified were quality, delivery, reliability, high price, and did not bid. The firm reporting for consumer tissue paper reported disqualification because of quality, delivery time, reliability, and price increases.

Lead Times

Lead times typically depend on whether a product is in stock or not. Producers and importers were asked if they typically sold from inventories or produced to order. Importers were more likely to sell from inventories than the U.S. producers. For bulk tissue, three of the nine U.S. producers and five of the nine importers sold most of their product from inventories. For consumer tissue, only one of the four responding producers sold most of its product from inventories while 12 of the 17 importers sold most of their product from inventories. The others produced mostly to order.³⁷ Lead times for in-stock product ranged from one day to one month for domestic producers with six of nine firms supplying within 7 days. Lead times for in-stock product from importers ranged from one to 180 days with 13 of 20 reporting lead times of a week or less. Lead times for material not in-stock ranged from 7 to 90 days for U.S. producers, with five of the ten responding firms reporting times of less than one month. For importers, lead times for material not in stock ranged from one to six months with seven of 15 firms reporting lead times of two to three months.

ELASTICITY ESTIMATES

This section discusses elasticity estimates. Parties were requested to provide comments on these estimates in their prehearing or posthearing briefs. Respondents contacted staff concerning demand elasticity as outlined below. No other comments were received.

U.S. Supply Elasticity³⁸

The domestic supply elasticity for certain tissue paper products measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of certain tissue paper products. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced certain tissue

³⁶ An additional purchaser of both bulk and consumer tissue paper reported it had disqualified ***, an importer of bulk tissue. This purchaser is therefore included above in the bulk purchasers that disqualified producers/importer but not in the consumer tissue purchasers that disqualified a supplier.

³⁷ One importer of consumer tissue paper sold half its product from inventories and half to order.

³⁸ A supply function is not defined in the case of a non-competitive market.

paper products. Earlier analysis of these factors indicates that the U.S. industry is likely to be able to increase or decrease shipments to the U.S. market; an estimate in the range of 4 to 6 is suggested.

U.S. Demand Elasticity

The U.S. demand elasticity for certain tissue paper products measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of certain tissue paper products. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the certain tissue paper products in the production of any downstream products. Staff originally estimated that the aggregate demand elasticity for certain tissue paper products was in a range of -1.0 to -1.5.

Respondents reported that although this demand elasticity may be accurate for bulk tissue paper, demand for consumer tissue paper was likely to be more responsive to changes in price because there were more substitutes for consumer tissue. Respondents estimate that demand elasticity for consumer tissue paper ranges between *** while bulk tissue paper ranges from ***.³⁹

Staff therefore re-estimates the aggregate demand elasticity for tissue paper, estimating that it ranges from -1.0 percent to -2.5 percent, with bulk tissue paper more likely at the lower end (in absolute value) of the estimated range and consumer tissue paper at the higher end (in absolute value) of the range.⁴⁰

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.⁴¹ Product differentiation, in turn, depends upon such factors as quality (e.g., appearance, strength etc.) and conditions of sale (availability, sales terms/discounts/promotions, etc.). Staff estimates that the elasticity of substitution between U.S.-produced certain tissue paper products and imported certain tissue paper products is likely in the range of 3 to 5.

³⁹ Staff interview with Professor Michael Bradley, February 7, 2005.

⁴⁰ Even for a homogeneous product, demand elasticities frequently differ between different types of purchasers. Demand elasticity for tissue paper may differ between the bulk and consumer market regardless of whether these are considered to be a single like product.

⁴¹ The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

PART III: U.S. PRODUCERS’ PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the final margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 10 established firms that accounted for nearly all of U.S. production of certain tissue paper products during 2003.¹

U.S. PRODUCERS

The U.S. firms that produce certain tissue paper are either vertically integrated, operating paper mills that supply a major portion of their tissue requirements or nonintegrated converters that purchase rollstock (rolls of tissue paper) from other firms.² In general, paper is a globally traded commodity, and there is an active U.S. market for flat tissue rollstock.³ As with other types of paper, most tissue paper rollstock is purchased on a spot basis; thus, longstanding relationships between converters and paper mills continue to be important.^{4 5}

In all, 10 U.S. producers reported information about their tissue paper operations to the Commission. Table III-1 presents U.S. producers’ plant locations, products produced, positions on the petition, and shares of total reported U.S. production in 2003.⁶

¹ DMD Industries and Printwrap Corp., producers of certain tissue paper products, did not complete questionnaires. The production and U.S. shipments of these producers combined are believed to account for a modest share of the U.S. market. In addition, Glitterwrap Inc. and Standard Quality Corp. reportedly began production in the second half of 2004 but provided few details regarding their operations.

² *Petition*, p. 10 n. 2. The conversion of jumbo rolls into certain tissue paper products is estimated to generate *** percent value added. *Petitioners’ Postconference Brief*, app. 1. Of the major producers of certain tissue paper products, Seaman is an integrated producer, Crystal Creative is a converter, Putney Paper is integrated, Garlock is a converter, Flower City is integrated, and Eagle is a converter.

³ *Petitioners’ Posthearing Brief*, p. 9.

⁴ *Petitioners’ Posthearing Brief*, p. 10, and *** telephone interview with USITC staff, February 8, 2005.

⁵ Rollstock is also available in the U.S. market from foreign sources, principally ***. ***. ***, telephone interview by USITC Staff, January 27, 2005, and ***, e-mail, January 24, 2005 and telephone interview by USITC Staff, January 27, 2005.

⁶ Of the two companies that reportedly began production in the second half of 2004, Glitterwrap *** the petition and Standard Quality *** the petition.

**Table III-1
 Certain tissue paper products: U.S. producers, their positions on the petition, plant locations, ownership, number of products produced, and share of total reported U.S. production, 2003**

Firm	Position on petition	Plant location(s)	Related companies	Number of products produced¹	Share of total reported U.S. production (in percent)
American Greetings ²	Production of certain tissue paper products ceased in 2001; ***.				
Burrows	Production of certain tissue paper products ceased in 2001.				
Crystal Creative ³	Oppose	Memphis, TN	Wholly owned by Cleo, Inc., which is wholly owned by CSS Industries, Inc.	222 (consumer)	***
DMD ⁴	***	Springdale, AR	None	N/A	***
Eagle	Support/ Petitioner	South Windsor, CT	None	143 (bulk)	***
Flower City ⁵	Support/ Petitioner	Rochester, NY	None	2,500 (bulk) 300 (consumer)	***
Garlock	Support/ Petitioner	Gardner, MA	Seaman owns *** percent	2,350 (bulk)	***
Green Mountain	Support	Bellows Falls, VT	None	600 (bulk)	***
Hallmark ⁶	Support	Kansas, City, MO	(See company description later in this section)	230 (consumer)	***
Pacon	Support	Appleton, WI	N/A	116 (bulk) 199 (consumer)	***
Paper Service	Support/ Petitioner	Ashuelot, NH	None	5-10 (bulk)	***
Printwrap	***	Cedar Grove, NJ	None	N/A	***
Putney Paper	Support/ Petitioner	Putney, VT	None	80 (bulk)	***

Table continued on following page.

Table III-1 – Continued

Certain tissue paper products: U.S. producers, their positions on the petition, plant locations, ownership, number of products produced, and share of total reported U.S. production, 2003

Firm	Position on petition	Plant location(s)	Related companies	Number of products produced ¹	Share of total reported U.S. production (in percent)
Seaman ⁷	Support/ Petitioner	Otter River, MA Gardner, MA	MBW Inc.; Specialized Paper Converting, Inc.; Garlock Printing & Converting Inc.	1,490 (bulk) 621 (consumer)	***

¹ The number of distinct products is based on differences in the number and/or size of sheets in the package and/or the combination of different colors and/or patterns.

² ***.

³ Crystal is an importer of subject merchandise. According to Crystal, the reason the company decided to import certain tissue paper from China is to ***. The company imported *** in 2001, equivalent to *** percent of its U.S. production; *** in 2002, equivalent to *** percent of its U.S. production; *** in 2003, equivalent to *** percent of its U.S. production; *** in interim 2003, equivalent to *** percent of its U.S. production; and *** in interim 2004, equivalent to *** percent of its U.S. production.

⁴ ***.

⁵ Flower City is an importer of subject merchandise. The reason the company decided to import certain tissue paper from China is ***. The company imported *** in 2001, equivalent to *** percent of its U.S. production; *** in 2002, equivalent to *** percent of its U.S. production; *** in 2003, equivalent to *** percent of its production; *** in interim 2003, equivalent to *** percent of its U.S. production; and *** in interim 2004, equivalent to *** percent of its U.S. production.

⁶ ***.

⁷ Seaman imports subject tissue paper. The reason the company decided to import certain tissue paper from China is ***. The company imported *** in 2001, equivalent to *** percent of its U.S. production; *** in 2002, equivalent to *** of its U.S. production; *** in 2003, equivalent to *** percent of its U.S. production; *** in interim 2003, equivalent to *** percent of its U.S. production; and *** in interim 2004, equivalent to *** percent of its U.S. production.

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Although the fundamentals of papermaking remain essentially the same, the process is continually refined,⁷ and paper mills have evolved into complex, technically sophisticated operations. Innovations may result from research conducted by industry associations, universities, paper firms, and equipment suppliers and typically are directed toward increasing production speed, improving process control, improving product quality, or reducing effluent.⁸ Advances are manifest through constructing new mills or upgrading existing ones.⁹

⁷ U.S. International Trade Commission, *Industry & Trade Summary, Wood Pulp and Waste Paper*, USITC publication 3490, 2002, p. 11.

⁸ U.S. International Trade Commission, *Industry & Trade Summary, Wood Pulp and Waste Paper*, USITC publication 3490, 2002, p. 11.

⁹ For example, Seaman's paper mill, which dates to the early 20th century, cannot be considered state-of-the-art, but on-going investments have allowed it to continue to produce specialty tissue paper. The speed of the paper machines has been increased by more than *** percent since the 1980s through upgrades to the head boxes and press sections on the paper machines, and the mill's water treatment system has been upgraded. ***, interview by USITC Staff, ***, February 27, 2004.

Likewise, printing and converting operations are increasingly sophisticated. Computers have revolutionized the design, plate-making, and printing processes;¹⁰ Garlock's tissue paper printing operations, for example, include state-of-the-art laser-plate making equipment and presses.¹¹ Converting operations are fundamentally simple but nonetheless generally are performed with purpose-built, high-speed, automated equipment that is subjected to the same process of continual refinement.¹² The technical expertise required for printing and converting operations is reasonably high, although somewhat lower than that which is necessary to operate the paper mill.

Petitioners

Six of the petitioning firms produce certain tissue paper products. Eagle began operations in January 1997 in South Windsor, CT, as a converter of retail ("bulk") wrapping tissue. Since that time Eagle has become a source of stock and custom wrapping tissue, selling primarily to the retail packaging industry through retail packaging distributors and directly to national retail chains.¹³

Flower City is a closely held corporation which was founded in 1906 by four local Rochester, NY, businessmen. Originally a producer of regular white wrapping tissue (initially using a single Fourdrinier paper machine), Flower City began production of colored tissue in 1988.¹⁴

Garlock was founded in 1987 to add value to Seaman Paper's solid color wrapping tissue by printing designs or logos on the paper, and then shipping out printed master rolls for converting, primarily for in-store packaging use.¹⁵

Paper Service is a New Hampshire-based family-owned paper company founded in 1883. Paper Service is an integrated manufacturer that produces approximately 25 tons of paper per day entirely from recycled fiber. The firm sells some rolls of tissue paper, but most of the company's production is cut into sheets and sold in sheet form.¹⁶

Putney is located in Putney, VT, and has been manufacturing napkins, towels, and wrapping tissue entirely from recycled fiber for more than 45 years.¹⁷

Seaman is a privately owned paper manufacturer operating two paper machines for tissue paper products. The mill was originally purchased by Seaman Paper Company of Chicago in November 1945. MBW, Inc. was established in 1993 to sheet and fold tissue. MBW operates one ream sheeter, one ream sheeter-folder, and five consumer sheeter-folders. In 1998 the Specialized Paper Converting, Inc. affiliate was formed to provide drum sheeting capabilities and other specialty converting services. In 2003 Seaman purchased the ream tissue division of Crystal Creative Products from Cleo. The purchase

¹⁰ Modern printing presses utilize features such as laser engraving of printing plates, automatic loading of plates, automatic registration, perfecters, which flip sheets to allow printing on both sides in one pass, and UV coaters, which apply clear, hard, high-gloss finishes. Presses can be monitored remotely by the manufacturer to ensure peak operating condition. Richter, Jochen, "Flexo Printing Keeps Advancing," *Official Board Markets*, Vol. 79, No. 36, September 6, 2003, p. 1, and USITC staff interviews with industry officials, Lynn, MA, March 14, 2001 and City of Industry, CA, May 15, 2002.

¹¹ ***, interview by USITC Staff, ***, February 27, 2004.

¹² ***, interview by USITC Staff, ***, February 27, 2004.

¹³ Eagle concentrates on #1 ream packs and custom printed tissue and #2 packing tissue. They have expanded production capacity since opening and concentrate only on wrapping tissue paper products, converting 99.5 percent of what they sell. Retrieved from Eagle's website <http://www.eagletissue.com/>.

¹⁴ Retrieved from Flower City's website <http://www.flowercitytissue.com/>.

¹⁵ Retrieved from Garlock's website <http://www.satinwrap.com/about.php>.

¹⁶ Found at <http://www.paperservice.com> and retrieved on November 23, 2004.

¹⁷ Retrieved from Putney's website <http://www.fiberclaycouncil.org/putney/>.

included the sheeter and sheeter-folder converting equipment Crystal used to support its bulk tissue paper business.¹⁸

Non-Petitioning Firms

American Greetings produced certain tissue paper products in the United States through 2001. The company, now ***, operates wholly owned subsidiaries throughout the world, including in Canada, the United Kingdom, Mexico, Australia, New Zealand, and South Africa.¹⁹

For more than 30 years, Burrows Paper Corporation, an integrated paper company, specialized in the production of gift tissue, pattern tissue, and sanitary tissue products and offered a wide variety of products including pulp, industrial papers, and corrugated packaging.²⁰ Burrows Paper discontinued production of certain tissue paper products in 2001 and now only manufactures jumbo rolls of tissue paper. The company's customers include ***. The company's total annual capacity is *** short tons,²¹ and shipments to the markets in question can be as much as *** percent of the company's total output.²²

Crystal Creative, now a leading importer of tissue paper from China, was reportedly "the largest supplier of tissue paper in the U.S. market in the 1980s and the 1990s."^{23 24} In October 2002, Cleo,²⁵ a subsidiary of CSS Industries and importer of the subject merchandise, acquired Crystal Creative²⁶ and shortly thereafter announced that it was developing a restructuring plan under which the firm would integrate the acquired entity with its current businesses and dispose of certain product line assets of

¹⁸ Retrieved from Seaman's website <http://www.satinwrap.com/about.php>. ***.

¹⁹ American Greetings acquired Gibson Greetings for \$170 million, combining the world's two largest publicly held greeting card companies. The acquisition generated ongoing revenue of about \$225 million. Retrieved from American Greetings website <http://www.americangreetings.com/>.

²⁰ In 1952, Burrows purchased the Mohawk Valley mill in Little Falls, NY, a paper mill in Lyonsdale, NY, in 1966, and a mill in Pickens, MS, in 1967. In addition to these acquisitions, Burrows expanded the company's product line to include one-time carbonizing paper and a variety of specialty tissue papers. According to the company, the purchase of Midwest Packaging Materials Company in 1986 marked Burrows' entrance into the flexible packaging market. The construction of a converting plant in Kerkrade, The Netherlands in 1991, marked Burrows' entrance into the international market. In 1993 a \$28 million pulp mill was constructed and Burrows' machine works, a profit center under which trained staffs of employees perform maintenance and repair services on machinery at Burrows' ten plants. Burrows later acquired Corroc International, which manufactures the microfluted, corrugated clamshell cartons for the quick service restaurant industry as well as a variety of other containers. Retrieved from Burrow's website <http://www.burrowpaper.com/public>.

²¹ *Lockwood-Post's Directory 2000* and *Lockwood-Post Directory of Pulp & Paper Mills, North American Edition*.

²² E-mail from ***.

²³ *Conference Transcript*, testimony of Ted Tepe, vice president consumer products, Seaman, p. 30.

²⁴ The Commission noted in its *Views* in the preliminary phase of this investigation its intention to explore why Crystal Creative switched from production of tissue paper to importation. *See Certain Tissue Paper Products and Crepe Paper Products From China, Investigation No. 731-TA-1070 (Preliminary)*, USITC Publication 3682, April 2004, p. 16 n. 114. Additional information provided in confidence by Crystal Creative appears in table III-1 and in the portion of Part VI entitled "Background." In addition, the Commission noted its intention to examine further the impact of changes in the composition of the industry on the domestic industry's performance. Accordingly, in Parts III, IV, and VI of this report, descriptions of data note the effect of important company-specific events. In appendix C, industry and market share data are presented both inclusive and exclusive of Crystal Creative.

²⁵ Cleo provides Christmas gift packaging products, including gift wrap, gift bags, and tissue. Retrieved from Cleo's website <http://www.cssindustries.com/>.

²⁶ *Form 10-Q*, CSS Industries, Inc., for the quarter ended June 30, 2003, p. 8.

Crystal.²⁷ According to Cleo, the plan envisioned disposal of Crystal's battery tissue operation, which was a product line that Cleo did not intend to pursue.²⁸ Subsequently, however, Cleo retained the battery tissue business but sold assets related to Crystal's bulk tissue business in July 2003 and closed Crystal's primary manufacturing facility in Maysville, KY, in October 2003.²⁹ Initial reports indicated that the closure was caused by the need to "align (the company's) production capacity and cost structure with the market realities."³⁰ A company official elaborated in testimony that raw material supply was a driving factor in the closure of Crystal's tissue paper production operations.³¹ To mitigate the effect of any duties resulting from this investigation, however, Crystal resumed tissue converting operations at its Maysville facility.³²

DMD is a converter of tissue paper in Springdale, AR, that typically ***.

Green Mountain is a family owned business in Bellows Falls, VT, that has produced custom printed and in-stock tissue paper since 1985.³³ The firm uses ***. Green Mountain typically purchases *** but occasionally purchases ***. The firm produces only *** in both ***.³⁴

Hallmark was founded in 1910 in Kansas City. This company reportedly has developed into the largest greeting card firm in the world as well as a group of companies as diverse as television programming, crayons and artists' supplies, printing, retail merchandising, and residential and commercial real estate.³⁵

Pacon is located in the Fox River Valley of Wisconsin. Pacon has been in business for more than 50 years. It originally was incorporated as Paper Converters, Inc., in 1951, initially converting for area mills. In 1957, Paper Converters became Pacon Corp. Pacon is a part of The Van Hoof Companies, which includes Warehouse Specialists, Inc., Superior Specialties, Inc., and Pacon Corp.³⁶

²⁷ *Form 10-Q*, CSS Industries, Inc., for the quarter ended December 31, 2002, p. 8.

²⁸ *Hearing Transcript*, testimony of Andrew Kelly, president, Cleo, p. 191.

²⁹ *Respondent Cleo's and Crystal Creative's Posthearing Brief*, p. A-2.

³⁰ *Respondent Cleo's and Crystal Creative's Posthearing Brief*, exhibit 7, Cleo press release of July 15, 2003. *See also* Cleo press release of July 22, 2003 (addressing the closure of the Middletown office) and "Cleo to close second Crystal facility" found at *Memphis Business Journal* (July 23, 2003), <http://www.bizjournals.com/memphis/stories/2003/07/21/daily19.html>, and retrieved March 23, 2004.

³¹ *See Conference Transcript*, testimony of Andrew Kelly, president, Cleo, p. 126:

As a condition of purchasing Crystal, Cleo required (the former owner and supplier of Crystal) to enter into an agreement to supply jumbo tissue rolls to Crystal during the 2003 calendar year. However, in early 2003 the mill announced that it was closing due to the loss of a major customer for commodity paper products, a 30 pound kraft paper, not tissue, for a domestic converter. Therefore it was unable to fulfill its 2003 supply obligation to Crystal and shortly thereafter the printer that supplied rotogravure printed tissue to Crystal became unavailable as well.

At that time Crystal was sourcing a limited amount of its folded tissue requirements with a supplier in China. Given the loss of the tissue roll input supply that it had relied on for the Maysville converting plant, Crystal decided to place its entire consumer tissue program with the Chinese supplier and to close the plant.

³² CSS Industries 10-Q for the quarter ending September 30, 2004, *Petitioners' Posthearing Brief*, exhibit 6, p. 16.

³³ Retrieved from Green Mountain Specialties' website <http://www.greenmtnspecialties.com/>.

³⁴ ***, telephone interview by USITC Staff, November 2, 2004.

³⁵ Retrieved from Hallmark's website http://pressroom.hallmark.com/subsidiary_fact_sheet.html.

³⁶ Retrieved from Pacon's website <http://www.pacon.com>.

Printwrap is a converter of tissue paper products. The company produces approximately *** pounds of tissue paper products that are within the scope of this investigation.³⁷

U.S. PRODUCTION CAPACITY, PRODUCTION, CAPACITY UTILIZATION, AND SHIPMENTS

Table III-2 presents U.S. production capacity, production, and capacity utilization for certain tissue paper products during 2001-03, January-September 2003, and January-September 2004. Capacity, production, and capacity utilization increased between 2001 and 2002, but were lower in 2003 and in interim 2004 (relative to interim 2003), reflecting in part the temporary closure of Crystal Creative.³⁸ Accordingly, the largest reductions in production and capacity during the period for which data were collected correspond to the periods in which consumer tissue paper production (2003) and capacity (January-September 2004) declined most noticeably.³⁹

Table III-2
Certain tissue paper products: U.S. production capacity, production, and capacity utilization, 2001-03, January-September 2003, and January-September 2004

Item	Calendar year			January-September	
	2001	2002	2003	2003	2004
Capacity (1,000 square meters)	3,722,200	3,878,349	3,814,081	2,737,161	2,579,323
Production (1,000 square meters)	2,079,215	2,221,313	1,730,868	1,249,484	1,156,725
Capacity utilization (percent)	55.9	57.3	45.4	45.6	44.8

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-3 presents U.S. domestic shipments and exports of certain tissue paper products during 2001-03, January-September 2003, and January-September 2004. The domestic industry's U.S. shipments increased somewhat in 2002 before decreasing in 2003 (primarily as a result of lower consumer tissue paper shipments) and into 2004 (as a result of lower bulk tissue paper shipments).⁴⁰ Exports, a small component of total shipments, increased throughout the period for which data were collected.

³⁷ ***, telephone interview by USITC Staff, March 15, 2004.

³⁸ Crystal Creative's capacity was ***. Its production was ***. During January-June 2004, Crystal Creative's production and capacity were approximately *** their levels during the comparable period in 2003.

³⁹ Data for bulk tissue paper and consumer tissue paper are presented in appendix C.

⁴⁰ Crystal Creative's U.S. shipments decreased from *** in 2003; however, seven of the nine other domestic producers of tissue paper also experienced declining domestic shipments in 2003, the exceptions being ***.

Table III-3

Certain tissue paper products: U.S. producers' shipments, by type, 2001-03, January-September 2003, and January-September 2004

Item	Calendar year			January-September	
	2001	2002	2003	2003	2004
Quantity (1,000 square meters)					
Commercial shipments	2,049,298	2,108,686	1,674,350	1,113,035	1,070,691
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	2,049,298	2,108,686	1,674,350	1,113,035	1,070,691
Export shipments	41,388	46,767	47,304	28,915	30,662
Total	2,090,686	2,155,453	1,721,654	1,141,950	1,101,353
Value (1,000 dollars)					
Commercial shipments	118,791	121,213	93,705	62,428	64,984
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	118,791	121,213	93,705	62,428	64,984
Export shipments	2,265	2,436	2,373	1,453	1,621
Total	121,056	123,649	96,078	63,881	66,605
Unit value (per 1,000 square meters)					
Commercial shipments	\$57.97	\$57.48	\$55.96	\$56.09	\$60.69
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	57.98	57.54	56.04	56.16	60.75
Export shipments	54.73	52.09	50.16	50.25	52.87
Total	57.92	57.42	55.88	56.01	60.53
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. PRODUCERS' INVENTORIES

Table III-4 presents end-of-period inventories for certain tissue paper products during the period for which data were collected. Inventory levels, both absolute and relative, increased between 2001 and 2002, and again between 2002 and 2003, but were lower in interim 2004 than in interim 2003. Consumer tissue paper inventories increased throughout the period 2001-03, but were lower in interim 2004 than in interim 2003. Bulk inventories increased between 2001 and 2002 but declined later in the period. Relative to shipment levels, consumer tissue paper inventories were lower than bulk tissue paper

inventories in December 2001 and December 2002, but roughly equivalent in December 2003.⁴¹ September inventories of consumer tissue paper (relative to annualized shipments) were noticeably higher than September inventories of bulk tissue paper in both 2003 and 2004.⁴²

Table III-4
Certain tissue paper products: U.S. producers' end-of-period inventories, 2001-03, January-September 2003, and January-September 2004

Item	Calendar year			January-September	
	2001	2002	2003	2003	2004
Inventories (1,000 square meters)	303,427	368,103	376,345	467,599	431,195
Ratio to production (percent)	14.6	16.6	21.7	28.1	28.0
Ratio to U.S. shipments (percent)	14.8	17.4	22.5	31.5	30.2
Ratio to total shipments (percent)	14.5	17.1	21.8	30.7	29.3

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' EMPLOYMENT, COMPENSATION, AND PRODUCTIVITY

Table III-5 presents employment-related data for certain tissue paper products during the period for which data were collected. Employment declines between 2001 and 2003 reflect Crystal Creative's plant closure⁴³ as well as decreasing employment among other U.S. producers.⁴⁴ The number of workers engaged in both bulk and consumer tissue paper operations declined between 2001 and 2003; whereas employment in the production of consumer tissue paper was higher in interim 2004 than in interim 2003, employment in the production of bulk tissue paper was lower.⁴⁵

⁴¹ The noticeable increase in consumer tissue paper inventories in December 2003 is attributable to increased holdings by ***.

⁴² Data for bulk tissue paper and consumer tissue paper are presented in appendix C.

⁴³ Crystal Creative's workforce declined ***.

⁴⁴ According to Seaman's preliminary questionnaire response,

***.

⁴⁵ Data for bulk tissue paper and consumer tissue paper are presented in appendix C.

Table III-5**Certain tissue paper products: U.S. producers' employment-related data, 2001-03, January-September 2003, and January-September 2004**

Item	Calendar year			January-September	
	2001	2002	2003	2003	2004
PRWs (<i>number</i>)	592	571	428	413	437
Hours worked (<i>1,000</i>)	1,219	1,188	1,018	725	670
Wages paid (<i>\$1,000</i>)	14,652	15,556	13,805	9,643	9,180
Hourly wages	\$12.02	\$13.09	\$13.57	\$13.30	\$13.70
Productivity (<i>1,000 square meters per hour</i>)	1,705.7	1,869.5	1,701.1	1,723.3	1,726.8
Unit labor costs (<i>per 1,000 square meters</i>)	\$7.05	\$7.00	\$7.98	\$7.72	\$7.94

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

The Commission sent questionnaires to 189 firms identified by the petition and a review of Customs data. The Commission received usable data on imports of certain tissue paper products from 38 firms.^{1 2} Of those firms, 21 were importing subject tissue paper from China in 2001. Six firms began importing tissue paper from China in 2002 and 10 in 2003. One more started in 2004, but five firms that had imported in prior years did not do so in 2004. Table IV-1 presents information on the importing firms that responded to the Commission's importers' questionnaire.^{3 4}

Table IV-1
Certain tissue paper products: Selected importer questionnaire respondents, sources of imports, number of products imported, and share of imports, 2003

* * * * *

U.S. IMPORTS

Data in this section regarding the quantity and value of U.S. imports of certain tissue paper products are based on questionnaire responses and are presented in table IV-2.⁵ *** accounted for *** of

¹ The 189 firms were identified as U.S. importers of any of the 15 HTS headings noted in the scope. Coverage estimates are complicated, therefore, by the broad range of paper grades covered by the HTS categories as identified in Commerce's scope but which are not subject to the investigation. Approximately 112 firms sent questionnaire responses, but 77 firms did not respond.

² Petitioners correctly observe that not all of the companies to which the Commission issued questionnaires in the final phase of the investigation provided the Commission with complete questionnaire responses. *Petitioners' Posthearing Brief*, p. 7 n.13. While a handful of these companies have been identified as importers of tissue paper, either separately or as part of a set including gift bags, gift boxes, or other merchandise, Staff believes that overall coverage of subject imports is relatively high. Coverage in the final phase includes the imports of 28 of the 32 previously-identified importers that provided the Commission with usable data in the preliminary phase of the investigation (companies that represented more than 99 percent of reported 2003 imports by quantity from China at that time) as well as 10 subsequently identified importers.

³ Subsequent to the filing of the petition, Glitterwrap and Standard Quality reportedly began tissue paper production in the United States in *** 2004.

⁴ Cleo notes that it does not sell any consumer tissue paper packaged with gift bags and, therefore, believes there are very little U.S. sales of consumer tissue paper packaged with gift bags. *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. A-76. However, Seaman testified that there are "a lot of sales like that." *Hearing Transcript*, testimony of Ted Tepe, vice president of sales, Seaman, p. 98. Counsel for the petitioners believes that tissue paper packaged with gift bags falls within the scope but suggested that tissue used as dunnage would be ruled incidental under Customs rulings. *Hearing Transcript*, testimony of Kathleen Cannon, counsel to the petitioners, Collier Shannon, pp. 101-102. Four firms that returned importer questionnaires noted that they imported tissue paper from China packaged with other products such as gift bags. One of those, ***, reported pro-rata values for their tissue paper imports and thus is included in the import totals. Three firms, ***, were not able to report values, and, therefore, their imports are not included in the totals. However, one of those firms, ***, reported that its imports of tissue paper packaged with gift bags in 2003 was ***.

⁵ Despite collecting data from a greater number of importers in the final phase of this investigation than in the preliminary phase, the reported quantity and value of subject imports in 2003 was lower in the final phase of the investigation. For most companies, import data submitted in the final phase approximated data submitted in the

(continued...)

subject tissue paper imports from China in 2003.⁶ Subject imports of bulk and consumer tissue paper increased between 2001 and 2003; imports of bulk tissue paper were higher in interim 2004,⁷ while imports of consumer tissue paper were lower.⁸ The ratio of subject imports to U.S. production was 9.8 percent in 2001, 14.8 percent in 2002, 43.4 percent in 2003, 43.8 percent in interim 2003, and 49.7 percent in interim 2004.

The former Crystal Tissue paper mill, Greentree Specialty Papers, abruptly shut down in early 2003 after reportedly having lost a major customer for 30 pound kraft paper and thus was unable to fulfill the tissue roll supply agreement it had signed with Cleo.⁹ Cleo maintains that failing to secure alternate sources of jumbo rolls, it “had no choice but to place its entire consumer tissue program with the Chinese.”¹⁰ Accordingly, it was the loss of its paper supply and the subsequent loss of a source for U.S.

⁵ (...continued)

preliminary phase. While a few companies (e.g., ***) report higher levels of imports in 2003, three companies in particular reported lower levels. *** revised its data to exclude combination packs of gift bags, gift boxes, and tissue paper for which it could not isolate tissue paper volumes, resulting in a reduction of about ***. Questionnaire response of ***. *** reported a reduction of more than *** square meters, correcting a double count of ***. E-mail from ***. Finally, *** reported a reduction of some *** square meters, correcting instances when the company had double-counted purchases of product imported by other firms as well as certain multiplication errors. ***.

⁶ In 2004, lower imports by *** was offset by higher imports by ***.

⁷ U.S. imports of bulk tissue paper from China accounted for all imports of bulk tissue paper throughout the period for which data were collected. The quantity of U.S. imports of bulk tissue paper from China increased from *** square meters in 2001 to *** square meters in 2002 and to *** square meters in 2003, and was *** square meters in January-September 2004, compared with *** square meters in January-September 2003. Relative to U.S. production, the quantity of U.S. imports of bulk tissue paper from China increased from *** percent in 2001 to *** percent in 2002 and to *** percent in 2003, and was *** percent in January-September 2004, *** percentage points higher than in January-September 2003. The value of U.S. imports of bulk tissue paper from China increased from \$*** in 2001 to \$*** in 2002 and to \$*** in 2003, and was \$*** in January-September 2004, compared with \$*** in January-September 2003. The average unit values of U.S. imports of bulk tissue paper from China decreased from \$*** per thousand square meters in 2001 to \$*** per thousand square meters in 2002 and to \$*** per thousand square meters in 2003, but was \$*** per thousand square meters in January-September 2004, compared with \$*** per thousand square meters in January-September 2003.

⁸ U.S. imports of consumer tissue paper from China accounted for all imports of consumer tissue paper in 2001 and 2002, and the vast majority throughout the remainder of the period for which data were collected. The quantity of U.S. imports of consumer tissue paper from China increased from *** square meters in 2001 to *** square meters in 2002 and to *** square meters in 2003, but was *** square meters in January-September 2004, compared with *** square meters in January-September 2003. Relative to U.S. production, the quantity of U.S. imports of consumer tissue paper from China increased from *** percent in 2001 to *** percent in 2002 and to *** percent in 2003, but was *** percent in January-September 2004, *** percentage points higher than in January-September 2003. The value of U.S. imports of consumer tissue paper from China increased from \$*** in 2001 to \$*** in 2002 and to \$*** in 2003, but was \$*** in January-September 2003 and January-September 2004. The average unit values of U.S. imports of consumer tissue paper from China increased from \$*** per thousand square meters in 2001 to \$*** per thousand square meters in 2002 and to \$*** per thousand square meters in 2003, and was \$*** per thousand square meters in January-September 2004, compared with \$*** in January-September 2003.

⁹ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. 26.

¹⁰ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. 26.

rotogravure printed tissue,¹¹ which necessitated the increase in imports and the closure of its Maysville, KY, production facility.¹²

Table IV-2
Certain tissue paper products: U.S. imports, by sources, 2001-03, January-September 2003, and January-September 2004

Source	Calendar year			January-September	
	2001	2002	2003	2003	2004
Quantity (1,000 square meters)					
China	204,082	328,119	751,352	547,638	574,992
Other sources	0	0	***	***	***
Total	204,082	328,119	***	***	***
Value (1,000 dollars)					
China	6,936	12,218	30,104	21,480	23,190
Other sources	0	0	***	***	***
Total	6,936	12,218	***	***	***
Unit value (per 1,000 square meters)					
China	\$33.98	\$37.24	\$40.07	\$39.22	\$40.33
Other sources	(¹)	(¹)	***	***	***
Average	33.98	37.24	***	***	***
Share of quantity (percent)					
China	100.0	100.0	***	***	***
Other sources	(¹)	(¹)	***	***	***
Total	100.0	100.0	0.0	0.0	0.0
Share of value (percent)					
China	100.0	100.0	***	***	***
Other sources	(¹)	(¹)	***	***	***
Total	100.0	100.0	0.0	0.0	0.0
¹ Not applicable. Note.—Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires.					

¹¹ Information on Crystal's operations provided by respondents indicate that at least some of the firm's presses were flexographic. *Respondents Cleo's and Crystal Creative's Prehearing Brief*, exhibit 2, p. 43.

¹² *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. 26.

Cleo contends that generally very tight supply conditions existed in the U.S. market for jumbo rolls in 2003 and 2004. The firm states that ***^{13 14} and that the firm's requirements for colored tissue could only be met by ***.¹⁵ Cleo demurred from buying rolls from direct competitors, Flower City or Seaman, the latter of which is a net buyer of tissue paper rolls.¹⁶ Thus, *** was left as the only known source of rollstock for Cleo to fill the deficit caused by the closure of Greentree. In fact, ***.¹⁷ However, Cleo reported that ***,¹⁸ which was higher than ***.^{19 20} Additional factors that tend to limit the availability of suitable tissue paper are the necessity for a converter to trim the paper machine and paper finish (i.e., the relative mix of MG and MF paper supply).²¹

In 2004, Crystal resumed tissue converting operations at its Maysville facility.²² The firm began to discuss paper supply with ***,²³ but *** could not commit to meet Cleo's peak seasonal demand of 100,000 pounds per day.²⁴ Cleo notes that *** wanted to run some tissue in advance of delivery²⁵ and that *** rationalized its customer base in order to continue to increase the amount of tissue it supplied to Cleo.²⁶

In response to Cleo's description of the impact of the disruption of its jumbo roll supply, Seaman cited Crystal's consideration with Seaman in 2001 of a potential antidumping action against U.S. imports of tissue folds from China as evidence of Crystal's concern about imports from China, concluding that Crystal had decided to sell its converting operations to Cleo after having lost a large portion of Target's business in 2002 to imports from China. Respondents confirmed that Crystal had considered an antidumping action (in response to an initiative by Seaman), but pointed to opinions expressed about the merits, motivation, and timing of such an action.²⁷

¹³ Respondents noted, for instance, that ***. *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. A-32 and ***, telephone interview with USITC staff, February 8, 2005.

¹⁴ This contention is supported by an industry official from *** who reported a decrease in the supply of rollstock for gift tissue paper, ***. ***, e-mails on January 19 and February 4, 2005 and telephone interview by USITC staff, January 27, 2005. ***. *Respondents Cleo's and Crystal Creative's Prehearing Brief*, exhibit 2, p. 6.

¹⁵ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. A-33.

¹⁶ *Hearing Transcript*, testimony of George Jones, president, Seaman, p. 93.

¹⁷ E-mail from ***, January 24, 2005.

¹⁸ According to ***. E-mail from ***, February 4, 2005.

¹⁹ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, pp. A-5 and A-33.

²⁰ ***. E-mail from ***, January 24, 2005.

²¹ *** telephone interview with USITC staff, February 8, 2005.

²² CSS Industries 10-Q for the quarter ending September 30, 2004, *Petitioners' Posthearing Brief*, exhibit 6, p. 16.

²³ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, exhibit 2, p. 4.

²⁴ *Hearing Transcript*, testimony of Andrew Kelly, president, Cleo, pp. 237-238. ***. E-mail from ***, January 24, 2005.

²⁵ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, exhibit 2, p. 3. ***. ***, telephone interview with USITC staff, January 27, 2005.

²⁶ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, exhibit 2, p. 5.

²⁷ *Petitioners' Posthearing Brief*, p. 4 and exhibit 5; *Hearing Transcript*, testimony of Ted Tepe, vice president consumer products, Seaman, pp. 26-27; *Respondents Cleo's and Crystal Creative's Posthearing Brief*, pp. A-12-A-16 and exhibit 1, tab 4.

Regarding the supply of rotogravure printed tissue in 2003, Cleo states that virtually the sole remaining rotogravure printer of tissue stock shut down.²⁸ Petitioners claim that rotogravure printed tissue paper has been and remains available in the United States and that one printer in particular, ***, had ample capacity to meet Cleo's requirements.²⁹

For its part, respondent Target claims that U.S. domestic producers have not been harmed by increased imports because petitioners were not previously selling Target and have made no attempts to do so.³⁰ Target states that the petitioners likely would not be successful in any attempts to qualify for Target's business because of perceived deficiencies in the primary packaging used by the petitioners. Thus, they contend that aside from Crystal, there are no domestic sources for most of Target's consumer paper requirements. Petitioners dispute both of Target's claims, noting that U.S. producers manufacture a wide variety of tissue paper in response to customers' requests, that most purchasers regarded domestic and import packaging as comparable, and that resealable packaging is typically not labeled or marketed as such.³¹

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Tables IV-3 and IV-4 present U.S. producers' U.S. shipments, U.S. shipments of imports, apparent U.S. consumption, and market shares. Apparent U.S. consumption of tissue paper, whether measured by quantity or by value, increased between 2001 and 2002, decreased between 2002 and 2003, and was higher in interim 2004 than in interim 2003. U.S. shipments of domestically produced tissue paper decreased overall while U.S. shipments of tissue paper from China increased, resulting in a marked shift in market shares over the period for which data were collected.

Apparent U.S. consumption of consumer tissue paper was far more volatile during the period for which data were collected than apparent U.S. consumption of bulk tissue paper. As well, consumer tissue paper consumption in 2003 was far more concentrated in the last three months of the year (**% percent) than bulk tissue paper consumption (**% percent). With respect to market share, subject imports of both bulk and consumer tissue paper were the same or higher in each successive period (annual or interim) relative to the comparable prior period. Import market share was higher with respect to consumer tissue paper, however, and the shift in market shares was more abrupt between 2001 and 2003, largely reflecting Crystal Creative's changing role in the U.S. market.³² The increase in subject import market share in January-September 2004, however, reflected an increase in the share accounted for by bulk tissue paper from China, as the relative share of consumer paper from China was stable.

²⁸ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. A-10.

²⁹ *Petitioners' Posthearing Brief*, p. 12. ***, the printer to which the petitioners refer, ***. ***, telephone interview with USITC staff, January 31, 2005.

³⁰ *Respondent Target's Posthearing Brief*, pp. 9, 11. Target's questionnaire indicates that it purchased ***. However, ***. In addition, with respect to bulk tissue paper, ***. *Petitioners' Posthearing Brief*, exhibit 1, pp. 27-28.

³¹ *Petitioners' Posthearing Brief*, pp. 27, 29.

³² Data for bulk tissue paper and consumer tissue paper are presented in appendix C.

Table IV-3**Certain tissue paper products: U.S. producers' U.S. shipments, U.S. shipments of imports, by sources, and apparent U.S. consumption, 2001-03, January-June 2003, and January-June 2004**

Item	Calendar year			January-September	
	2001	2002	2003	2003	2004
Quantity (1,000 square meters)					
U.S. producers' U.S. shipments	2,050,248	2,109,770	1,675,321	1,113,738	1,071,459
U.S. shipments of imports from--					
China	202,212	310,895	***	***	***
Nonsubject countries	0	0	***	***	***
All countries	202,212	310,895	687,753	350,047	431,718
Apparent U.S. consumption	2,252,460	2,420,665	2,363,074	1,463,784	1,503,178
Value (1,000 dollars)					
U.S. producers' U.S. shipments	118,874	121,388	93,879	62,552	65,091
U.S. shipments of imports ¹ from--					
China	11,201	17,291	***	***	***
Nonsubject countries	0	0	***	***	***
All countries	11,201	17,291	36,822	18,828	25,856
Apparent U.S. consumption	130,075	138,680	130,701	81,380	90,947
¹ Landed, duty-paid.					
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

As noted in Part I and Part VII of this report, certain tissue paper products are produced in a range of weights. In the preliminary phase of this investigation, one respondent contended that imports of bulk tissue paper tend to be lighter than comparable domestic product (14 grams as opposed to 16.2 grams) with the result that any apparent differences in unit values when measured on an area basis may reflect differences in the weight of the products being compared.³³ In questionnaire responses, U.S. producers reported average basis weights for 2003 shipments of bulk tissue paper ranging from 15.5 grams per square meter (9.5 pounds) to 19.5 grams per square meter (12 pounds). The overall weighted average for total reported shipments of bulk tissue paper in 2003 was 17.5 grams per square meter (10.7 pounds). The reported average basis weights for U.S. shipments of imports of bulk tissue paper from China ranged from 13.8 grams per square meter (8.5 pounds) to 23.5 grams per square meter (14.1 pounds). The overall weighted average for total shipments of bulk tissue imports from China was 20.0 grams per square meter (12.3 pounds).³⁴

³³ See, e.g. *Conference Transcript*, testimony of Robert Moreland, president, Standard Quality, pp. 159-160.

³⁴ U.S. imports of bulk tissue paper by the respondent, ***, who initially suggested that imports were lighter than U.S. bulk tissue paper were responsible for raising the weighted average basis weight of imports above that for U.S. shipments. ***'s reported average basis weight of *** grams per square meter (***) pounds), was at least *** grams per square meter (***) pounds) heavier than the averages reported by all other importers.

Table IV-4

Certain tissue paper products: Apparent U.S. consumption and market shares, 2001-03, January-September 2003, and January-September 2004

Item	Calendar year			January-September	
	2001	2002	2003	2003	2004
Quantity (1,000 square meters)					
Apparent U.S. consumption	2,252,460	2,420,665	2,363,074	1,463,784	1,503,178
Value (1,000 dollars)					
Apparent U.S. consumption	130,075	138,680	130,701	81,380	90,947
Share of quantity (percent)					
U.S. producers' U.S. shipments	91.0	87.2	70.9	76.1	71.3
U.S. shipments of imports from--					
China	9.0	12.8	***	***	***
Nonsubject countries	0.0	0.0	***	***	***
All countries	9.0	12.8	29.1	23.9	28.7
Share of value (percent)					
U.S. producers' U.S. shipments	91.4	87.5	71.8	76.9	71.6
U.S. shipments of imports from--					
China	8.6	12.5	***	***	***
Nonsubject countries	0.0	0.0	***	***	***
All countries	8.6	12.5	28.2	23.1	28.4
¹ Less than 0.05 percent. Note.--Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires.					

CRITICAL CIRCUMSTANCES

In its final determination regarding tissue paper from China, Commerce made affirmative critical circumstances determinations with respect to the subject merchandise produced and/or exported by two Chinese producers, China National and Fujian Naoshan, in addition to the PRC-wide entity.³⁵ If the Commission makes a final affirmative determination in this investigation, the Commission must further consider “whether the imports subject to the affirmative {Commerce critical circumstances} determination . . . are likely to undermine seriously the remedial effect of the antidumping duty order to be issued.”³⁶

³⁵ *Notice of Final Determination of Sales at Less Than Fair Value: Certain Tissue Paper Products from the People’s Republic of China*, 70 FR 7475 (February 14, 2005). For Section A respondents receiving a separate rate, Commerce determined that no critical circumstances exist because Commerce did not find “massive imports over a relatively short period.” *Id.*

³⁶ The statutory provision on critical circumstances instructs the Commission, should Commerce find critical circumstances under 19 U.S.C. § 1673d(a)(3), to include in its final determination “a finding as to whether the imports subject to the affirmative determination under subsection (a)(3) of this section are likely to undermine

(continued...)

The statute provides that in making a finding with respect to critical circumstances, the Commission shall consider, among other factors it considers relevant:

- (I) the timing and the volume of the imports,
- (II) a rapid increase in inventories of the imports, and
- (III) any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.³⁷

Relevant data regarding the timing and volume of imports are presented below. Data regarding inventories of imports appear in Part VII of the report. Other circumstances bearing on the remedial effect of any antidumping duty order - namely prices - are discussed in Part V of this report.

Petitioners filed the petition that led to the initiation of these investigations on February 17, 2004.³⁸ Accordingly, the tabulation below provides subject import data for the period September 2003 through August 2004 for covered, noncovered and total imports (in thousands of square meters).³⁹

<u>Tissue Paper</u>	<u>09/03 - 11/03</u>	<u>12/03 - 02/04</u>	<u>03/04 - 05/04</u>	<u>06/04 - 08/04</u>
Covered	***	***	***	***
<u>Noncovered</u>	<u>***</u>	<u>***</u>	<u>***</u>	<u>***</u>
Total	383,544	177,652	300,736	170,379

For covered tissue paper, comparing the three-month period December 2003 - February 2004 with the three-month period March 2004 - May 2004, subject imports increased from *** square meters to *** square meters, or by *** percent. However, comparing the six-month period September 2003 - February 2004 with the six-month period March 2004 - August 2004, covered subject imports decreased from *** square meters to *** square meters, or by *** percent. Noncovered subject imports increased by *** percent (comparing three-month periods) and increased by *** percent (comparing six-month periods).

For all tissue paper, comparing the three-month period December 2003 - February 2004 with the three-month period March 2004 - May 2004, subject imports increased from 177.7 million square meters to 300.7 million square meters, or by 69.3 percent. However, comparing the six-month period September 2003 - February 2004 with the six-month period March 2004 - August 2004, subject imports decreased from 561.2 million square meters to 471.1 million square meters, or by 16.1 percent. The highest monthly volume during this 12-month period was in November 2003.⁴⁰

Finally, one foreign producer subject to Commerce's affirmative critical circumstances determination provided the Commission with monthly data for its exports of tissue paper to the United States. The tabulation below provides subject export data for the period September 2003 through August

³⁶ (...continued)

seriously the remedial effect of the antidumping duty order to be issued under section 1673e of this title." 19 U.S.C. § 1673d(b)(4)(A)(i).

³⁷ 19 U.S.C. § 1673d(b)(4)(A)(ii).

³⁸ 69 F.R. 8232 (February 23, 2004).

³⁹ "Noncovered" tissue paper is merchandise produced in China by companies designated by Commerce as "Section A respondents receiving a separate rate" and imported by ***. "Covered" tissue paper is all other subject imports.

⁴⁰ November 2003 was the highest-volume month for subject imports of consumer tissue paper, while December 2003 was the highest-volume month for subject imports of bulk tissue paper.

2004 for exports by China National Aero-Technology Import & Export Corp. Xiamen (in thousands of square meters).

<u>Tissue Paper</u>	<u>09/03 - 11/03</u>	<u>12/03 - 02/04</u>	<u>03/04 - 05/04</u>	<u>06/04 - 08/04</u>
China National	***	***	***	***

China National's tissue paper exports to the United States, comparing the three-month period December 2003 - February 2004 with the three-month period March 2004 - May 2004, increased from *** square meters to *** square meters, or by *** percent. However, comparing the six-month period September 2003 - February 2004 with the six-month period March 2004 - August 2004, China National's exports decreased from *** square meters to *** square meters, or by *** percent.⁴¹

⁴¹ China National's highest levels of exports of tissue paper to the United States during the 12-month period were in ***. Exports in these *** were at approximately the same level as in ***.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

U.S. Inland Transportation

Transportation costs of certain tissue paper products for delivery within the United States vary from firm to firm but tend to account for a relatively small percentage of the total cost of the product. All eight responding U.S. producers reported that these costs accounted for less than 10 percent of the total cost of certain tissue paper products, with five firms reporting costs between 4 and 5 percent. Nineteen of the 22 responding importers also reported that transportation costs accounted for less than 10 percent of the total cost of the product, with five firms reporting costs of 4 to 5 percent.¹

Tissue paper products typically are shipped over relatively long distances.² Nine out of 10 responding producers shipped half or more of their products from 101 to 1,000 miles. Among importers, 14 of the 21 responding firms (primarily importers of consumer tissue paper) shipped half or more of their products from 101 to 1,000 miles. Importers were more likely to ship tissue paper more than 1,000 miles than U.S. producers, with five importers, but only one U.S. producer, shipping half or more over 1,000 miles. Of these importers, three shipped consumer tissue paper, one shipped bulk tissue paper, and one shipped both.

Exchange Rates

The nominal value of the Chinese yuan relative to the U.S. dollar has remained virtually unchanged since the first quarter of 1997 at 8.28 yuan per dollar. Producer price data for China are not available; therefore, real exchange rates cannot be calculated.

PRICING PRACTICES

Pricing Methods

Questionnaire responses reveal that most U.S. producers and importers of certain tissue paper products determine prices on a transaction-by-transaction basis based on current market conditions, with some firms reporting contracts for multiple shipments and the use of set price lists. Some importers, ***, are themselves retailers.

The majority of producers and importers reported selling on a spot basis; however, U.S. producers reported a greater mix of spot and contract sales, typically short-term contracts. Four of nine producers and five of 23 importers sold half or more of their product on short-term contracts (contracts of less than one year) as shown in the tabulation below.

¹ Three importers reported transportation costs above 10 percent, including one reporting transportation costs ranged from 5 to 15 percent; the other two reported transportation costs of 12.5 percent and 18 percent. A number of firms appear to have misunderstood the question and reported 100 percent and one reported 0 percent; these have been excluded from the totals.

² None of the U.S. producers and four importers shipped half or more of their product within 100 miles.

Majority of sales that were:	<u>Producers</u> ³			<u>Importers</u> ⁴		
	<u>Total</u>	<u>Consumer</u>	<u>Bulk</u>	<u>Total</u>	<u>Consumer</u>	<u>Bulk</u>
Short-term contracts	4	2	4	5	4	2
Spot sales	6	3	5	19	14	7

U.S. producers typically had somewhat longer contracts than importers; four of six responding producers reported that they have contracts of over 6 months while six of the nine responding importers reported that contracts were typically less than 6 months.⁵ With the shorter contracts, importers were more likely to have fixed prices. All nine importers responding to this question reported having fixed prices, and five of these had fixed quantities as well. In contrast, five of the eight responding U.S. producers reported neither fixed prices nor quantities in their contracts; two producers reported both fixed prices and quantities; and one producer reported only fixed prices. The following tabulation presents information on contract lengths and terms as reported by U.S. producers and importers.

Number of firms reporting	<u>Producers</u>			<u>Importers</u>		
	<u>Total</u>	<u>Consumer</u>	<u>Bulk</u>	<u>Total</u>	<u>Consumer</u>	<u>Bulk</u>
Contracts over 6 months ⁶	6	3	6	4	3	2
Contracts under 6 months	2	1	1	6	6	1
Contract fixes price	3	2	2	8	7	2
Contract fixes quantity	2	1	1	6	5	1
Contract does not fix price or quantity	5	2	5	0	0	0

Sales Terms and Discounts

U.S. producers and importers reported that payment typically is required within 30 days. Fifteen of the 24 responding importers reported these terms and nine out of 11 responding producers reported requiring payment within 30 days. Prices are typically quoted on an f.o.b. warehouse or delivered basis. Four producers reported that they typically sold using f.o.b. prices; two reported delivered prices; and two reported both f.o.b. and delivered prices. Fourteen importers reported f.o.b. prices from their U.S. facilities; three others reported prices were f.o.b. China; and eight reported delivered prices. Many firms reported that they do not offer discounts but volume-based discounts are common and prices are frequently set based on the volume that will be purchased. Of the 30 importers responding to this

³ One producer sold its consumer tissue paper using short-term contracts while it sold all its bulk tissue paper in spot sales. Thus it is included in both the total firms selling the majority of its product in both categories.

⁴ One importer sold its consumer tissue paper using short-term contracts while it sold all its bulk tissue paper in spot sales. Thus it is included in both the total firms selling the majority of its product in both categories.

⁵ One importer reported average length of contracts for both long-term and short-term contracts. Since it reported that more of its sales were in short-term contracts and the duration of its short-term contracts were less than 6 months, it has been included with the importers that have contracts that are typically less than 6 months.

⁶ Producers and importers were requested to answer these questions for both short-term contracts (under a year) and long-term contracts (over a year). Only one importer reported short-term contracts of less than 6 months and also long-term contracts. Both of this firm's answers are recorded in the tabulation.

question, 14 reported that they offer no discounts; eight reported some type of quantity discounts; four reported they set prices based on volumes; and the remaining four gave other responses. Of the ten responding producers, three reported no set discount policy; three reported lower prices based on volumes; three sometimes gave quantity discounts; and the other reported terms were set to be competitive.

Internet Reverse Auctions⁷

Producers, importers, and purchasers were asked if they sold tissue paper products using internet reverse auctions. Eight producers and two importers reported participating in internet reverse auctions.⁸ Producers and importers reported that they had participated in auctions for sale to ***. ***'s and ***'s questionnaires included information about their auctions. Details are provided in table V-1.

The auction prices reported for consumer tissue paper may not reflect actual prices bid for specific tissue paper products. Some of these auctions, such as those sponsored by Target, are for a group of products including both subject tissue paper and other products such as gift bags, wrapping paper, treat sacks, and tags.⁹ Firms bidding in these auctions therefore must sell a range of product beyond tissue paper. Nothing precludes any particular supplier's product from being sold at these auctions as long as the seller is qualified by Target.¹⁰ In the case of Target, bidding is for a weighted assortment of products rather than for individual products within the assortment;¹¹ as a result, the specific prices of particular tissue paper products were not clear to Target in the bidding.¹²

Reverse auction data submitted in postconference briefs and questionnaires provide some detail on 10 reverse auction events that occurred during the period for which data were collected. The data are incomplete regarding the participating vendors and their bids, thus it is not possible to determine if the winning bids were also the lowest final bids for tissue paper products. Based on the data provided, U.S. producers participated in ***. According to petitioners, the winning vendor ***.¹³ However, ***.

⁷ In an internet reverse auction, potential suppliers bid against each other, reducing the price, for the opportunity to sell an order to a purchaser. The purchaser may limit the firms bidding and the auction can be for a single product or a range of products.

⁸ ***. Target described the reverse auction process it uses for some of its consumer tissue paper purchases. According to Target, approximately 10 months prior to an item's placement on the sales floor, Target begins discussions with potential suppliers to evaluate their packaging capabilities, the quality and consistency of their products, and their reliability of supply. Only potential suppliers that prequalify based on these factors and with which Target has prior business experience are invited to participate in the reverse auctions. *Conference Transcript*, testimony of Bonita Rooney, senior buyer, Target, p. 136.

⁹ *Hearing Transcript*, testimony of Deborah Kelley, senior buyer, Target, pp. 273 and 285.

¹⁰ *Hearing Transcript*, testimony of Toni Demski-Brandl, senior counsel, Target, p. 258.

¹¹ *Hearing Transcript*, testimony of Toni Demski-Brandl, senior counsel, Target, p. 276; testimony of George Vollmer, product manager, Target, p. 278.

¹² *Hearing Transcript*, testimony of Toni Demski-Brandl, senior counsel, Target, p. 279. ***.

¹³ *Petitioners' Postconference Brief*, exh. 6. ***. *Respondent Target's Postconference Submission*, March 15, 2004.

Table V-1

Certain tissue paper products: Internet reverse auctions, by purchaser, date, volume, product, firms bidding, initial bids, final bids, and winning bids as reported by producers, importers, and purchasers

* * * * *

PRICE DATA¹⁴

The Commission requested U.S. producers and importers to provide quarterly data for the quantity and value of sales of four tissue paper products to unrelated U.S. customers. Importers that sell to consumers were asked to report the quantity and value of their purchases of the four products. U.S. producers were asked to specify if the product was sold to distributors or to retailers. These data were used to determine the weighted-average price in each quarter for the period January 2001 through September 2004. The products for which pricing data were requested are as follows:

Product 1. - Tissue paper, folds, 40 sheets (20"x24-26"), white, in poly bag or band

Product 2. - Tissue paper, folds, 5 sheets (20"x24-26"), solid color sheets other than specialty tissue paper products, in poly bag or band

Product 3. - Tissue paper, folds, 8 sheets (18"x26"), 4 print and 4 solid color sheets other than specialty tissue paper products, in poly bag or band¹⁵

Product 4. - Tissue paper, reams, 480-500 sheets, 20"x30", white

Price Trends and Comparisons

Data on prices and quantities of products 1 through 4 are presented in tables V-2 through V-5, and prices of products 1 through 4 are presented in figure V-1. Table V-6 summarizes the pricing data and table V-7 summarizes the data on margins.

In 2003, for bulk tissue paper, sales price data accounted for *** percent of U.S. producers' shipments and sales and purchase price data accounted for *** percent of shipments of imports from China. Purchase price data accounted for *** percent of the reported price data for Chinese product. For consumer tissue paper, sales price data accounted for *** percent of U.S. producers' shipments while sales and purchase price data combined accounted for *** percent of shipments of imports from China. Of this *** percent of Chinese price data was for purchase prices. Overall, coverage was 8.3 percent for selling prices of U.S. product and 14.2 percent for combined selling and purchase prices for Chinese imports.

Seven U.S. producers and 14 importers provided usable price data, three importers provided purchase price data and 11 provided selling price data. All seven U.S. producers provided selling prices to distributors but only ***, reported selling prices to retailers. All seven U.S. producers provided prices for the bulk tissue product but only three, ***, gave price data for consumer tissue paper. In contrast, five

¹⁴ The Commission noted in its *Views* in the preliminary phase of this investigation its intention to explore further prices of product imported directly by retailers. *See Certain Tissue Paper Products and Crepe Paper Products From China, Investigation No. 731-TA-1070 (Preliminary)*, USITC Publication 3682, April 2004, pp. 18 and 22-23, nn. 132 and 166. Accordingly, Part V of this report includes data for direct imports by retailers for the same pricing items for which U.S. producers and nonretail importers reported selling prices.

¹⁵ Staff added pricing item three at the request of respondents.

importers reported price data for the bulk product, but all 11 importers with price data reported prices for consumer product.

Table V-2

Certain tissue paper products: Weighted-average f.o.b. prices and quantities of domestic and imported product 1¹ and margins of underselling/(overselling), by quarters, January 2001-September 2004

Period	United States				China				
	Sales to distributors		Sales to retailers		Sales to retailers			Purchases by importer/retailers ²	
	Price (per pack)	Quantity (1,000 packs)	Price (per pack)	Quantity (1,000 packs)	Price (per pack)	Quantity (1,000 packs)	Margin (percent)	Price (per pack)	Quantity (1,000 packs)
2001:									
Jan.-Mar.	\$***	***	\$***	***	\$***	***	***	\$***	***
Apr.-June	-	-	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	0.40	137	***	***	***
Oct.-Dec.	***	***	***	***	0.39	3,340	***	***	***
2002:									
Jan.-Mar.	***	***	***	***	***	***	***	***	***
Apr.-June	-	-	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	0.36	4,074	***	***	***
2003:									
Jan.-Mar.	-	-	***	***	***	***	***	***	***
Apr.-June	-	-	***	***	0.41	105	***	***	***
July-Sept.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	0.37	1,755	***	***	***
2004:									
Jan.-Mar.	***	***	***	***	***	***	***	-	-
Apr.-June	***	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***	***

¹ Tissue paper, folds, 40 sheets (20"x 24-26"), white, in poly bag or band.

² These data represent purchase prices paid by ***, a firm that imports product for resale to consumers (i.e. a direct importer).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-3

Certain tissue paper products: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 2001-September 2004

* * * * *

Table V-4

Certain tissue paper products: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 2001-September 2004

* * * * *

Table V-5

Certain tissue paper products: Weighted-average f.o.b. prices and quantities of domestic and imported product 4¹ and margins of underselling/(overselling), by quarters, January 2001-September 2004

Period	United States				China				
	Sales to distributors		Sales to retailers		Sales to distributors ²			Purchases by importer/retailers ³	
	Price (per pack)	Quantity (1,000 packs)	Price (per pack)	Quantity (1,000 packs)	Price (per pack)	Quantity (1,000 packs)	Margin (percent)	Price (per pack)	Quantity (1,000 packs)
2001:									
Jan.-Mar.	\$6.28	170,574	***	***	-	-	-	-	-
Apr.-June	6.20	187,951	***	***	-	-	-	-	-
July-Sept.	6.11	208,509	***	***	-	-	-	-	-
Oct.-Dec.	5.92	258,568	***	***	\$***	***	***	-	-
2002:									
Jan.-Mar.	6.29	166,369	***	***	***	***	***	-	-
Apr.-June	6.09	169,663	***	***	***	***	***	-	-
July-Sept.	5.93	183,438	***	***	***	***	***	\$***	***
Oct.-Dec.	5.83	250,486	***	***	***	***	***	***	***
2003:									
Jan.-Mar.	6.07	126,389	***	***	***	***	***	***	***
Apr.-June	5.78	166,561	***	***	***	***	***	***	***
July-Sept.	5.79	191,936	***	***	***	***	***	***	***
Oct.-Dec.	5.54	215,698	***	***	***	***	***	***	***
2004:									
Jan.-Mar.	6.50	157,116	***	***	5.21	17,240	19.8	***	***
Apr.-June	6.39	204,651	***	***	6.32	33,940	1.1	***	***
July-Sept.	6.45	170,530	***	***	5.89	8,630	8.6	-	-

¹ Tissue paper, reams, 480-500 sheets, 20" x 30", white.

² The higher price of tissue paper from China between October 2003 and September 2004 is largely due to the ***.

³ These data represent purchase prices paid by ***, a firm that imports product for use in its own store (i.e. a direct importer).

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-1
Certain tissue paper products: Weighted-average f.o.b. sales prices of domestic and imported products 1-4, by quarters, January 2001-September 2004

* * * * *

Table V-6
Certain tissue paper products: Summary of weighted-average f.o.b. prices for products 1 through 4, by countries

* * * * *

Table V-7
Certain tissue paper products: Summary of underselling/overselling for consumer and bulk tissue paper and all tissue paper combined

* * * * *

LOST SALES AND LOST REVENUE

The petitioners provided information on *** lost sales and lost revenue allegations for certain tissue paper products. The investigated lost revenue allegations total \$*** and the investigated lost sales allegations total \$***.¹⁶ A summary of the information obtained is shown in tables V-8 and V-9.¹⁷ Additional comments are presented in the text that follows.

Table V-8
Certain tissue paper products: Lost revenue allegations

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Table V-9
Certain tissue paper products: Lost sales allegations

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¹⁶ The complete list of lost sales and lost revenue allegations is provided in exh. 35 of the petition.

¹⁷ In addition, staff received responses from ***, all of which reported that they did not have the information to respond to the allegations. ***, ***. Lost sales allegations were also made which concerned two importers, *** from which the Commission received importer questionnaires but not purchaser questionnaires, although both were sent purchaser questionnaires. Both firms reported importing Chinese product. ***. The Commission contacted ***. The Commission attempted to contact *** about a lost sales allegation. ***. The Commission contacted ***. She reported that she did not know if *** had changed from purchasing U.S. product in *** to purchasing Chinese product and she was not able to provide any new information on the allegation. Telephone interviews with USITC staff, February, 4, 2005.

***.
***.
***.
***.¹⁸

Purchasers responding to lost sales and lost revenue allegations were also asked whether they shifted their purchases of certain tissue paper products from U.S. producers to suppliers of such products from China. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of Chinese imports. Purchasers' responses to these questions are shown in table V-10.¹⁹ Eleven of 12 responding purchasers reported that since January 2001 they shifted purchases from U.S. producers to Chinese imports. Three of nine responding purchasers stated that price was the reason for the shift. One of seven responding purchasers stated that since January 2001 U.S. producers reduced their prices in order to compete with prices of Chinese imports.

Table V-10
Certain tissue paper products: Purchaser responses

* * * * *

¹⁸ ***. *** telephone interview by USITC Staff, November 18, 2004. ***.

¹⁹ ***.

PART VI: FINANCIAL EXPERIENCE OF THE U.S. PRODUCERS

OPERATIONS ON CERTAIN TISSUE PAPER PRODUCTS

Ten U.S. producers provided data on their operations on certain tissue paper products.^{1 2} These financial data account for virtually all reported U.S. production of certain tissue paper products in 2003. The Commission collected separate income-and-loss data on bulk tissue paper products and on consumer tissue paper products operations. Those data are presented in appendix C, tables C-2 and C-3.

Income-and-loss data for the U.S. producers on their certain tissue paper products operations are presented in table VI-1. Selected financial data, by firm, are presented in table VI-2. Bulk tissue paper products' net sales quantity accounted for *** percent of net sales quantity of certain tissue paper products while consumer tissue paper products' net sales quantity accounted for *** percent in 2003. Bulk tissue paper products' net sales value accounted for *** percent of net sales value of certain tissue paper products while consumer tissue paper products' net sales value accounted for *** percent in 2003.

The domestic industry's aggregate operating income decreased from \$8.2 million in 2001 to \$3.6 million in 2003, but was \$2.7 million in January-September 2004 compared to \$1.2 million in January-September 2003. The aggregate operating income margin declined from 6.6 percent in 2001 to 3.9 percent in 2003, but was 4.1 percent in January-September 2004 compared to 1.8 percent in January-September 2003.

The aggregate operating income margin on consumer tissue paper operations (table C-3) improved irregularly from 2001 to 2003 (despite declining sales) but was lower in January-September 2004 than in January-September 2003. The aggregate operating income margin on bulk tissue paper operations (table C-2) followed the same trend as that of certain tissue paper, although the operating income margin for bulk tissue paper in 2003 was almost break-even and was negative in January-September 2003.

The quantity of net sales of certain tissue paper products decreased by 3.5 percent from 2001 to 2002 and by 24 percent from 2002 to 2003. From 2001 to 2002, on a unit basis, cost of goods sold and selling, general, and administrative ("SG&A") expenses together rose more than the average selling price, resulting in a decrease in operating income. From 2002 to 2003, again on a unit basis, the average selling price decreased less than the average cost of goods sold, resulting in a higher gross profit. This higher gross profit was eroded by the increase in SG&A expenses (due in part to lower volume), resulting in lower operating income as compared to the previous year.³

From January-September 2003 to January-September 2004, the quantity of net sales declined by 3.5 percent; on a unit basis, cost of goods sold and SG&A expenses together rose less than the average selling price, resulting in an increase in operating income. Four firms reported operating losses in 2003, compared with three firms in 2001 and 2002. Three firms reported operating losses in January-September 2004, compared with four firms in January-September 2003.

¹ U.S. producers and their fiscal year ends are ***. All responding U.S. producers provided financial data for calendar or fiscal years 2001-03 and the requested interim periods. Because *** completed its 2003 fiscal year in June, staff requested that the company submit data for fiscal year 2004. Appendix E presents industry-wide financial results incorporating ***'s data for fiscal years 2002-04.

² Staff verified the trade, employment, financial, and pricing data submitted in Crystal and Cleo's producers' questionnaire response on February 1 and 2, 2005. As a result of the verification there were adjustments to (1) 2003 employment data (consumer tissue paper); (2) sales costs (bulk and consumer tissue paper); (3) capital expenditures, and (4) pricing data (bulk and consumer tissue paper). All changes are reflected in this report.

³ Crystal alleges that ***.

Table VI-1

Certain tissue paper products: Results of operations of U.S. producers, fiscal years 2001-03, January-September 2003, and January-September 2004

Item	Fiscal year			January-September	
	2001	2002	2003	2003	2004
	Quantity (1,000 square meters)				
Net sales	2,191,763	2,114,996	1,606,772	1,142,607	1,102,121
	Value (\$1,000)				
Net sales	124,967	121,342	91,934	63,935	66,709
Cost of goods sold	92,831	91,628	66,916	47,705	48,231
Gross profit	32,136	29,714	25,018	16,230	18,478
SG&A expenses	23,908	24,672	21,404	15,059	15,771
Operating income	8,228	5,042	3,614	1,171	2,707
Interest expense	1,909	1,571	1,685	1,087	1,042
Other expense	11	10	252	197	31
Other income items	289	349	40	30	45
Net income or (loss)	6,597	3,810	1,717	(83)	1,679
Depreciation/amortization	2,260	2,138	1,243	853	858
Cash flow	8,857	5,948	2,960	770	2,537
	Ratio to net sales (percent)				
Cost of goods sold	74.3	75.5	72.8	74.6	72.3
Gross profit	25.7	24.5	27.2	25.4	27.7
SG&A expenses	19.1	20.3	23.3	23.6	23.6
Operating income	6.6	4.2	3.9	1.8	4.1
Net income or (loss)	5.3	3.1	1.9	(0.1)	2.5
	Value (per 1,000 square meters)				
Net sales	\$57.02	\$57.37	\$57.22	\$55.96	\$60.53
Cost of goods sold	42.35	43.32	41.65	41.75	43.76
Gross profit	14.66	14.05	15.57	14.20	16.77
SG&A expenses	10.91	11.67	13.32	13.18	14.31
Operating income	3.75	2.38	2.25	1.02	2.46
Net income or (loss)	3.01	1.80	1.07	(0.07)	1.52
	Number of firms reporting				
Operating losses	3	3	4	4	3
Data	10	10	10	10	10
Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-2

Certain tissue paper products: Results of operations of U.S. producers, by firm, fiscal years 2001-03, January-September 2003, and January-September 2004

* * * * *

As table VI-2 demonstrates, the majority of the reduction in the quantity and value of net sales of certain tissue paper between 2001 and 2003 was attributable to reduced sales by ***. Likewise, ***'s operating losses contributed substantially to the reduction in the level of operating income for the entire industry. If ***'s data are excluded from the aggregate data, the overall operating income margins would be *** percent in 2001, *** percent in 2002, *** percent in 2003, *** percent in January-September 2003, and *** in January-September 2004.

With respect to its ***, Crystal stated that:

***.⁴

With respect to its ***, Garlock indicated that:

***.⁵

Petitioners argue that *** revenues and income throughout the period of investigation upwardly skews the financial performance of the overall industry. According to petitioners, *** should be excluded from the aggregate data because it "maintains a 'unique' market niche as a marketer with a valuable brand name that is largely shielded from price-based import competition."⁶ If ***'s data are excluded from the aggregate data, the overall operating income margins would be *** percent in 2001, *** percent in 2002, *** percent in 2003, *** percent in January-September 2003, and *** percent in January-September 2004.⁷

A variance analysis for the ten U.S. producers of certain tissue paper products is presented in table VI-3. The information for this variance analysis is derived from table VI-1. Transfers to related firms and internal consumption were minor and averaged less than *** percent of total net sales by volume during all reporting periods. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. The analysis shows that the decrease in operating income from 2001 to 2003 is attributable to the higher unfavorable net volume and net cost/expense variances compared to a small favorable price variance (in other words, unit costs increased much more than did unit sales prices, and volume declined). The increase in operating income from January-September 2003 to January-September 2004 is attributable to the higher favorable price variance (higher unit sales prices) compared to the unfavorable net cost/expense variance (increase in unit costs).

⁴ ***.

⁵ ***.

⁶ Petitioners' posthearing brief, p. 54. Staff requested additional information from *** regarding its relatively high sales values and profits. According to ***, it differs from other U.S. producers in that it *** (letter from ***, January 4, 2005).

⁷ If ***'s data are excluded from the aggregate data, the overall operating income margins would be *** percent in 2001, *** percent in 2002, *** percent in 2003, *** percent in January-September 2003, and *** percent in January-September 2004.

Table VI-3

Certain tissue paper products: Variance analysis on operations of U.S. producers, fiscal years 2001-03, January-September 2003, and January-September 2004

Item	Fiscal year			Jan.-Sept.
	2001-03	2001-02	2002-03	2003-04
	Value (\$1,000)			
Commercial sales:				
Price variance	224	667	(283)	5,060
Volume variance	(33,348)	(4,384)	(29,124)	(2,266)
Commercial sales variance	(33,124)	(3,717)	(29,407)	2,794
Internal consumption:				
Price variance	***	***	***	***
Volume variance	***	***	***	***
Internal consumption variance	***	***	***	***
Transfers to related firms:				
Price variance	***	***	***	***
Volume variance	***	***	***	***
Transfer variance	***	***	***	***
Total net sales:				
Price variance	321	752	(250)	5,039
Volume variance	(33,354)	(4,377)	(29,158)	(2,265)
Total net sales variance	(33,033)	(3,625)	(29,408)	2,774
Cost of sales:				
Cost variance	1,138	(2,048)	2,694	(2,216)
Volume variance	24,777	3,251	22,018	1,690
Total cost variance	25,915	1,203	24,712	(526)
Gross profit variance	(7,118)	(2,422)	(4,696)	2,248
SG&A expenses:				
Expense variance	(3,877)	(1,601)	(2,661)	(1,246)
Volume variance	6,381	837	5,929	534
Total SG&A variance	2,504	(764)	3,268	(712)
Operating income variance	(4,614)	(3,186)	(1,428)	1,536
Summarized as:				
Price variance	321	752	(250)	5,039
Net cost/expense variance	(2,739)	(3,650)	34	(3,462)
Net volume variance	(2,196)	(288)	(1,212)	(41)
Note. – Unfavorable variances are shown in parentheses; all others are favorable.				
Source: Compiled from data submitted in response to Commission questionnaires.				

Capital Expenditures and Research and Development Expenses

The responding firms' aggregate data on capital expenditures and research and development ("R&D") expenses are shown in table VI-4. Capital expenditures declined from \$*** in 2001 to \$*** in 2003. Seaman reported ***.⁸ Capital expenditures declined from \$*** in January-September 2003 to \$*** in January-September 2004. None of the firms reported R&D expenses.

Table VI-4
Certain tissue paper products: Capital expenditures and research and development expenses of U.S. producers, fiscal years 2001-03, January-September 2003, and January-September 2004

Item	Fiscal year			January-September	
	2001	2002	2003	2003	2004
	Value (\$1,000)				
Capital expenditures	***	***	***	***	***
R&D expenses	0	0	0	0	0

Source: Compiled from data submitted in response to Commission questionnaires.

Assets and Return on Investment

The Commission's questionnaire requested data on assets used in the production, warehousing, and sale of certain tissue paper products to compute return on investment ("ROI"). Although ROI can be computed in many different ways, a commonly used method is income divided by total assets. Therefore, ROI is calculated as operating income divided by total assets used in the production, warehousing, and sale of certain tissue paper products.

Data on the U.S. certain tissue paper products producers' total assets and their ROI are presented in table VI-5. The total assets utilized in the production, warehousing, and sales of certain tissue paper products increased from \$66.0 million in 2001 to \$67.8 million in 2002 and then declined to \$55.8 million in 2003. The ROI declined from 12.5 percent in 2001 to 6.5 percent in 2003. The trend of ROI was the same as the trend of the operating income margin in table VI-1 during the reporting period.

Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of certain tissue paper products from China on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix F.

⁸ Questionnaire response of Seaman, question III-7a, p. 17 and fax letter from Seaman, November 17, 2004. Because ***.

Table VI-5
Certain tissue paper products: Value of assets and return on investment of U.S. producers, fiscal years 2001-03

Item	Fiscal year		
	2001	2002	2003
	Value (\$1,000)		
Value of assets:			
Current assets:			
Cash and equivalents	2,125	2,424	2,433
Accounts receivable, net	25,156	24,280	16,134
Inventories	18,955	19,128	21,850
Other	705	1,031	597
Total current assets	46,941	46,863	41,014
Property, plant, and equipment:			
Original cost	38,468	39,149	29,517
Less: Accumulated depreciation	21,765	23,819	17,130
Book value	16,703	15,330	12,387
Other non-current assets	2,321	5,577	2,356
Total assets	65,965	67,770	55,757
Operating income or (loss)	8,228	5,042	3,614
	<i>Ratio to total assets (percent)</i>		
Return on investment	12.5	7.4	6.5
Source: Compiled from data submitted in response to Commission questionnaires.			

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follow.

The Commission sent foreign producer questionnaires to 78 firms identified in the petition and internet searches. Two producers (Guilen Quifeng Paper Co., Ltd., and Max Fortune Industrial, Ltd.) completed and returned the Commission's questionnaire for their production operations in China, as did one exporter (Constant China Import Export, Ltd.) for its trading operations. The remainder did not respond to the Commission's questionnaires¹ or in the case of China National, provided only partial information.

BACKGROUND

There are more than 4,000 paper mills in China,² of which approximately 750 produce tissue paper (broadly defined).³ China's tissue industry is growing to meet the expanding per capita consumption of tissue products in China.⁴ China produced approximately 3.5 million metric tons of tissue paper in 2003, an increase of 370,000 metric tons or 12 percent over 2002.⁵ As in the United States, the vast majority of tissue production in China is dry-creped tissue for sanitary and household purposes. Existing tissue mills in China typically range between 62 and 69 inches wide, which is considered small by industry standards.⁶ It is expected that the small mills will be displaced⁷ as large, modern mills are constructed.⁸

China's domestic supply of wood pulp is limited, but because market pulp is a globally traded commodity, the various grades of pulp are readily available to Chinese tissue paper manufacturers. According to petitioners, the design of some Chinese paper machines requires that manufacturers of certain tissue paper products use 100 percent virgin softwood pulp,⁹ especially when running lighter basis weights, to maintain sheet strength.¹⁰ However, Chinese producers also make lower grades of tissue

¹ Staff contacted counsel on behalf the Chinese producers, Hunton and Williams. Counsel, however, indicated that "We no longer represent any party in the ITC proceeding; we have not done anything in this case since the preliminary determination." E-mail from counsel, November 9, 2004. Counsel subsequently withdrew its appearance. Correspondence from Hunton and Williams, December 8, 2004.

² Rodden, Graeme, "Chinese Board Set to Boom," *Pulp & Paper International*, Vol. 45, no. 7 (July 2003), p. 30.

³ Rooks, Alan, "Tissue: Hitting Them High and Low," *Solutions!*, Vol. 87, no. 3 (March 2004), p. 28.

⁴ Oinonen, Hannu and Esko Uutela, "Chinese Tissue Industry Handles Domestic Demand, Targets Exports," *Solutions!*, Vol. 87, no. 3 (March 2004), p. 30.

⁵ *Pulp & Paper International* 2003 Annual Review, and www.paperloop.com.

⁶ Oinonen, Hannu and Esko Uutela, "Chinese Tissue Industry Handles Domestic Demand, Targets Exports," *Solutions!*, Vol. 87, no. 3 (March 2004), p. 30.

⁷ Rodden, Graeme, "Chinese Board Set to Boom," *Pulp & Paper International*, Vol. 45, no. 7 (July 2003), p. 30.

⁸ Oinonen, Hannu and Esko Uutela, "Chinese Tissue Industry Handles Domestic Demand, Targets Exports," *Solutions!*, Vol. 87, no. 3 (March 2004), p. 30.

⁹ *Petition*, p. 11.

¹⁰ ***, interview by USITC Staff, ***, February 27, 2004.

paper entirely from post-consumer grades of recycled fiber.¹¹ Reportedly, Chinese paper machines engaged in the manufacture of certain tissue paper products are slower and narrower (40 to 60 inches wide) than the machines used for the purpose in the United States.¹² It is likely that both fourdriniers and cylinder machines are used to make certain tissue paper products in China.¹³ Chinese manufacturers reportedly prefer to produce tissue paper weighing 14 grams per square meter (8.5 pounds).¹⁴ However, the only Chinese producer that addressed this issue in its questionnaire used an average basis weight of *** grams per square meter (***) pounds) to convert the firm's production to square meters.

In contrast to the U.S. industry, which typically uses rotary flexographic presses,¹⁵ the Chinese industry reportedly uses rotogravure presses¹⁶ that are lighter in weight and print smaller, lighter rolls than presses in the United States.¹⁷ The smaller equipment enables Chinese printers to offer smaller minimums and thus is a technological advantage for the Chinese producers.¹⁸ Rotogravure allows finer resolution than flexography and is, therefore, considered to be superior.¹⁹ One petitioner, Garlock, acknowledged that fact but noted the improvements made in flexography and suggested that "98 percent of anything that can be done rotogravure can be done flexographically."²⁰ Another petitioner, Flower City, noted that the same or similar tissue paper designs are produced in China and the United States.²¹

One respondent, Cleo, stated that rotogravure using solvent-based inks was better than flexography when printing metallic (e.g., gold and silver) inks,²² because rotogravure produced a higher shine than flexography. Designs using metallic inks are important for both seasonal events (e.g., holidays) as noted in testimony at the hearing²³ and everyday events (e.g., weddings) as suggested by sample tissue folds provided by the respondent.^{24 25} A U.S. producer of certain tissue paper products

¹¹ *Conference Transcript*, testimony of Robert Moreland, president, City Paper, p. 186.

¹² *Petition*, Exh. 5.

¹³ The petitioners noted their direct experience with Chinese cylinder machines. *Petition*, Exh. 5.

¹⁴ *Conference Transcript*, testimony of Sheldon Freeman, product manager, Wego, p. 188. In comparison, the U.S. basis weights range from approximately 14 to 18 grams per square meter (8.5 to 11 pounds per 3,000 square feet) for tissue paper without printing. Heavily printed tissue may weigh an additional 5 to 7 grams per square meter (3 to 4 pounds). *Conference Transcript*, testimony of Ted Tepe, vice president consumer products, Seaman, p. 83.

¹⁵ ***, interview by USITC Staff, ***, February 27, 2004.

¹⁶ Gravure presses use engraved printing plates. Ink remains in the cavities of the plate after the excess ink is removed with a doctor blade. The ink and, hence, the image is transferred to the paper by absorption. Compared with flexography, gravure yields higher quality printing but at higher cost and is typically reserved for long press runs. "3.4.2 Offset Litho and Gravure" found at http://www.paperloop.com/toolkit/paperhelp/3_4_2_key.shtml and retrieved on March 17, 2004.

¹⁷ *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, p. 185.

¹⁸ *Respondents Cleo's and Crystal Creative's Posthearing Brief*, p. A-34.

¹⁹ ***, telephone interview by USITC Staff, January 31, 2005.

²⁰ *Hearing Transcript*, testimony of Pete Garlock, president, Garlock Printing and Converting, p. 85.

²¹ *Conference Transcript*, testimony of William Shafer, president, Flower City, p. 28.

²² *Hearing Transcript*, testimony of Andrew Kelly, president, Cleo, p. 197.

²³ *Hearing Transcript*, testimony of Andrew Kelly, president, Cleo, p. 197.

²⁴ Respondents provided three sample tissue folds printed with metallic ink. The designs generally had a wedding theme although two were generic enough that they might serve for other occasions as well.

²⁵ The rotogravure printed samples provided by respondents are generally shinier than the range of flexographic printed samples appearing in petitioner's Seaman's swatch book with two exceptions. Designs called Holiday Scroll and Silver Rose appear to be as or nearly as shiny as the rotogravure printed samples. The shiniest of the two, Holiday Scroll, ***. ***, telephone interview by USITC Staff, January 27, 2005, and ***, telephone interview by

(continued...)

maintained that the evident difference in quality was due more to the difference between the solvent-based inks typically used by Chinese producers and the water-based inks typically used by U.S. producers than to the difference between flexographic and gravure presses.²⁶ A U.S. printer *** agreed, stating that the difference was because solvent-based inks could hold larger metal particles in emulsion and thus were inherently shinier.²⁷

Also in contrast to the U.S. industry, certain converting operations (e.g., die cutting, folding, and packaging) are performed manually in China,²⁸ which gives Chinese producers greater flexibility to collate packages containing specialty tissue papers (e.g., die-cut, hot-stamped, or spot-glitter printed tissue).²⁹ Finally, one U.S. purchaser of certain tissue paper products testified that the firm's purchases of certain tissue paper products from China included "handmade" tissue paper,³⁰ which is not available in the United States.³¹

THE INDUSTRY IN CHINA

As indicated at the beginning of Part VII of this report, few of the known producers in China responded to the Commission's request for information. Accordingly, foreign industry data presented in this section are from the preliminary phase of the Commission's investigation. Chinese tissue paper manufacturers' and exporters' capacity, production, inventories, and shipments during 2001-03, as well as their projections for 2004-05, are presented in table VII-1.³² Seven firms reported producing certain tissue paper products in China in 2001, eight in 2002, and ten in 2003. Two firms reported producing products other than tissue paper on the same production lines used to produce the subject merchandise. One firm indicated an intention to increase capacity in 2004-05, and one firm indicated an intention to reduce capacity.^{33 34}

²⁵ (...continued)

USITC Staff, January 27, 2005.

²⁶ The U.S. producer noted that some U.S. printers had yet to switch from solvent-based to water-based inks but that many had due to EPA regulations pertaining to the use of solvent-based inks. ***, telephone interview by USITC Staff, November 2, 2004.

²⁷ ***, telephone interview by USITC Staff, January 31, 2005.

²⁸ *Conference Transcript*, testimony of Alfred Scott, chief executive officer, Glitterwrap, p. 184, and *Petition*, Exh. 5.

²⁹ *Conference Transcript*, testimony of Andrew Kelly, president, Cleo, pp. 128, 129.

³⁰ As noted in Part I, such paper is produced on a paper machine in such a way as to resemble handmade paper.

³¹ *Conference Transcript*, testimony of Bonita Rooney, senior buyer, Target Stores, p. 139.

³² Data for bulk tissue paper and consumer tissue paper are presented in appendix C.

³³ ***.

³⁴ Respondents argued in the preliminary phase of this investigation that recent changes in tax policy in China will have a restricting effect on exports of the subject merchandise. Specifically, respondents refer to "The Notification on VAT Rebates on Exports by Ministry of Finance and State Administration of Taxation No. 222 (2003)," pointing to the elimination of the VAT rebate on certain paper, paper pulp, and paperboard (including the subject merchandise) effective January 1, 2004. *Respondent Chinese Producers/Exporters' Postconference Brief*, p. 7 and exh. 4. In its questionnaire response, Chinese exporter Constant China also suggested that *** as a result of the removal of the duty drawback by the Government of China. See also *Petition*, exh. 31 (e-mail between ***, in which the latter company advised *** that ***). Petitioners contend that any changes to the VAT system did not have any impact on exports of tissue paper (pointing to U.S. import levels in January-September 2004). *Petitioners' Posthearing Brief*, p. 14.

Table VII-1
Certain tissue paper products: Chinese production capacity, production, shipments, and inventories, 2001-03 and projected 2004-05

Item	Actual experience			Projections	
	2001	2002	2003	2004	2005
Quantity (1,000 square meters)					
Capacity	2,356,005	2,711,866	2,877,333	2,890,900	2,880,600
Production	2,166,512	2,451,586	2,806,246	2,813,854	2,803,714
End of period inventories	168,443	160,528	57,927	58,730	58,450
Shipments:					
Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to--					
The United States	425,752	468,918	631,937	542,272	503,902
All other markets	185,309	177,990	256,457	269,110	273,120
Total exports	611,061	646,908	888,394	811,382	777,022
Total shipments	2,142,073	2,487,503	2,998,302	2,947,896	2,939,322
Ratios and shares (percent)					
Capacity utilization	92.0	90.4	97.5	97.3	97.3
Inventories to production	7.8	6.5	2.1	2.1	2.1
Inventories to total shipments	7.9	6.5	1.9	2.0	2.0
Share of total quantity of shipments:					
Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to--					
The United States	19.9	18.9	21.1	18.4	17.1
All other markets	8.7	7.2	8.6	9.1	9.3
All export markets	28.5	26.0	29.6	27.5	26.4
¹ Less than 0.05 percent.					
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. IMPORTERS' INVENTORIES

Table VII-2 presents data on U.S. importers' end-of-period inventories of imported certain tissue paper products from China.

Table VII-2
Certain tissue paper products: U.S. importers' end-of-period inventories of imports from China, 2001-03, January-September 2003, and January-September 2004

Source	Calendar year			January-September	
	2001	2002	2003	2003	2004
Imports from China:					
Inventories (<i>1,000 square meters</i>)	21,750	37,196	***	***	***
Ratio to imports (<i>percent</i>)	10.7	11.3	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>)	10.8	12.0	***	***	***
Imports from all other sources:					
Inventories (<i>units</i>)	0	0	***	***	***
Ratio to imports (<i>percent</i>)	(¹)	(¹)	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>)	(¹)	(¹)	***	***	***
Imports from all sources:					
Inventories (<i>units</i>)	21,750	37,197	95,427	233,686	235,154
Ratio to imports (<i>percent</i>)	10.7	11.3	12.7	32.0	30.3
Ratio to U.S. shipments of imports (<i>percent</i>)	10.8	12.0	13.9	50.1	40.9
¹ Not applicable.					
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. IMPORTERS' CURRENT ORDERS

Twelve U.S. importers of certain tissue products reported that they had imports scheduled for delivery after September 2004.

ANTIDUMPING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There are no known antidumping duty orders on certain tissue paper products from China in third-country markets.

APPENDIX A
***FEDERAL REGISTER* NOTICES**

of U.S. Patent No. 5,713,292 (the '292 patent); and claims 16, 19, 35 and 38 of U.S. Patent No. 6,0079,343 (the '343 patent). The complaint names as respondents Esquel Apparel, Inc. and Esquel Enterprises Limited (collectively "Esquel.")

On September 1, 2004, TAL filed a motion to amend the complaint and notice of institution to correct the list of asserted claims as follows: (1) For the '779 patent, claims 1, 4, 20 and 23 are being asserted, while claim 22 is not being asserted; (2) for the '615 patent, claims 1, 11, 19 and 27 are being asserted, while claim 26 is not being asserted; (3) for the '292 patent, claims 1, 3, 13 and 15 are being asserted, while claim 16 is not being asserted; and (4) for the '343 patent, claims 16, 19, 35 and 37 are being asserted, while claim 38 is not being asserted. TAL also moved to amend the complaint to assert claims 39, 41, 49 and 51 of an additional related patent, U.S. Patent No. 5,775,394 (the '394 patent.)

The Commission investigative attorney supported the motion to amend the complaint in all respects. Esquel did not oppose the amendment of the complaint to clarify the asserted claims of the originally named patents, but it did oppose the amendment to add the allegations concerning the '394 patent, unless the target date for completion of the investigation were extended.

On September 15, 2004, the presiding administrative law judge issued an ID (Order No. 4) granting TAL's motion to amend the complaint. He found that an extension of the target date is not warranted at this time. No petitions for review of the ID were filed.

This action is taken under the authority of section 337 of the Tariff Act of 1930, 19 U.S.C. 1337, and § 210.42(h) of the Commission Rules of Practice and Procedure, 19 CFR 210.42(h).

By order of the Commission.

Issued: October 4, 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-22693 Filed 10-7-04; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-1070 (Final)]

Certain Tissue Paper Products and Crepe Paper Products From China

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of an antidumping investigation.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigation No. 731-TA-1070 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether industries in the United States are materially injured or threatened with material injury, or the establishment of industries in the United States are materially retarded, by reason of less-than-fair-value imports from China of certain tissue paper products and certain crepe paper products, provided for in subheadings 4802.30; 4802.54; 4802.61; 4802.62; 4802.69; 4804.39; 4806.40; 4808.30; 4808.90; 4811.90; 4823.90; 4820.50.00; 4802.90.00; 4805.91.90; and 9505.90.40 (tissue paper products) and subheadings 4802.30; 4802.54; 4802.61; 4802.62; 4802.69; 4804.39; 4806.40; 4808.30; 4808.90; 4811.90; 4818.90; 4823.90; and 9505.90.40 (crepe paper products) of the Harmonized Tariff Schedule of the United States.¹

¹ For purposes of this investigation, the Department of Commerce has defined the subject merchandise, tissue paper products and crepe paper products, as follows: "The *tissue paper products* subject to investigation are cut-to-length sheets of tissue paper having a basis weight not exceeding 29 grams per square meter. Tissue paper products subject to this investigation may or may not be bleached, dye-colored, surface-colored, glazed, surface decorated or printed, sequined, crinkled, embossed, and/or die cut. The tissue paper subject to this investigation is in the form of cut-to-length sheets of tissue paper with a width equal to or greater than one-half (0.5) inch. Subject tissue paper may be flat or folded, and may be packaged by banding or wrapping with paper or film, by placing in plastic or film bags, and/or by placing in boxes for distribution and use by the ultimate consumer. Packages of tissue paper subject to this investigation may consist solely of tissue paper of one color and/or style, or may contain multiple colors and/or styles. Excluded from the scope of this investigation are the following tissue paper products: (1) Tissue paper products that are coated in wax, paraffin, or polymers, of a kind used in floral and food service applications; (2) tissue paper products that have been perforated, embossed, or die-cut to the shape of a toilet seat, *i.e.*, disposable sanitary covers for toilet seats; (3) toilet or facial tissue stock, towel or napkin stock, paper of a kind used for household or sanitary purposes, cellulose wadding, and webs of cellulose fibers."

"*Crepe paper products* subject to investigation have a basis weight not exceeding 29 grams per square meter prior to being creped and, if appropriate, flame-proofed. Crepe paper has a finely wrinkled surface texture and typically but not exclusively is treated to be flame-retardant. Crepe paper is typically but not exclusively produced as streamers in roll form and packaged in plastic bags. Crepe paper may or may not be bleached, dye-colored, surface-colored, surface decorated or printed, glazed, sequined, embossed, die-cut, and/or flame-retardant. Subject crepe paper may be rolled, flat or folded, and may be packaged by banding or wrapping with paper, by placing in plastic bags, and/or by placing in boxes for distribution and use by the ultimate consumer. Packages of crepe paper subject to this investigation may consist solely of crepe paper of one color and/or style, or may contain multiple colors and/or styles."

For further information concerning the conduct of this phase of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

EFFECTIVE DATE: September 21, 2004.

FOR FURTHER INFORMATION CONTACT: Fred Forstall ((202) 205-3443), Office of Industries, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background. The final phase of this investigation is being scheduled as a result of affirmative preliminary determinations by the Department of Commerce that imports of certain tissue paper products and certain crepe paper products from China are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigation was requested in a petition filed on February 17, 2004, by Seaman Paper Company of Massachusetts, Inc.; American Crepe Corp.; Eagle Tissue LLC; Flower City Tissue Mills Co.; Garlock Printing & Converting, Inc.; Paper Service Ltd.; Putney Paper Co., Ltd.; and the Paper, Allied-Industrial, Chemical and Energy Workers International Union AFL-CIO, CLC.

Participation in the investigation and public service list. Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigation need not file an additional notice of appearance during this final phase. The Secretary will maintain a

public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list. Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigation. A party granted access to BPI in the preliminary phase of the investigation need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report. The prehearing staff report in the final phase of this investigation will be placed in the nonpublic record on November 24, 2004, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

Hearing. The Commission will hold a hearing in connection with the final phase of this investigation beginning at 9:30 a.m. on December 9, 2004, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before December 2, 2004. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on December 6, 2004, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written submissions. Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.23 of the Commission's rules; the deadline for filing is December 2, 2004. Parties may also file written testimony in connection with their presentation at the hearing, as

provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.25 of the Commission's rules. The deadlines for filing posthearing briefs are December 16, 2004 (for certain crepe paper products), and January 5, 2005 (for certain tissue paper products); witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation, including statements of support or opposition to the petition, on or before December 16, 2004 (for certain crepe paper products), or January 5, 2005 (for certain tissue paper products). On January 3, 2005 (for certain crepe paper products), and March 1, 2005 (for certain tissue paper products), the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before January 5, 2005 (for certain crepe paper products), and March 3, 2005 (for certain tissue paper products), but such final comments must not contain new factual information and must otherwise comply with section 207.30 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

By order of the Commission.

Issued: October 4, 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-22694 Filed 10-7-04; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF LABOR

Employment and Training Administration

[TA-W-55,582]

American Falcon Corporation, Auburn, ME; Notice of Termination of Investigation

Pursuant to section 221 of the Trade Act of 1974, as amended, an investigation was initiated on September 10, 2004 in response to a petition filed by a company official on behalf of workers at American Falcon Corporation, Auburn, ME.

The petitioner has requested that the petition be withdrawn. Consequently, the investigation has been terminated.

Signed at Washington, DC this 23rd day of September, 2004.

Richard Church,

Certifying Officer, Division of Trade Adjustment Assistance.

[FR Doc. E4-2543 Filed 10-7-04; 8:45 am]

BILLING CODE 4510-30-P

DEPARTMENT OF LABOR

Employment and Training Administration

[TA-W-55,585]

Blue Ridge Paper Products, Morristown, NJ; Notice of Termination of Investigation

Pursuant to section 221 of the Trade Act of 1974, as amended, an investigation was initiated on September 10, 2004 in response to a petition filed by a state agency representative on behalf of workers at Blue Ridge Paper Products, Morristown, New Jersey.

All workers were separated from the subject facility more than one year before the date of the petition. Section 223 (b) of the Act specifies that no certification may apply to any worker whose last separation occurred more than one year before the date of the petition. Consequently, further

Activity/Operator	Location	Date
Vintage Petroleum, Inc., Structure Removal SEA ES/SR 04-137.	Main Pass, Block 125, Lease OCS-G 04913, located 20 miles from the nearest Louisiana shoreline.	9/23/2004
Maritech Resources, Inc., Structure Removal SEA ES/SR 04-136.	East Cameron, Block 38, Lease OCS-G 02562, located 8 miles from the nearest Louisiana shoreline.	9/28/2004
Maritech Resources, Inc., Structure Removal SEA ES/SR 04-135.	Eugene Island, Block 28, Lease OCS-G 05478, located 12 miles from the nearest Louisiana shoreline.	9/28/2004
ATP Oil & Gas Corporation, Structure Removal SEA ES/SR 04-134.	High Island (East South), Block A354, Lease OCS-G 17212, located 110 miles from the nearest Texas shoreline.	9/28/2004
Veritas DGC, Inc., Geological & Geophysical Exploration Plan SEA L04-62.	Located in the central Gulf of Mexico south of Fourchon, Louisiana	9/30/2004

Persons interested in reviewing environmental documents for the proposals listed above or obtaining information about SEAs and FONSI's prepared for activities on the Gulf of Mexico OCS are encouraged to contact MMS at the address or telephone listed in the **FOR FURTHER INFORMATION CONTACT** section.

Dated: October 7, 2004.

Chris C. Oynes,

Regional Director, Gulf of Mexico OCS Region.

[FR Doc. 04-25242 Filed 11-12-04; 8:45 am]

BILLING CODE 4310-MR-P

DEPARTMENT OF INTERIOR

Office of Surface Mining Reclamation and Enforcement

Notice of Proposed Information Collection

AGENCY: Office of Surface Mining Reclamation and Enforcement.

ACTION: Notice and request for comments.

SUMMARY: In compliance with the Paperwork Reduction Act of 1995, the Office of Surface Mining Reclamation and Enforcement (OSM) is announcing that the information collection request for its Technical Evaluation customer surveys has been forwarded to the Office of Management and Budget (OMB) for review and comment. The information collection request describes the nature of the information collection and the expected burden and cost. The OMB control number for this collection of information is 1029-0114 and is on the forms along with the expiration date.

DATES: OMB has up to 60 days to approve or disapprove the information collections but may respond after 30 days. Therefore, public comments should be submitted to OMB by December 15, 2004, in order to be assured of consideration.

FOR FURTHER INFORMATION CONTACT: To request a copy of the information collection request, explanatory

information and related form, contact John A. Trelease at (202) 208-2783, or electronically to jtreleas@osmre.gov.

SUPPLEMENTARY INFORMATION: The Office of Management and Budget (OMB) regulations at 5 CFR part 1320, which implement provisions of the Paperwork Reduction Act of 1995 (Pub. L. 104-13), require that interested members of the public and affected agencies have an opportunity to comment on information collection and recordkeeping activities (see 5 CFR 1320.8(d)). OSM has submitted a request to OMB to renew its approval of the collection of information contained in a series of technical evaluation customer surveys. OSM is requesting a 3-year term of approval for the information collection activity.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The OMB control number for this collection of information is 1029-0114.

As required under 5 CFR 1320.8(d), a **Federal Register** notice soliciting comments on this collection of information was published on June 24, 2004 (69 FR 35391). No comments were received. This notice provides the public with an additional 30 days in which to comment on the following information collection activity:

Title: Technical Evaluations Series.

OMB Control Number: 1029-0114.

Summary: The series of surveys are needed to ensure that technical assistance activities, technology transfer activities and technical forums are useful for those who participate or receive the assistance. Specifically, representatives from State and tribal regulatory and reclamation authorities, representatives of industry, environmental or citizen groups, or the public, are the recipients of the assistance or participants in these forums. These surveys will be the primary means through which OSM evaluates its performance in meeting the performance goals outlined in its annual plans developed pursuant to the

Government Performance and Results Act.

Bureau Form Number: None.

Frequency of Collection: Once.

Description of Respondents: 26 State and tribal governments, industry organizations and individuals who request information or assistance.

Total Annual Responses: 300.

Total Annual Burden Hours: 25.

Send comments on the need for the collection of information for the performance of the functions of the agency; the accuracy of the agency's burden estimates; ways to enhance the quality, utility and clarity of the information collection; and ways to minimize the information collection burden on respondents, such as use of automated means of collection of the information, to the following address. Please refer to the appropriate OMB control number in all correspondence.

ADDRESSES: Please send comments to the Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Department of Interior Desk Officer, electronically to OIRA_DOCKET@omb.eop.gov, or via facsimile at (202) 395-6566. Also, please send a copy of your comments to John A. Trelease, Office of Surface Mining Reclamation and Enforcement, 1951 Constitution Ave, NW., Room 210-SIB, Washington, DC 20240, or electronically to jtreleas@osmre.gov.

Dated: September 7, 2004.

Sarah E. Donnelly,

Acting Chief, Division of Regulatory Support.

[FR Doc. 04-25319 Filed 11-12-04; 8:45 am]

BILLING CODE 4310-05-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-1070 (Final)]

Certain Tissue Paper Products and Crepe Paper Products From China

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject investigation.

EFFECTIVE DATE: November 5, 2004.

FOR FURTHER INFORMATION CONTACT: Fred Forstall ((202) 205-3443), Office of Industries, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at (202) 205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION: On October 4, 2004, the Commission issued a schedule for the conduct of the final phase of the subject investigation (69 FR 60423, October 8, 2004). Subsequently, counsel on behalf of petitioners in this investigation¹ requested that the Commission extend the deadline for filing posthearing briefs on issues related to tissue paper (also applicable to the deadline for the submission of a written statement of information on issues related to tissue paper by any person who has not entered an appearance as a party to the investigation) by one week or more (letter from Collier Shannon Scott, PLLC to Marilyn R. Abbott, Secretary, October 21, 2004). Upon consideration of the reasons stated for the request, including an overlapping deadline with a related filing on crepe paper from China, the Commission is revising its schedule to extend the deadline for filing posthearing briefs and written statements by non-parties on issues related to tissue paper from January 5, 2005, to January 12, 2005.

For further information concerning this investigation see the Commission's notice cited above and the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

¹ Petitioners are Seaman Paper Company of Massachusetts, Inc.; American Crepe Corp.; Eagle Tissue LLC; Flower City Tissue Mills Co.; Garlock Printing & Converting, Inc.; Paper Service Ltd.; Putney Paper Co., Ltd.; and the Paper, Allied-Industrial, Chemical and Energy Workers International Union AFL-CIO, CLC.

By order of the Commission.

Issued: November 8, 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-25255 Filed 11-12-04; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF JUSTICE

Antitrust Division

United States v. Cingular Wireless Corporation, SBC Communications Inc., BellSouth Corporation, and AT&T Wireless Services, Inc.; Competitive Impact Statement, Proposed Final Judgment, Complaint, Preservation of Assets Stipulation and Order

Notice is hereby given pursuant to the Antitrust Procedures and Penalties Act, 15 U.S.C. 16(b)-(h), that a Complaint, proposed Final Judgment, Preservation of Assets Stipulation and Order, and Competitive Impact Statement have been filed with the U.S. District Court for the District of Columbia in *United States v. Cingular Wireless Corps.*, Civil Case No. 1:04CV01850 (RBW). On October 25, 2004, the United States, along with the Attorneys General from the states of Connecticut and Texas, filed a complaint alleging that the proposed acquisition of AT&T Wireless Services, Inc. ("AT&T Wireless") by Cingular Wireless Corp. ("Cingular"), which is jointly owned by BellSouth Corporation ("BellSouth") and SBC Communications, Inc. ("SBC"), would violate Section 7 of the Clayton Act, 15 U.S.C. 18, by substantially lessening competition in the provision of mobile wireless telecommunications services and mobile wireless broadband services. The proposed Final Judgment, filed at the same time as the Complaint and Preservation of Assets Stipulation and Order, requires Cingular to divest assets in eleven states—Connecticut, Georgia, Kansas, Kentucky, Louisiana, Massachusetts, Missouri, Michigan, Oklahoma, Tennessee, and Texas—in order to proceed with Cingular Wireless's \$41 billion cash acquisition of AT&T Wireless. A Competitive Impact Statement filed by the United States on October 29, 2004 describes the Complaint, the proposed Final Judgment, the industry, and the remedies available to private litigants who may have been injured by the alleged violation.

Copies of the Complaint, proposed Final Judgment, Preservation of Assets Stipulation and Order, the Competitive Impact Statement, and all further papers filed with the Court in connection with the Complaint will be available for

inspection at the Antitrust Documents Group, Antitrust Division, Liberty Place Building, Room 215, 325 7th Street, NW., Washington, DC 20530 (202-514-2481), and at the Office of the Clerk of the U.S. District Court for the District of Columbia. Copies of these materials may be obtained from the Antitrust Division upon request and payment of the copying fee set by Department of Justice regulations.

Interested persons may submit comments in writing regarding the proposed consent decree to the United States. Such comments must be received by the Antitrust Division within sixty (60) days and will be filed with the Court by the United States. Comments should be addressed to Nancy Goodman, Chief, Telecommunications & Media Enforcement Section, Antitrust Division, U.S. Department of Justice, 1401 H Street, NW., Suite 8000, Washington, DC 20530 (202-514-5621). At the conclusion of the sixty (60) day comment period. The U.S. District Court for the District of Columbia may enter the proposed consent decree upon finding that it serves the public interest.

J. Robert Kramer II,

Director of Operations, Antitrust Division.

In the United States District Court for the District of Columbia

United State of America, State of Connecticut and State of Texas, Plaintiffs, v. Cingular Wireless Corporation, SBC Communications Inc., BellSouth Corporation and AT&T Wireless Services, Inc., Defendants; Competitive Impact Statement

Civil No. 1:04CV01850 (RBW).
Filed: October 29, 2004.

Plaintiff United States of America ("United States"), pursuant to Section 2(b) of the Antitrust Procedures and Penalties Act ("APPA" or "Tunney Act"), 15 U.S.C. § 16(b)-(h), files this Competitive Impact Statement relating to the proposed Final Judgment submitted for entry in this civil antitrust proceeding.

I. Nature and Purpose of the Proceeding

Defendants Cingular Wireless Corporation ("Cingular"), SBC Communications Inc. ("SBC"), BellSouth Corporation ("BellSouth"), and AT&T Wireless Services, Inc. ("AT&T Wireless Services") entered into an Agreement and Plan of Merger dated February 17, 2004, pursuant to which Cingular will acquire AT&T Wireless. Plaintiff United States and the states of Connecticut and Texas ("plaintiff states") filed a civil antitrust Complaint on October 25, 2004, seeking to enjoin the proposed acquisition. The

DEPARTMENT OF COMMERCE**International Trade Administration**

[A-570-894]

Notice of Final Determination of Sales at Less Than Fair Value: Certain Tissue Paper Products from the People's Republic of China

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: February 14, 2005.

FOR FURTHER INFORMATION CONTACT: Alex Villanueva, Matthew Renkey, John Conniff or Kit Rudd, AD/CVD Operations, Office 9, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-3208, (202) 482-2312, (202) 482-1009, or (202) 482-1385, respectively.

Final Determination

We determine that certain tissue paper products from the People's Republic of China ("PRC") are being, or are likely to be, sold in the United States at less than fair value ("LTFV") as provided in section 735 of the Tariff Act of 1930, as amended ("the Act"). The estimated margins of sales at LTFV are shown in the "Final Determination Margins" section of this notice.

SUPPLEMENTARY INFORMATION:**Case History**

On September 21, 2004, the Department of Commerce ("the Department") published its preliminary determination of sales at LTFV, affirmative preliminary determination of critical circumstances, and postponement of the final determination in the antidumping investigation of certain tissue paper products from the PRC. See *Certain Tissue Paper Products and Certain Crepe Paper Products from the People's Republic of China: Notice of Preliminary Determinations of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination for Certain Tissue Paper Products*, 69 FR 56407 (September 21, 2004) ("*Preliminary Determination*").

During the investigation, the Department examined sales information from two exporters of subject merchandise that were selected as Mandatory Respondents.¹ In addition,

12 companies requested separate rates and we refer to them, collectively, as the Section A Respondents.² We invited interested parties to comment on our Preliminary Determination. Based on our analysis of the comments we received, we have made changes to our determinations for the two Mandatory Respondents. As a result of those changes, the rate assigned to companies which received a separate rate also changed.

On November 24, 2004, the Department issued a memorandum in response to ministerial error allegations filed by China National and Petitioners³ on September 24, 2004, and October 1, 2004. See *Antidumping Duty Investigation of Certain Tissue Paper Products from the People's Republic of China ("China"): Analysis of Allegations of Ministerial Errors*. On December 1, 2004, China National again filed comments regarding alleged ministerial errors. The Department replied to these ministerial error allegations via a letter dated January 3, 2005. The Department conducted verification of the Mandatory Respondents: Fujian Naoshan from November 1-7, 2004, and China National from December 6-17, 2004. See the "Verification" section below for additional information.

On January 12, 2005, Mandatory Respondents and Petitioners submitted case briefs; on January 18, 2005, those same parties submitted rebuttal briefs. Also on January 18, 2005, two Section A Respondents filed case briefs; no party filed a rebuttal brief in response to these case briefs. On January 24, 2005, the Department held a public hearing in accordance with section 351.310(d)(1) of the Department's regulations. Representatives for the Mandatory Respondents and Petitioners attended.

Fujian Naoshan Paper Industry Group Co., Ltd. ("Fujian Naoshan").

² Fujian Xinjifu Enterprises, Co., Ltd. ("Fujian Xinjifu"), Qingdao Wenlong Co., Ltd. ("Qingdao Wenlong"), Hunan Winco Light Industry Products Import & Export Co., Ltd. ("Hunan Winco"), Fuzhou Light Industry Import & Export Co., Ltd. ("Fuzhou Light"), Fujian Nanping Investment & Enterprise Co. ("Fujian Nanping"), Guilin Qifeng Paper Co. Ltd. ("Guilin Qifeng"), Ningbo Spring Stationary Limited Company ("Ningbo Spring"), Everlasting Business & Industry Corporation, Ltd. ("Everlasting"), Anhui Light Industrial Import & Export Co., Ltd. ("Anhui Light"), Samsam Production Limited & Guangzhou Baxi Printing Products Limited ("Samsam"), Max Fortune Industrial Limited ("Max Fortune"), and Fuzhou Magicpro Gifts Co., Ltd. ("Magicpro").

³ Seaman Paper Company of Massachusetts Inc.; Eagle Tissue LLC; Flower City Tissue Mills Co.; Garlock Printing & Converting, Inc.; Paper Service Ltd.; Putney Paper Co., Ltd.; and the Paper, Allied-Industrial, Chemical and Energy Workers International Union AFL-CIO, CLC (collective "Petitioners").

Mandatory Respondents

On October 18, 2004, Petitioners filed pre-verification comments regarding Fujian Naoshan. On October 19, 2004, Fujian Naoshan filed its sales reconciliation documentation. China National filed revised financial statements on October 21, 2004, and on October 25, 2004, it filed dye-specific factors of production ("FOP") information. On October 29, 2004, China National submitted its sales reconciliation documentation. On November 10, 2004, China National, Fujian Naoshan, and Petitioners submitted information regarding surrogate values. On November 12, 2004, China National submitted comments on surrogate value information. On November 17, 2004, Petitioners submitted comments on China National's November 12, 2004, submission. On November 29, 2004, Petitioners replied to surrogate value comments submitted by Fujian Naoshan. On December 2, 2004, Petitioners submitted pre-verification comments for China National.

On December 21, 2004, China National submitted the minor corrections that had been presented at verification. On January 7, 2005, Petitioners submitted information regarding a potential undisclosed affiliation for Fujian Naoshan, and supplemented this information with a January 10, 2005, filing. On January 12, 2005, China National submitted an affidavit from one of its counsel from a Chinese law firm concerning certain issues relating to China National's verification. Petitioners further clarified the information in their January 7 and January 10, 2005 filings with a letter submitted on January 14, 2005. On January 14, 2005, Fujian Naoshan submitted a reply to Petitioners' January 7 and January 10, 2005, filings. (Fujian Naoshan's additional arguments regarding this issue were included in its rebuttal brief.) Also on January 14, 2005, China National submitted an affidavit from an industry source regarding tissue paper basis weights. On January 18, 2005, China National filed a revised FOP database, pursuant to a request from the Department.

Section A Respondents

On October 18, 2004, Magicpro notified the Department that it would no longer participate in the investigation. On October 21, 2004, Fujian Xinjifu notified the Department that it would not participate in the verification of its section A response. On October 25, 2004, Hunan Winco submitted new factual information regarding its

¹ China National Aero-Technology Import & Export Xiamen Corporation ("China National") and

separate rates claim. On January 14, 2005, a certain Section A Respondent submitted an affidavit regarding certain information that had been placed on the record concerning Fujian Naoshan.

Scope Comments

Parties did not submit comments regarding scope during the course of this investigation. However, the Department issued a scope ruling based on a request from CSS Industries, Inc. that considered whether jumbo rolls should be included within the scope of this investigation. The Department determined in its ruling that jumbo rolls were not covered by this investigation. See the memorandum entitled "Final Scope Ruling: Antidumping Duty Order on Certain Tissue Paper Products From the People's Republic of China (A-570-894); CSS Industries, Inc.," dated December 1, 2004.

Scope of Investigation

The tissue paper products subject to investigation are cut-to-length sheets of tissue paper having a basis weight not exceeding 29 grams per square meter. Tissue paper products subject to this investigation may or may not be bleached, dye-colored, surface-colored, glazed, surface decorated or printed, sequined, crinkled, embossed, and/or die cut. The tissue paper subject to this investigation is in the form of cut-to-length sheets of tissue paper with a width equal to or greater than one-half (0.5) inch. Subject tissue paper may be flat or folded, and may be packaged by banding or wrapping with paper or film, by placing in plastic or film bags, and/or by placing in boxes for distribution and use by the ultimate consumer. Packages of tissue paper subject to this investigation may consist solely of tissue paper of one color and/or style, or may contain multiple colors and/or styles.

The merchandise subject to this investigation does not have specific classification numbers assigned to them under the Harmonized Tariff Schedule of the United States ("HTSUS"). Subject merchandise may be under one or more of several different subheadings, including: 4802.30; 4802.54; 4802.61; 4802.62; 4802.69; 4804.39; 4806.40; 4808.30; 4808.90; 4811.90; 4823.90; 4820.50.00; 4802.90.00; 4805.91.90; 9505.90.40. The tariff classifications are provided for convenience and customs purposes; however, the written description of the scope of these investigations is dispositive.

Excluded from the scope of this investigation are the following tissue paper products: (1) Tissue paper products that are coated in wax,

paraffin, or polymers, of a kind used in floral and food service applications; (2) tissue paper products that have been perforated, embossed, or die-cut to the shape of a toilet seat, *i.e.*, disposable sanitary covers for toilet seats; (3) toilet or facial tissue stock, towel or napkin stock, paper of a kind used for household or sanitary purposes, cellulose wadding, and webs of cellulose fibers (HTSUS 4803.00.20.00 and 4803.00.40.00).

Analysis of Comments Received

The issue of applying total adverse facts available ("AFA") raised in the case and rebuttal briefs by parties in this investigation are addressed in the *Memorandum to Barbara E. Tillman, Acting Deputy Assistant Secretary for Import Administration from James C. Doyle, Director, AD/CVD Operations, Office 9, Regarding Application of Total Adverse Facts Available to China National Aero-Technology Import and Export Xiamen Corporation ("China National") in the Final Determination of Sales at Less than Fair Value: Certain Tissue Paper Products from the People's Republic of China ("PRC") ("China National AFA Memo")*, and the *Memorandum to Barbara E. Tillman, Acting Deputy Assistant Secretary for Import Administration from James C. Doyle, Director, AD/CVD Operations, Office 9, Regarding Application of Total Adverse Facts Available to Fujian Naoshan ("Naoshan") in the Final Determination of Sales at Less than Fair Value: Certain Tissue Paper Products from the People's Republic of China ("PRC") ("Fujian Naoshan AFA Memo")*, both dated February 3, 2005, and which are hereby adopted by this notice. All other issues raised in the case and rebuttal briefs by parties in this investigation are addressed in the Issues and Decision Memorandum, dated February 3, 2005, which is also hereby adopted by this notice ("*Issues and Decision Memorandum*"). A list of the issues which parties raised and to which we respond in the *Issues and Decision Memorandum* is attached to this notice as an Appendix. The *Issues and Decision Memorandum* is a public document and is on file in the Central Records Unit ("CRU"), Main Commerce Building, Room B-099, and is accessible on the Web at <http://ia.ita.doc.gov/>. The paper copy and electronic version of the memorandum are identical in content.

Verification

As provided in section 782(i) of the Act, we verified the information submitted by the Mandatory Respondents for use in our final determination. See the Department's

verification reports on the record of this investigation in the CRU with respect to China National and Fujian Naoshan. For all verified companies, we used standard verification procedures, including examination of relevant accounting and production records, as well as original source documents provided by the respondents.

Period of Investigation

The period of investigation ("POI") is July 1, 2003, through December 31, 2003.

This period corresponds to the two most recent fiscal quarters prior to the month of the filing of the petition. See section 351.204(b)(1) of the Department's regulations.

Surrogate Country

In the *Preliminary Determination*, we stated that we had selected India as the appropriate surrogate country to use in this investigation for the following reasons: (1) India is at a level of economic development comparable to that of the PRC; (2) Indian manufacturers produce comparable merchandise and are significant producers of certain tissue paper products; (3) India provides the best opportunity to use appropriate, publicly available data to value the FOPs. See *Preliminary Determination*. We received no comments from interested parties concerning our selection of India as the surrogate country. For the final determination, we have determined to continue to use India as the surrogate country and, accordingly, have calculated the PRC-wide rate using Indian data. We have obtained and relied upon publicly available information wherever possible.

Separate Rates

In the *Preliminary Determination*, the Department found that several companies which provided responses to Section A of the antidumping questionnaire were eligible for a rate separate from the PRC-wide rate. No party submitted comments challenging these separate rate determinations, so we continue to find that those companies remain eligible for a separate rate. For a complete listing of all the companies that received a separate rate, see the "Final Determination Margins" section below.

The Department found that one Section A Respondent, Hunan Winco, did not provide sufficient information to support its request for a separate rate. Accordingly, Hunan Winco has not overcome the presumption that it is part of the PRC-wide entity and its entries will be subject to the PRC-wide rate. See

Issues and Decision Memo at Comment 5. Magicpro, another Section A Respondent, stated that it was withdrawing from the investigation. Section A Respondent Fujian Xinjifu stated that it would not participate in the verification of its response. As such, these two companies did not overcome the presumption that they are part of the PRC-wide entity, and their entries will be subject to the PRC-wide rate. We have also found that China National and Fujian Naoshan are not entitled to separate rates. See the “Facts Available” section below.

The margin we calculated in the *Preliminary Determination* for the companies receiving a separate rate was 91.32 percent. The rates of the selected Mandatory Respondents have changed since the *Preliminary Determination* as we are applying total AFA to them. The rate for Section A Respondents that are eligible for a separate rate is thus now the same as the PRC-wide rate, which is 112.64 percent. This rate was calculated by revising the petition margin and is the only rate available for use in this final determination. See the “PRC-Wide Rate” and “Margins for Cooperative Exporters Not Selected” sections below, and the *Memorandum from Kit L. Rudd, Case Analyst to the File Through Alex Villanueva, Program Manager, Regarding the Calculation and Corroboration of the PRC-Wide Rate, (“PRC-Wide Rate Calculation Memo”)*.

Critical Circumstances

As described below in the “Facts Available” section, we are applying total AFA to China National and Fujian Naoshan. As part of total AFA for China National and Fujian Naoshan, we determine that they are not eligible for separate rates and are therefore part of the PRC-wide entity. See *Fujian Naoshan AFA Memo* and *China National AFA Memo*. No party submitted comments challenging the Department’s critical circumstances finding in the *Preliminary Determination* with regard to the PRC-wide entity. As such, the Department continues to find that critical circumstances exist for the PRC-wide entity, including China National and Fujian Naoshan. Additionally, for this final determination we continue to find that critical circumstances do not exist with regard to imports of certain tissue paper products from the PRC for all the Section A Respondents granted a separate rate. For further details regarding the Department’s critical circumstances analysis from the *Preliminary Determination*, see the *Memo from Edward C. Yang, Office Director to Jeffrey A. May, Deputy*

Assistant Secretary for Import Administration, Regarding the Antidumping Duty Investigation of Certain Tissue Paper Products and Certain Crepe Paper Products from the People’s Republic of China (the “PRC”)—Partial Affirmative Preliminary Determination of Critical Circumstances for Importers of Certain Tissue Paper Products and Crepe Paper Products from the PRC, dated September 21, 2004.

The PRC-Wide Rate

Because we begin with the presumption that all companies within a non-market economy (“NME”) country are subject to government control and because only the companies listed under the “Final Determination Margins” section below have overcome that presumption, we are applying a single antidumping rate—the PRC-wide rate—to all other exporters of subject merchandise from the PRC. Such companies did not demonstrate entitlement to a separate rate. See, e.g., *Final Determination of Sales at Less Than Fair Value: Synthetic Indigo from the People’s Republic of China*, 65 FR 25706 (May 3, 2000). The PRC-wide rate applies to all entries of subject merchandise except for entries from the respondents which are listed in the “Final Determination Margins” section below (except as noted). The information used to calculate this PRC-wide rate was corroborated with some small changes in accordance with section 776(c) of the Act. See *PRC-Wide Rate Calculation and Corroboration Memo, China National AFA Memo* and *Fujian Naoshan AFA Memo*.

Facts Available

Section 776(a)(2) of the Act provides that if an interested party: (A) Withholds information that has been requested by the Department; (B) fails to provide such information in a timely manner or in the form or manner requested, subject to subsections 782(c)(1) and (e) of the Act; (C) significantly impedes a determination under the antidumping statute; or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination.

Section 776(b) of the Act states that if the administering authority finds that an interested party has not acted to the best of its ability to comply with a request for information, the administering authority may, in reaching its determination, use an inference that is adverse to that party. The adverse

inference may be based upon: (1) The petition, (2) a final determination in the investigation under this title, (3) any previous review under section 751 or determination under section 753, or (4) any other information placed on the record.

Total AFA for China National

For the final determination, the Department is applying facts available to China National because it failed to provide verifiable FOP data and basis weight information that the Department had requested, in accordance with section 776(a)(2)(D) of the Act. Also, China National failed to report sales of subject merchandise to the United States made by one of its affiliates, in accordance with sections 776(a)(2)(A) and (B) of the Act. Moreover, certain information regarding the financial statements of China National’s three affiliated companies involved in the production and sale of subject merchandise calls into question the reliability of the data that would be used to calculate a margin.

Furthermore, in accordance with section 776(b) of the Act, the Department found that China National failed to cooperate to the best of its ability to comply with the Department’s request for information, and, therefore, finds an adverse inference is warranted in determining the facts otherwise available. We also have determined that China National is not eligible for a separate rate. For a complete discussion of this matter, see the *China National AFA Memo*.

Total AFA for Fujian Naoshan

For the final determination, the Department is applying facts available to Fujian Naoshan because it failed to disclose information regarding a possible relationship between it and another exporter of subject merchandise in China, in accordance with sections 776(a)(2) (A) through (D) of the Act.

Furthermore, in accordance with section 776(b) of the Act, the Department found that Fujian Naoshan failed to cooperate to the best of its ability to comply with the Department’s request for information, and, therefore, finds an adverse inference is warranted in determining the facts otherwise available. We also have determined that Fujian Naoshan is not eligible for a separate rate. For a complete discussion of this matter, see the *Fujian Naoshan AFA Memo*.

Changes Since the Preliminary Determination

Based on our findings at verification, additional information placed on the

record of this investigation, and analysis of comments received, we have made changes that impact the dumping margins in this proceeding. For discussion of these changes, see *Issues and Decision Memo, China National AFA Memo, Fujian Naoshan AFA Memo, and PRC-Wide Rate Calculation and Corroboration Memo.*

Margins for Section A Respondents Receiving a Separate Rate

As we are applying total AFA to the Mandatory Respondents, those exporters who responded to Section A of the Department's antidumping questionnaire, established their claim for a separate rate, and had sales of the merchandise under investigation, but were not selected as Mandatory Respondents in this investigation, will receive the same rate as the PRC-wide rate, which is 112.64 percent. See *PRC-Wide Rate Calculation and Corroboration Memo.* This rate was calculated by revising the petition margin and is the only rate available for use in this final determination. See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances: Certain Crepe Paper From The People's Republic of China*, 69 FR 70233 (December 3, 2004).

Surrogate Values

The Department made changes to the surrogate values used to calculate the PRC-wide rate from the *Preliminary Determination*. For a complete discussion of the surrogate values, see *Issues and Decisions Memorandum* at Comment 2.

Final Determination Margins

We determine that the following percentage weighted-average margins exist for the POI:

Company	Weighted-average margin (percent)
PRC Wide Rate	112.64

CERTAIN TISSUE PAPER PRODUCTS FROM PRC SECTION A RESPONDENTS

Manufacturer/exporter	Weighted-average margin (percent)
Qingdao Wenlong Co., Ltd. ("Qingdao Wenlong")	112.64
Fujian Nanping Investment & Enterprise Co. ("Fujian Nanping")	112.64

CERTAIN TISSUE PAPER PRODUCTS FROM PRC SECTION A RESPONDENTS—Continued

Manufacturer/exporter	Weighted-average margin (percent)
Fuzhou Light Industry Import & Export Co., Ltd. ("Fuzhou Light")	112.64
Guilin Qifeng Paper Co. Ltd. ("Guilin Qifeng")	112.64
Ningbo Spring Stationary Limited Company ("Ningbo Spring")	112.64
Everlasting Business & Industry Corporation, Ltd. ("Everlasting")	112.64
Anhui Light Industrial Import & Export Co., Ltd. ("Anhui Light")	112.64
Samsam Production Limited & Guangzhou Baxi Printing Products Limited ("Samsam")	112.64
Max Fortune Industrial Limited ("Max Fortune")	112.64

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing U.S. Customs and Border Protection ("CBP") to continue to suspend liquidation of all entries of subject merchandise from the Section A Respondents that received a separate rate, that are entered, or withdrawn from warehouse, for consumption on or after the September 21, 2004, the date of publication of the *Preliminary Determination*. However, with respect to all other PRC exporters, the Department will continue to direct CBP to suspend liquidation of all entries of certain tissue paper products from the PRC that are entered, or withdrawn from warehouse, on or after 90 days before September 21, 2004, the date of publication of the *Preliminary Determination*. These suspension of liquidation instructions will remain in effect until further notice.

Disclosure

We will disclose the calculations performed within five days of the date of publication of this notice to parties in this proceeding in accordance with 19 CFR 351.224(b).

United States International Trade Commission (ITC) Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our final determination of sales at LTFV. As our final determination is affirmative, in accordance with section 735(b)(2) of the Act, within 45 days the ITC will determine whether the domestic

industry in the United States is materially injured, or threatened with material injury, by reason of imports or sales (or the likelihood of sales) for importation of the subject merchandise. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing CBP to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

Notification Regarding APO

This notice also serves as a reminder to parties subject to administrative protective order ("APO") of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305. Timely notification of return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This determination is issued and published in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: February 3, 2005.

Barbara E. Tillman,

Acting Assistant Secretary for Import Administration.

Appendix

- Comment 1: Treatment of Mixed Packages
- Comment 2: Calculation of the Surrogate Financial Ratios
- Comment 3: Request for Initiation of Circumvention Inquiry
- Comment 4: Section A Rate—Max Fortune Industrial Limited ("Max Fortune")
- Comment 5: Section A Rate—Hunan Winco Light Industry Product Import & Export Co. Ltd. ("Hunan Winco")

[FR Doc. E5-595 Filed 2-11-05; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[C-357-813]

Notice of Extension of Time Limit for Final Results of Countervailing Duty Administrative Review: Honey From Argentina

AGENCY: Import Administration, International Trade Administration, U.S. Department of Commerce.

APPENDIX B
HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Certain Tissue Paper Products and Crepe Paper Products from China
Inv. No.: 731-TA-1070 (Final)
Date and Time: December 9, 2004 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, SW, Washington, D.C.

OPENING REMARKS:

Petitioner (**David A. Hartquist**, Collier Shannon Scott, PLLC)
Respondents (**Frederick L. Ikenson**, Blank Rome LLP)

In Support of the Imposition of Antidumping Duties:

Collier Shannon Scott, PLLC
Washington, D.C.
on behalf of

Seaman Paper Company of Massachusetts, Inc.

George D. Jones, III, President, Seaman Paper Company of Massachusetts, Inc.
James B. Jones, Vice President, Seaman Paper Company of Massachusetts, Inc.
Ted Tepe, Vice President, Sales, Seaman Paper Company of Massachusetts, Inc.
Peter Garlock, President, Garlock Printing & Converting
William Shafer, IV, Vice President, Flower City Tissue Mills Co.
Robert Costa, President, Eagle Tissue LLC
Patrick J. Magrath, Managing Director, Georgetown Economic Services, LLC
Gina E. Beck, Economic Consultant, Georgetown Economic Services, LLC

David A. Hartquist)
Kathleen W. Cannon) – OF COUNSEL
Adam H. Gordon)

**In Opposition to the Imposition of
Antidumping Duties:**

Blank Rome LLP
Washington, D.C.
on behalf of

Cleo Inc. (“Cleo”)
Crystal Creative Products, Inc. (“Crystal”)

Andrew W. Kelly, President, Cleo
Michael D. Bradley, Professor of Economics, The
George Washington University

Frederick L. Ikenson)
) – OF COUNSEL
Roberta Kienast Dagher)

Neville Peterson LLP
Washington, D.C.
on behalf of

Target Corporation (“Target”)

Deborah Kelley, Senior Buyer, Target Stores
George Vollmer, Product Manager, Target Sourcing Services
Toni Demski-Brandl, Senior Counsel, Target Brands, Inc.
Hollie McFarland, Paralegal, Target Brands, Inc.

George W. Thompson) – OF COUNSEL

REBUTTAL/CLOSING REMARKS

Petitioners (**David A. Hartquist**, Collier Shanonn Scott, PLLC)
Respondents (**George W. Thompson**, Neville Peterson LLP)

APPENDIX C
SUMMARY DATA

Table C-1

Tissue paper products: Summary data concerning the U.S. market, 2001-03, January-September 2003, and January-September 2004

(Quantity=1,000 square meters, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per 1,000 square meters; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2001	2002	2003	January-September		2001-03	2001-02	2002-03	Jan.-Sept. 2003-04
				2003	2004				
U.S. consumption quantity:									
Amount	2,252,460	2,420,665	2,363,074	1,463,784	1,503,178	4.9	7.5	-2.4	2.7
Producers' share (1)	91.0	87.2	70.9	76.1	71.3	-20.1	-3.9	-16.3	-4.8
Importers' share (1):									
China	9.0	12.8	***	***	***	***	3.9	***	***
All other sources	0.0	0.0	***	***	***	***	0.0	***	***
Total imports	9.0	12.8	29.1	23.9	28.7	20.1	3.9	16.3	4.8
U.S. consumption value:									
Amount	130,075	138,680	130,701	81,380	90,947	0.5	6.6	-5.8	11.8
Producers' share (1)	91.4	87.5	71.8	76.9	71.6	-19.6	-3.9	-15.7	-5.3
Importers' share (1):									
China	8.6	12.5	***	***	***	***	3.9	***	***
All other sources	0.0	0.0	***	***	***	***	0.0	***	***
Total imports	8.6	12.5	28.2	23.1	28.4	19.6	3.9	15.7	5.3
U.S. shipments of imports from:									
China:									
Quantity	202,212	310,895	***	***	***	***	53.7	***	***
Value	11,201	17,291	***	***	***	***	54.4	***	***
Unit value	\$55.39	\$55.62	***	***	***	***	0.4	***	***
Ending inventory quantity	21,750	37,197	***	***	***	***	71.0	***	***
All other sources:									
Quantity	0	0	***	***	***	***	⊖	***	***
Value	0	0	***	***	***	***	⊖	***	***
Unit value	⊖	⊖	***	***	***	***	⊖	***	***
Ending inventory quantity	0	0	***	***	***	***	⊖	***	***
All sources:									
Quantity	202,212	310,895	687,753	350,047	431,718	240.1	53.7	121.2	23.3
Value	11,201	17,291	36,822	18,828	25,856	228.7	54.4	113.0	37.3
Unit value	\$55.39	\$55.62	\$53.54	\$53.79	\$59.89	-3.3	0.4	-3.7	11.3
Ending inventory quantity	21,750	37,197	95,427	233,686	235,154	338.7	71.0	156.5	0.6
U.S. producers':									
Average capacity quantity	3,722,201	3,878,349	3,814,081	2,737,161	2,579,323	2.5	4.2	-1.7	-5.8
Production quantity	2,079,215	2,221,313	1,730,868	1,249,484	1,156,725	-16.8	6.8	-22.1	-7.4
Capacity utilization (1)	55.9	57.3	45.4	45.6	44.8	-10.5	1.4	-11.9	-0.8
U.S. shipments:									
Quantity	2,050,248	2,109,770	1,675,321	1,113,738	1,071,459	-18.3	2.9	-20.6	-3.8
Value	118,874	121,388	93,879	62,552	65,091	-21.0	2.1	-22.7	4.1
Unit value	\$57.98	\$57.54	\$56.04	\$56.16	\$60.75	-3.4	-0.8	-2.6	8.2
Export shipments:									
Quantity	41,388	46,767	47,304	28,915	30,662	14.3	13.0	1.1	6.0
Value	2,265	2,436	2,373	1,453	1,621	4.8	7.5	-2.6	11.6
Unit value	\$54.73	\$52.09	\$50.16	\$50.25	\$52.87	-8.3	-4.8	-3.7	5.2
Ending inventory quantity	303,427	368,103	376,345	467,599	431,195	24.0	21.3	2.2	-7.8
Inventories/total shipments (1)	14.5	17.1	21.8	30.7	29.3	7.3	2.6	4.8	-1.3
Production workers	592	571	428	413	437	-27.7	-3.4	-25.2	5.8
Hours worked (1,000s)	1,219	1,188	1,018	725	670	-16.5	-2.5	-14.4	-7.6
Wages paid (\$1,000s)	14,652	15,556	13,805	9,643	9,180	-5.8	6.2	-11.3	-4.8
Hourly wages	\$12.02	\$13.09	\$13.57	\$13.30	\$13.70	12.9	8.9	3.6	3.0
Productivity (sq meters/hour)	1,705.7	1,869.5	1,701.1	1,723.3	1,726.8	-0.3	9.6	-9.0	0.2
Unit labor costs	\$7.05	\$7.00	\$7.98	\$7.72	\$7.94	13.2	-0.6	13.9	2.8
Net sales:									
Quantity	2,191,763	2,114,996	1,606,772	1,142,607	1,102,121	-26.7	-3.5	-24.0	-3.5
Value	124,967	121,342	91,934	63,935	66,709	-26.4	-2.9	-24.2	4.3
Unit value	\$57.02	\$57.37	\$57.22	\$55.96	\$60.53	0.4	0.6	-0.3	8.2
Cost of goods sold (COGS)	92,831	91,627	66,918	47,705	48,231	-27.9	-1.3	-27.0	1.1
Gross profit or (loss)	32,135	29,715	25,016	16,230	18,478	-22.2	-7.5	-15.8	13.8
SG&A expenses	23,908	24,672	21,403	15,059	15,771	-10.5	3.2	-13.2	4.7
Operating income or (loss)	8,228	5,044	3,613	1,171	2,707	-56.1	-38.7	-28.4	131.2
Capital expenditures	2,057	1,382	1,004	2,464	291	-51.2	-32.8	-27.4	-88.2
Unit COGS	\$42.35	\$43.32	\$41.65	\$41.75	\$43.76	-1.7	2.3	-3.9	4.8
Unit SG&A expenses	\$10.91	\$11.67	\$13.32	\$13.18	\$14.31	22.1	6.9	14.2	8.6
Unit operating income or (loss)	\$3.75	\$2.38	\$2.25	\$1.02	\$2.46	-40.1	-36.5	-5.7	139.7
COGS/sales (1)	74.3	75.5	72.8	74.6	72.3	-1.5	1.2	-2.7	-2.3
Operating income or (loss)/ sales (1)	6.6	4.2	3.9	1.8	4.1	-2.7	-2.4	-0.2	2.2

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-1A
Tissue paper products: Summary data concerning the U.S. market, 2001-03, January-September 2003, and January-September 2004
excluding CrystalClear

Item	Reported data					Period changes				
	2001	2002	2003	January-September		2001-03	2001-02	2002-03	Jan.-Sept.	
				2003	2004				2003-04	
U.S. consumption quantity:										
Amount	2,252,460	2,420,665	2,363,074	1,463,784	1,503,178	4.9	7.5	-2.4	2.7	
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Crystal's share	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Importers' share (1):										
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Total imports	9.0	12.8	29.1	23.9	28.7	20.1	3.9	16.3	4.8	
U.S. consumption value:										
Amount	130,075	138,680	130,701	81,380	90,947	0.5	6.6	-5.8	11.8	
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Crystal's share	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Importers' share (1):										
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Total imports	8.6	12.5	28.2	23.1	28.4	19.6	3.9	15.7	5.3	
U.S. shipments of imports from:										
China:										
Quantity	202,212	310,895	xxx	xxx	xxx	xxx	53.7	xxx	xxx	
Value	11,201	17,291	xxx	xxx	xxx	xxx	54.4	xxx	xxx	
Unit value	\$55.39	\$55.62	xxx	xxx	xxx	xxx	0.4	xxx	xxx	
Ending inventory quantity	21,750	37,197	xxx	xxx	xxx	xxx	71.0	xxx	xxx	
All other sources:										
Quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx	
Value	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx	
Unit value	⊖	⊖	xxx	xxx	xxx	xxx	⊖	xxx	xxx	
Ending inventory quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx	
All sources:										
Quantity	202,212	310,895	687,753	350,047	431,718	240.1	53.7	121.2	23.3	
Value	11,201	17,291	36,822	18,828	25,856	228.7	54.4	113.0	37.3	
Unit value	\$55.39	\$55.62	\$53.54	\$53.79	\$59.89	-3.3	0.4	-3.7	11.3	
Ending inventory quantity	21,750	37,197	95,427	233,686	235,154	338.7	71.0	156.5	0.6	
Crystal										
U.S. shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
U.S. producers':										
Average capacity quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Production quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Capacity utilization (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
U.S. shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Export shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Ending inventory quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Inventories total shipments (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Production workers	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Hours worked (1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Wages paid (\$1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Hourly wages	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Productivity (sq meters/hour)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Unit labor costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Net sales:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Cost of goods sold (COGS)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Gross profit or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Capital expenditures	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Unit COGS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Unit SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Unit operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
COGS/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Operating income or (loss)/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-2
Bulk tissue paper products: Summary data concerning the U.S. market, 2001-03, January-September 2003, and January-September 2004

(Quantity=1,000 square meters, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per 1,000 square meters; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2001	2002	2003	January-September		2001-03	2001-02	2002-03	Jan.-Sept. 2003-04
				2003	2004				
U.S. consumption quantity:									
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):									
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. consumption value:									
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):									
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments of imports from:									
China:									
Quantity	9,101	47,296	xxx	xxx	xxx	xxx	419.7	xxx	xxx
Value	286	1,081	xxx	xxx	xxx	xxx	278.0	xxx	xxx
Unit value	\$31.43	\$22.86	xxx	xxx	xxx	xxx	-27.3	xxx	xxx
Ending inventory quantity	1,495	6,230	xxx	xxx	xxx	xxx	316.7	xxx	xxx
All other sources:									
Quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx
Value	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx
Unit value	⊖	⊖	xxx	xxx	xxx	xxx	⊖	xxx	xxx
Ending inventory quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx
All sources:									
Quantity	9,101	47,296	168,459	96,633	134,413	1751.0	419.7	256.2	39.1
Value	286	1,081	3,383	1,919	3,140	1082.8	278.0	212.9	63.6
Unit value	\$31.43	\$22.86	\$20.08	\$19.86	\$23.36	-36.1	-27.3	-12.1	17.6
Ending inventory quantity	1,495	6,230	24,685	6,889	57,058	1551.2	316.7	296.2	728.2
U.S. producers':									
Average capacity quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capacity utilization (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments:									
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Export shipments:									
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ending inventory quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Inventories total shipments (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production workers	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hours worked (1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Wages paid (\$1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hourly wages	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Productivity (sq meters/hour)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit labor costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net sales:									
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Cost of goods sold (COGS)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Gross profit or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capital expenditures	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit COGS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
COGS/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)/ sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-2A
Bulk tissue paper products: Summary data concerning the U.S. market, 2001-03, January-September 2003, and January-September 2004
excluding CrystalClear

Item	Reported data					Period changes				
	2001	2002	2003	January-September		2001-03	2001-02	2002-03	Jan.-Sept.	
				2003	2004				2003-04	
U.S. consumption quantity:										
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Crystal's share	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):										
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. consumption value:										
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Crystal's share	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):										
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments of imports from:										
China:										
Quantity	9,101	47,296	xxx	xxx	xxx	xxx	419.7	xxx	xxx	xxx
Value	286	1,081	xxx	xxx	xxx	xxx	278.0	xxx	xxx	xxx
Unit value	\$31.43	\$22.86	xxx	xxx	xxx	xxx	-27.3	xxx	xxx	xxx
Ending inventory quantity	1,495	6,230	xxx	xxx	xxx	xxx	316.7	xxx	xxx	xxx
All other sources:										
Quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx	xxx
Value	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx	xxx
Unit value	⊖	⊖	xxx	xxx	xxx	xxx	⊖	xxx	xxx	xxx
Ending inventory quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx	xxx
All sources:										
Quantity	9,101	47,296	168,459	96,633	134,413	1,751.0	419.7	256.2	39.1	xxx
Value	286	1,081	3,383	1,919	3,140	1,082.8	278.0	212.9	63.6	xxx
Unit value	\$31.43	\$22.86	\$20.08	\$19.86	\$23.36	-36.1	-27.3	-12.1	17.6	xxx
Ending inventory quantity	1,495	6,230	24,685	6,889	57,058	1,551.2	316.7	296.2	728.2	xxx
Crystal										
U.S. shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. producers':										
Average capacity quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capacity utilization (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Export shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ending inventory quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Inventories total shipments (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production workers	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hours worked (1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Wages paid (\$1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hourly wages	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Productivity (sq meters/hour)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit labor costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net sales:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Cost of goods sold (COGS)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Gross profit or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capital expenditures	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit COGS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
COGS/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-3

Consumer tissue paper products: Summary data concerning the U.S. market, 2001-03, January-September 2003, and January-September 2004

(Quantity=1,000 square meters, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per 1,000 square meters; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2001	2002	2003	January-September		2001-03	2001-02	2002-03	Jan.-Sept. 2003-04
				2003	2004				
U.S. consumption quantity:									
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):									
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. consumption value:									
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):									
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments of imports from:									
China:									
Quantity	193,111	263,599	xxx	xxx	xxx	xxx	36.5	xxx	xxx
Value	10,915	16,210	xxx	xxx	xxx	xxx	48.5	xxx	xxx
Unit value	\$56.52	\$61.50	xxx	xxx	xxx	xxx	8.8	xxx	xxx
Ending inventory quantity	20,255	30,967	xxx	xxx	xxx	xxx	52.9	xxx	xxx
All other sources:									
Quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx
Value	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx
Unit value	⊖	⊖	xxx	xxx	xxx	xxx	⊖	xxx	xxx
Ending inventory quantity	0	0	xxx	xxx	xxx	xxx	⊖	xxx	xxx
All sources:									
Quantity	193,111	263,599	519,294	253,413	297,306	168.9	36.5	97.0	17.3
Value	10,915	16,210	33,439	16,909	22,717	206.4	48.5	106.3	34.3
Unit value	\$56.52	\$61.50	\$64.39	\$66.73	\$76.41	13.9	8.8	4.7	14.5
Ending inventory quantity	20,255	30,967	70,742	226,797	178,096	249.3	52.9	128.4	-21.5
U.S. producers':									
Average capacity quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capacity utilization (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments:									
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Export shipments:									
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ending inventory quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Inventories total shipments (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production workers	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hours worked (1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Wages paid (\$1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hourly wages	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Productivity (sq meters/hour)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit labor costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net sales:									
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Cost of goods sold (COGS)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Gross profit or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capital expenditures	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit COGS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
COGS/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)/ sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-3A
Consumer tissue paper products: Summary data concerning the U.S. market, 2001-03, January-September 2003, and January-September 2004
excluding Crystal/Cleo

(Quantity=1,000 square meters, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per 1,000 square meters; period changes=percent, except where noted)

Item	Reported data					Period changes				
	2001	2002	2003	January-September 2003	2004	2001-03	2001-02	2002-03	Jan.-Sept. 2003-04	
U.S. consumption quantity:										
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Crystal's share	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):										
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. consumption value:										
Amount	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Producers' share (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Crystal's share	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Importers' share (1):										
China	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
All other sources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total imports	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments of imports from:										
China:										
Quantity	193,111	263,599	xxx	xxx	xxx	xxx	36.5	xxx	xxx	xxx
Value	10,915	16,210	xxx	xxx	xxx	xxx	48.5	xxx	xxx	xxx
Unit value	\$56.52	\$61.50	xxx	xxx	xxx	xxx	8.8	xxx	xxx	xxx
Ending inventory quantity	20,255	30,967	xxx	xxx	xxx	xxx	52.9	xxx	xxx	xxx
All other sources:										
Quantity	0	0	xxx	xxx	xxx	xxx	∞	xxx	xxx	xxx
Value	0	0	xxx	xxx	xxx	xxx	∞	xxx	xxx	xxx
Unit value	(2)	(2)	xxx	xxx	xxx	xxx	∞	xxx	xxx	xxx
Ending inventory quantity	0	0	xxx	xxx	xxx	xxx	∞	xxx	xxx	xxx
All sources:										
Quantity	193,111	263,599	519,294	253,413	297,306	168.9	36.5	97.0	17.3	
Value	10,915	16,210	33,439	16,909	22,717	206.4	48.5	106.3	34.3	
Unit value	\$56.52	\$61.50	\$64.39	\$66.73	\$76.41	13.9	8.8	4.7	14.5	
Ending inventory quantity	20,255	30,967	70,742	226,797	178,096	249.3	52.9	128.4	-21.5	
Crystal										
U.S. shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. producers':										
Average capacity quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capacity utilization (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
U.S. shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Export shipments:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ending inventory quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Inventories/total shipments (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Production workers	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hours worked (1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Wages paid (\$1,000s)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Hourly wages	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Productivity (sq meters/hour)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit labor costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net sales:										
Quantity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit value	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Cost of goods sold (COGS)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Gross profit or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capital expenditures	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit COGS	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit SG&A expenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit operating income or (loss)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
COGS/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Operating income or (loss)/sales (1)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note:--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-4

Certain consumer tissue paper products: Chinese production capacity, production, shipments, and inventories, 2001-2003 and projected 2004-2005

Item	Actual experience			Projections	
	2001	2002	2003	2004	2005
Quantity (1,000 square meters)					
Capacity	418,505	494,366	659,833	673,400	663,100
Production	409,667	470,519	559,030	583,854	573,714
End of period inventories	25,597	32,795	8,325	22,663	28,383
Shipments:					
Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to--					
The United States	294,721	309,132	479,603	436,272	412,902
All other markets	34,542	48,745	55,407	119,110	125,120
Total exports	329,263	357,877	535,010	555,382	538,022
Total shipments	433,113	491,322	666,956	704,362	703,322
Ratios and shares (percent)					
Capacity utilization	97.9	95.1	84.6	86.6	86.4
Inventories to production	6.2	7.0	1.5	3.9	4.9
Inventories to total shipments	5.9	6.7	1.2	3.2	4.0
Share of total quantity of shipments:					
Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to--					
The United States	68.0	62.9	71.9	61.9	58.7
All other markets	8.0	9.9	8.3	16.9	17.8
All export markets	76.0	72.8	80.2	78.8	76.5
Source: Compiled from data submitted in response to Commission questionnaires.					

Table C-5

Certain bulk tissue paper products: Chinese production capacity, production, shipments, and inventories, 2001-2003 and projected 2004-2005

Item	Actual experience			Projections	
	2001	2002	2003	2004	2005
Quantity (1,000 square meters)					
Capacity	1,937,500	2,217,500	2,217,500	2,217,500	2,217,500
Production	1,756,845	1,981,067	2,247,216	2,230,000	2,230,000
End of period inventories	142,846	127,733	49,602	36,067	30,067
Shipments:					
Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to--					
The United States	131,031	159,786	152,334	106,000	91,000
All other markets	150,767	129,245	201,050	150,000	148,000
Total exports	281,798	289,031	353,384	256,000	239,000
Total shipments	1,708,960	1,996,181	2,331,346	2,243,535	2,236,000
Ratios and shares (percent)					
Capacity utilization	90.7	89.3	101.3	100.6	100.6
Inventories to production	8.1	6.4	2.2	1.6	1.3
Inventories to total shipments	8.4	6.4	2.1	1.6	1.3
Share of total quantity of shipments:					
Internal consumption	***	***	***	***	***
Home market	***	***	***	***	***
Exports to--					
The United States	7.7	8.0	6.5	4.7	4.1
All other markets	8.8	6.5	8.6	6.7	6.6
All export markets	16.5	14.5	15.2	11.4	10.7
Source: Compiled from data submitted in response to Commission questionnaires.					

APPENDIX D

**SELECTED COMMENTS REGARDING COMPARABILITY OF
BULK AND CONSUMER TISSUE PAPER PRODUCTS**

In its questionnaires, the Commission requested U.S. producers, U.S. importers, and U.S. purchasers to compare and contrast certain aspects of bulk tissue paper and consumer tissue paper. The selected responses are as follows:¹

PRODUCERS

Characteristics, uses, and interchangeability

***: The only similarity in characteristics is that the base tissue stock for both bulk and consumer tissue is 10 lb. MF or MG bleached tissue. The packaging is different, with bulk tissue packaged by the ream (480/500 sheet reams) and consumer tissue being packaged 5 to 120 sheets per package (or, in the case of club packs, with up to 200 sheets of printed or color tissue, or up to 400 sheets of white). The consumer tissue is individually packaged for resale by a retail store. It is delivered in decorative, corrugated containers for in-store display. Individual packages of consumer tissue may contain an assortment of colors, prints and substrates. In contrast, bulk tissue is homogeneous. There is no pre-pricing labeling or customer-specific artwork on the bulk tissue packaging; consumer tissue packaging, for resale at retail, typically has both. Bulk tissue is usually packed in a corrugated case with the individual reams being flat folded; consumer tissue is sold in individual packages with the sheets folded as many as three or four times so it may be part of a plan-o-gram at the retail outlet for resale to consumers. Consumer tissue is used at home for decorative gift wrapping. Bulk tissue is used in businesses, principally for protective packaging and branding.

***: Products share the same characteristics, are all used for wrapping and are interchangeable.

***: Both bulk tissue paper products and consumer tissue products have the same characteristics and can be used in either application.

***: Bulk and consumer tissue exhibit the same characteristics, uses and are interchangeable.

***: For products produced by ***, same.

***: Tissue is likely very similar, though consumer tissue may come in more varied assortments. Bulk tissue is more likely to be white or imprinted with a brand marking of the retailer. Bulk tissue is more suited for consumption by the retailer in wrapping purchased products or lining retail carrier bags, though it may be available for single sheet sales by some retailers.

***: Bulk tends to be sold to larger distributors that break down for resale or for use in larger projects (classroom type). Consumer tissue is higher in price per MSQM due to added packaging, but tissue is the same and the same general market.

***: Characteristics and uses are the same and are interchangeable.

***: They are the same product and are used in the same way.

***: The characteristics are the same, the uses are the same (primarily wrapping and packing and they are interchangeable).

¹ Companies that did not provide a response to these questions are excluded from this appendix.

***: Our paper is used to provide cushioning and protection to fragile items (housewares) at the retail checkout. Newsprint is a suitable substitute.

Manufacturing processes

***: Bulk tissue is converted on a “sheeter” that has a capability of sheeting jumbo rolls of tissue into flat sheets of tissue, marking each ream with a ream marker at either the 480 or 500 sheet count for packaging on a separate machine. Consumer tissue is converted on a “folder” having the capability of sheeting and folding tissue from 3 to 5 times. A folder also packages the tissue in-line for sale at retail outlets. A folder can also perform a step-fold, mixing printed, color, or white tissue in the same consumer package; a folder can also do step folding of up to 5 different step folds in one package of mixed substrates. The different machinery that is used to produce bulk and consumer products necessitates that it be operated by different employees; there is no crossover of product between the distinct production lines.

***: We only produce bulk tissue but bulk and consumer tissue share the same manufacturing process.

***: The tissue paper *** produces for bulk and consumer tissue is made on the same type of machine. We use similar input to produce bulk and consumer tissue and the same employees are used to produce both bulk and consumer tissue.

***: We produce bulk and consumer tissue in the same production facility using the same process and the same inputs.

***: For products produced by ***, they are all the same.

***: Same manufacturing, different packaging process (bulk tissue is likely boxed, whereas consumer tissue is in a single use polywrap).

***: We use the same production line for bulk and consumer tissue lines. Same employees. We use the same tissues for bulk and consumer, both products are made and can be made one after another.

***: Although we do not produce consumer tissue, the processes are the same.

***: Although we do not make consumer tissue, they are manufactured in the same way.

***: Bulk and consumer tissue are made in the same production facility, use the same type of inputs, and a common process.

***: Rolls are loaded onto our machine and slit lengthwise and chopped across. The sheets are then packed into corrugated boxes.

Channels of distribution

***: Bulk tissue is sold either directly to large department stores for in-store packaging or to wholesale distributors of packaging products for sale by the wholesale distributor to smaller retail outlets or, for example, to laundries, for their in-store protective packaging requirements. Consumer tissue is sold directly to retailers for resale to consumers to be used for decorative gift wrapping and other in-home use.

***: Both products sold through distributors and directly to retailers.

***: Both bulk and consumer tissue are sold primarily thru distributors.

***: Bulk and consumer tissue are sold through the same channels of distribution.

***: For products produced by ***, they are all the same.

***: Consumer tissue sold for consumer use as wrapping paper or gift presentation accessory. Channel of distribution is through mass retailers, grocery stores, pharmacies, and specialty gift and party shops. Bulk tissue is either consumed by the retailer, or if sold to consumers, such channel is likely a specialty gift or party shop.

***: Bulk and consumer are sold to similar distributors. It is not unusual to have the items combined on the same order. Larger distributors tend to buy more of the larger bulk boxes and sell them to schools or teachers.

***: Are distributed using the same channels.

***: Thru the same channels.

***: Bulk and consumer tissue are sold through the same types of distribution channels.

***: We sell to distributors who sell to commercial customers.

Price

***: Bulk tissue is priced on a per-ream or half-ream basis, and usually is packaged 5 reams to a case for shipment to a retail outlet for in-store packaging use. Bulk tissue is sold as either one entire color or white per package; if printed, printed packages of bulk have all the same prints. Consumer tissue is sold on a per-package basis. The price for consumer tissue is dependent upon the number of sheets per retail package, which typically may include more than one color and/or mixed substrates and/or colored tissue mixed with printed tissue. The price per sheet of consumer tissue is a high multiple of the price per sheet of bulk tissue, i.e., the price of the former is typically 20-30 times higher than the price of the latter.

***: There is not a significant price difference between these products.

***: Price for bulk and consumer tissue is similar for both items.

***: Printed sheets for bulk and consumer applications are priced very similarly.

***: Our pricing is based on production time and base material costs. As we do not manufacture consumer tissue products here, I cannot fairly do a comparison or discussion.

: Sales price for solid color, 20"x26", 5 sheet pack is \$ per sheet.

***: Bulk is cheaper by the MSQM due to the reduction in packaging and less process steps (folding). Customers that buy in bulk generally will get a better price.

***: Larger sized packages are higher priced.

***: Bulk tissue is generally sold in larger quantities which result in a lower per sheet price.

: We have sold a 38 pound gross weight box for \$. We will increase our price to \$*** in the coming year. We were importing product for \$***, about a *** % loss.

PURCHASERS

Characteristics, uses, and interchangeability

***: (consumer) Wrap gifts, protect fragile gifts from damage, gift bag/box filler and adds to overall aesthetic gift presentation. Characteristics include thin, paper-like feel; varied color/pattern/texture; sold in sheets, generally 3.4 square meters in size.

***: (consumer) Our producers of tissue are for sale to retailers who then resale to the consumer. We do not sell tissue to retailers that are not for resale.

***: (consumer) Retail consumer determines end use, i.e. gift-wrap, boxes or gift bags, wrapping material for mailing or moving, etc.

***: (bulk and consumer) Bulk tissue is used by store personnel to wrap breakables when customers buy them. Consumer tissue is used to fill gift bags or gift boxes, it could also be used for crafts.

***: (consumer) We purchase from both domestic and import sources. Product is usually identical with our domestic vendor providing our import tissue. Merchandise is suitable for package wrap, to trim out gift bags or craft projects.

***: (bulk) Bulk tissue used by retail stores in packaging merchandise leaving their store as gifts. Packages are generally 500, 480, 240, 250 or 200 sheets. Consumer packages generally are a single use package. The bulk quantity would be too much tissue for a consumer. The consumer packages would be too expensive for the stores to use in an in store wrapping program.

***: (bulk and consumer) Tissue is likely very similar, though consumer tissue may come in more varied assortments. Bulk tissue is more likely to be white or imprinted with the brand marking of the retailer. Bulk tissue is more suited for use by the retailer in wrapping purchased products, though it may be suitable to consumers as single sheets.

***: (consumer) Only purchase consumer tissue paper products.

***: (bulk) We consider bulk and consumer tissue to be interchangeable except for the final folding and/or packaging.

***: (bulk and consumer) There is no difference.

***: (consumer) We only purchase consumer tissue paper products to sell at retail. No bulk tissue paper products are purchased.

***: (consumer) No difference.

***: (consumer) Purchased for resale. Consumers use for gift wrap.

***: (bulk) None.

***: (bulk and consumer) Consumer tissue is usually smaller size sheet, 20 x 24, 20 x 20 vs. bulk tissue @ 20x30 or 20x 26. Also, sheet weight is usually lighter than bulk.

***: (consumer) Both bulk tissue and consumer tissue paper products are used for packaging of gift giving.

***: (consumer) Thin colored paper used as filler for gift bags and/or used to wrap gifts.

***: (consumer) We purchase consumer tissue paper products to sell an assorted pack which could include plain paper and embellished (hot stamped, die-cut, glitter) paper.

***: (bulk and consumer) There is no comparability in characteristics and uses between bulk and consumer paper, nor can they be used interchangeably. Bulk tissue paper is given away at the check out in conjunction with the purchase of fragile items. It is a service we provide to our guests. The cost of bulk paper is charged to each store as an operating expense and the paper is sourced by the non-retail procurement department. Within the purview of the non-retail procurement department is the purchase of most items that *** needs to run its business that will not be sold, for example- pens, paperclips, grocery bags and toilet paper as well.

Consumer (or “retail”) paper is packaged in small packages to coordinate with gift bag and wrapping paper assortments. ***’s customers pay between \$*** and \$*** for most tissue papers. Tissue paper is sold in two departments by ***. The holiday department offers tissue paper in conjunction with its holiday wrapping offering. Ninety percent of these selections match holiday gift bags. One product in the department is a larger package of 100 sheets of tissue. This product will be sold primarily in the months of November and December. No other seasonal offering is made by this department. The stationary department offers tissue paper designs all year round. Their offering is 102 SKU’s. Stationary’s product assortment is designed to make gift giving easy and fun. They have two primary programs. One program offers a color themed assortment of gift wrap and gift bags. The other program is focused on event specific giving, i.e. births or weddings.

***: (bulk) One is folded, the other is not. Consumer tissue is a little better quality and bleached a little brighter. Both are interchangeable for wrapping purposes.

Channels of distribution

***: (consumer) Our consumer tissue paper products are sold through our retail stores for individual consumer use (i.e. gift wrapping, gift bag filler, etc.)

***: (consumer) Our tissue is sold to consumers by mass retail chains such as Wal-Mart and Dollar General. The tissue is used for decoration and gift embellishment.

: (consumer) Domestic product purchased directly from manufacturer () domestically and shipped to our stores from their warehouses. Import product purchased through import trading companies and from U.S. companies’ international branches. End use of product is to retail customer.

***: (bulk and consumer) Bulk tissue is purchased through a distributor. Consumer tissue is bought directly from the manufacturer.

***: (bulk) We purchase directly from the mills: *** and distributors such as Gage & Gage, Packaging Solutions and Global Wrap who purchase also from ***.

***: (bulk and consumer) Consumer tissue sold for consumer use as wrapping paper or gift presentation accessory. Channel of distribution is through mass retail, grocery stores, drug stores and specialty retailers. Bulk tissue is either consumed by the retailer or sold as single sheets at a gift or party store.

***: (bulk and consumer) There is no difference.

***: (consumer) No difference.

***: (consumer) Retail customer.

***: (bulk) None.

***: (bulk and consumer) Direct from manufacturers purchasing with marketing and distribution to retailers for in-store use for resale.

***: (consumer) We sell consumer tissue to our customers. Bulk tissue our stores use to package fragile customer purchases.

***: (consumer) Sold to consumers.

***: (consumer) Purchased from the supplier, shipped through our domestic distribution centers to our wholesale clubs for re-sale to our club members.

***: (bulk and consumer) Bulk and consumer paper have different channels of distribution. Bulk tissue paper is not packaged for retail sale, nor is it available for retail sale. Although quality is a consideration in purchasing bulk tissue, the primary considerations are reliability of source, price and ability to meet seasonal demands. For commercial tissue purchases no vendor is asked to participate in any program or in any bidding process until they have demonstrated an ability to meet ***'s expectations for unique and innovative design. Commercial tissue papers are designed primarily to tie to a specific life event or holiday like a wedding or Easter. Just as importantly, they are designed to coordinate with convenient gift bag and gift wrap ensembles. This strategy of marketing our gift wrap with matching tissue supports one of ***'s key business strategies as being a destination for gift buying. In fact, only during the holiday season does *** regularly offer tissue paper in packages in more than 40 sheets. The overwhelming majority of SKU's of tissue paper are 4 - 10 sheets.

***: (consumer) We are a retailer who buy to resale to our customer base at a discounted price.

***: (bulk) We send to a distributor who in turn, distributes to retail stores.

Price

: (consumer) Our pricing on consumer tissue ranges from \$ for white tissue to \$*** for printed tissue.

***: (consumer) Tissue prices vary depending on if sold color or printed, GSM weight, specially die cut, in ream or in individual packages.

***: (consumer) Category manager who was responsible for pricing is no longer with the company.

***: (bulk and consumer) Bulk tissue prices are based on quantity of product purchased. Consumer tissue prices are based on packaging, grade of paper, ink coverage and other specific needs.

: (bulk) Prices for white tissue 20 x 30 domestically run from \$ - \$*** per ream, prints, \$***-\$*** per package, colors \$***-\$***. Prices we pay are the lower end of that scale.

: (bulk and consumer) Wholesale sales price for 20" x 26" solid color tissue in 5-sheet pack is \$ per sheet. Wholesale sales price for 15" x 20" bulk tissue white sheets sold in 960-sheet pack is \$*** per sheet.

***: (bulk) Prices vary depending on size, quantity, decoration, and packaging.

***: (bulk and consumer) Prices varies based on whether or not the item is a closeout or not. It is not really due to where it is made.

***: (consumer) Prices are generally lower when you buy direct. Vendor does not have to handle or have the dollar commitment.

: (consumer) \$ for 60 ct of 24" tissue sheets.

***: (bulk) None.

: (bulk and consumer) Bulk colored tissue 20 x 30 average cost \$/480 sheets, average sell \$***. Resale print tissue average cost \$*** per 10 sheet pack, sheet size 20 x 26, resell \$***.

***: (consumer) Our vendors supply us with price lists.

: (consumer) Original retails for \$ - \$***, current retails in store \$*** - \$***.

: (consumer) The average selling unit would be an assorted pack of between 100 - 400 sheets selling for a price of \$ - \$***.

***: (bulk and consumer) *** imports two different and distinct types of products within the scope of this investigation. First, retail products, are products that are imported packaged for retail sale in our stores. The price *** charges for this product is determined by 1) evaluation of comparative products in competing stores, 2) evaluation of the quality of the product and guests expectations, and 3) compliance with the departments expectations regarding the products margin.

Second, non-retail products, are products that are provided to the guest free of charge and are operating expenses for our stores. Since *** does not charge its customers for these products, no determination about the price it will charge is made.

: (consumer) Our price range \$ - \$***. *** is an upscale discount store and the price on tissue paper will depend on the compare price.

***: (bulk) Consumer tissue goes through a converting process where it is folded and wrapped in cellophane which adds to the price. Bulk tissue is used right out of the box.

IMPORTERS

Characteristics, uses, and interchangeability

***: (Bulk) White printed tissue paper used exclusively in the packaging of finished product. Tissue is 17 GSM, printed one color in multiple sizes: 5"x12", 5"x15", 7"x22", 8"x25", 10"x15", 11"x26", 20"x30".

***: (Consumer) Not applicable.

***: Product is used to wrap packages for gifts. This is purchased by schools and re-sold to raise money for their programs.

***: (None) None.

***: (Not Indicated) Characteristics are generally similar in that the paper is of the same texture and basis weight ranges. The bulk paper may usually be a heavier basis weight than consumer related paper. Both can be sold at retail. The bulk paper is more often for packaging, home usage (making piñatas), in-store use for wrapping or stuffing. The consumer tissue is more frequently packaged for retail in small units, used for re-sale. The consumer uses this product for at home uses, centerpieces, stuffing bags, and baskets and other general decorations or craft projects.

***: (Bulk and Consumer) The only similarity in characteristics is that the base tissue stock for both bulk and consumer tissue is 10 lb. MF or MG bleached tissue. The packaging is different, with bulk tissue packaged by the ream (480/500 sheet reams) and consumer tissue being packaged 5 to 120 sheets per package (or, in the case of club packs, with up to 200 sheets of printed or color tissue, or up to 400 sheets of white). The consumer tissue is individually packaged for resale by a retail store. It is delivered in decorative, corrugated containers for in-store display. Bulk tissue is not packaged for resale, but simply for in-store protective packaging use. Individual packages of consumer tissue may contain an assortment of colors, prints and substrates. In contrast, bulk tissue is homogeneous. There is no pre-pricing labeling or customer-specific artwork on the bulk tissue packaging; consumer tissue packaging, for resale at retail, typically has both. Bulk tissue is usually packed in a corrugated case with the individual reams being flat folded; consumer tissue is sold in individual packages with the sheets folded as many as three or four times so it may be part of a plan-o-gram at the retail outlet for resale to consumers. Consumer tissue is used at home for decorative gift-wrapping. Bulk tissue is used in businesses, principally for packaging and branding.

***: (Consumer) We do not use the bulk products, so I do not have a point of comparison.

***: (Bulk and Consumer) No interchangeability.

***: (Bulk) Both bulk tissue paper products and consumer tissue products have the same characteristics and can be used in either application.

***: (Bulk and Consumer) All would be the same.

***: (Bulk) The small amounts of tissue that we imported seem to be of inferior quality to *** made tissue which is the tissue we mostly distribute.

***: (Consumer) Tissue is likely very similar, though consumer tissue may come in more varied assortments. Bulk tissue is more likely to be white or imprinted with a brand marking of the retailer. Bulk tissue is more suited for consumption by the retailer in wrapping purchased products or lining retail carrier bags, though it may be available for single sheet sales by some retailers.

***: (Consumer) Cannot compare, we only buy consumer tissue paper products.

***: (None) We are only the shipper of tissue and crepe paper products and do not have access to requested information. We sell FOB Shanghai to *** who is the consignee and importer.

***: (Consumer) We saw no discernable difference regarding the characteristics and interchangeability of imported consumer tissue paper vs. domestic consumer tissue paper. The bulk paper we purchased was not imported, and we have no comparative analysis between bulk paper and consumer tissue.

***: (Consumer) None.

***: (Consumer) Do not purchase domestically; cannot compare.

***: (Consumer) There is no interchangeability as consumer tissue is sold in retail packages and bulk is not.

***: (Bulk) 5 sizes of white, printed tissue paper used exclusively in the packaging of finished product by *** Sizes 5"x 12", 8"x 12", 28"x 30", 7"x 22", 11"x 26".

***: (Bulk) Can be used interchangeably.

***: (Consumer) No difference.

***: (Consumer) The consumer tissue purchased by *** was coordinating paper to a Christmas gift ware theme sold by our company. It was a small component to the whole theme.

***: Decorative tissue paper for wrapping gifts, not interchangeable with other products, no overlapping end uses for the products.

***: The primary uses of tissue and crepe paper products sold by *** are as raft accessories or party supplies. No tissue or crepe paper purchased domestically in 2002.

***: (Bulk and Consumer) Consumer tissue is generally small folded and bagged tissue items for single project application. Bulk is larger cartons with less folding and packaging, large projects of classroom type.

***: (Consumer) Thin colored paper used as filler for gift bags and/or used to wrap gifts.

***: (Consumer) We did not purchase or sell any domestically produced tissue paper. All of our imported tissue paper would be considered consumer tissue paper in that it was purchased for resale to consumers.

***: (Consumer) Only use consumer.

***: (Bulk and Consumer) The characteristics are the same, the uses are the same (primarily wrapping and packing) and they are interchangeable.

***: (Consumer) We do not import bulk tissue paper. We only import consumer tissue paper products which are sold to retailers.

***: For most practical purposes, imported tissue can be made to be interchangeable with domestically produced tissue. There are some “touch” and “hand feel” properties that some buyers might judge are inferior in the imported product. These are subjective properties that are difficult to measure and quantify.

***: (Bulk and Consumer) There is no comparability in characteristics and uses between bulk and consumer paper, nor can they be used interchangeably. Bulk tissue paper is given away at the check out in conjunction with the purchase of fragile items. It is a service we provide to our guests. The cost of bulk paper is charged to each store as an operating expense and the paper is sourced by the non-retail procurement department. Within the purview of the non-retail procurement department is the purchase of most items that *** needs to run its business that will not be sold, for example- pens, paperclips, grocery bags and toilet paper as well.

Tissue paper is sold in two departments in a *** - the holiday department and the stationary department. Unlike the bulk paper purchases, consumer tissue is merchandised by people who are expert in predicting market trends, recognizing consumer demands, attractively displaying merchandise and pricing merchandise. Within the purview of these merchandising departments are the selections and sale of many articles associated with celebration of holidays, life events and party giving. For example, the stationary department is responsible for purchasing not only gift wrap but the entire assortment of children’s party supplies and an entire assortment of novelty items, among many other items consistent with this theme like party invitations and thank you cards. The holiday department is responsible not only for holiday gift wrap, gift wrap and tissue paper but for trim a tree, Christmas lights, holiday tabletop decoration, and outdoor decorations among many other items.

Consumer (or “retail”) paper is packaged in small packages to coordinate with gift bag and wrapping paper assortments. ***’s customers pay between \$*** and \$*** for most tissue papers. The holiday department offers tissue paper in conjunction with its holiday wrapping offering. Ninety percent of these selections match holiday gift bags. One product in the department is a larger package of 100 sheets of tissue. This product will be sold primarily in the months of November and December. No other seasonal offering is made by this department. The stationary department offers tissue paper designs all year round. Their offering is 102 SKU’s. Stationary’s product assortment is designed to make gift giving easy and fun. They have two primary programs. One program offers a color themed assortment of gift wrap and gift bags. The other program is focused on event specific giving, i.e. births or weddings.

***: (Consumer) *** does not purchase bulk tissue. Therefore, this question cannot be answered by ***.

***: (Consumer) Purchase, consumer tissue paper products to sell an assorted pack which could include plain paper and embellished (hot stamped, die-cut, glitter) paper.

***: (Bulk) As jumbo rolls there is not difference between bulk and consumer tissue. However, once converted they cannot be interchanged. After conversion they fall into two separate and entirely different markets. Bulk tissue is an expense item used for packing, stuffing and wrapping whereas consumer tissue is re-sold as a profit item. The sizes-put ups are entirely different.

Channels of distribution

***: (Bulk) None. Used solely for packaging finished product (per attached photo, inserted page between 5 and 6).

***: Companies who distribute this product to schools for fundraising buy this product from our company.

***: (None) None.

***: (Not Indicated) Can be channeled through distributors, wholesalers, or directly through retailers, depending on the end uses. This is true for both categories of products. The bulk tissue is more generally passed through wholesalers and distributors.

***: (Bulk and Consumer) Bulk tissue is sold either directly to large department stores for in-store packaging or to wholesale distributors of packaging products for sale by the wholesale distributor to smaller retail outlets or, for example, to laundries for their in-store protective packaging requirements. Bulk tissue is not sold to consumers by the distributor or the distributor's customers. Consumer tissue is sold directly to retailers for resale to consumers to be used for decorative gift wrapping and other in-home use.

***: (Consumer) We do not use the bulk products, so I do not have a point of comparison.

***: (Bulk and Consumer) No interchangeability.

***: (Bulk) Both bulk and consumer tissue are sold primarily thru distributors.

***: (Bulk and Consumer) Part of the bulk product was brought in for company use; the remainder would have the same channels of distribution.

***: (Bulk) We sell directly to retailers- we sell "in store" use tissue not resale tissue. The amount of Chinese tissue we have sold to U.S. retailers is minimal.

***: (Bulk & Consumer) Consumer tissue sold for consumer use as wrapping paper or gift presentation accessory. Channel of distribution is through mass retailers, grocery stores, pharmacies and specialty gift and party shops. Bulk tissue is either consumed by the retailer, or, if sold to consumers, such channel is likely a specialty gift or party shop.

***: (Consumer) Cannot compare, we only buy consumer tissue paper products.

***: (None) We are only the shipper of tissue and crepe paper products and do not have access to requested information. We sell FOB Shanghai to *** who is the consignee and importer.

***: (Consumer) We are a craft specialty store, and we sell consumer tissue paper products during the holiday season for gift-wrapping purposes.

***: (Consumer) None.

***: (Consumer) Do not purchase domestically; cannot compare.

***: (Consumer) Most bulk tissue is sold through paper jobbers; consumer tissue through manufacturers representatives.

***: (Bulk) Product is imported by *** and transferred to *** for use in packaging finished product. Please see enclosed photos illustrating end-use, Annex 1.

***: (Bulk) Sold to dry cleaning product distributors only.

***: (Consumer) No difference.

***: (Consumer) The end use of the tissue sold by *** was as gift packaging. The channel of distribution for our products is primarily specialty gift retailers.

***: Discount stores, dollar stores, chain stores.

***: *** sells these products as a direct marketer via catalog or web site. Most tissue/crepe paper within the US would be sold via retail stores.

***: (Bulk and Consumer) We distribute to distributors of school arts and crafts. To some degree we also sell to office supply and retail outlets. Bulk is used for larger projects and is sold to distributors that will break bulk for resale.

***: (Consumer) Sold to consumers at retail stores.

***: Our tissue paper was sold to retailers such as *** for resale to consumers as color printed tissue napkins

***: (Bulk and Consumer) Bulk and consumer tissue are sold through the same types of distribution channels.

***: Prior to the filing of the antidumping petition, our company dealt in full container loads delivered directly to the customer. This reduced one handling step in the transportation. ***.

***: (Not Indicated) Not applicable.

***: (Bulk and Consumer) Bulk and consumer paper have different channels of distribution. Bulk tissue paper is not packaged for retail sale, nor is it available for retail sale. Although quality is a consideration in purchasing bulk tissue, the primary considerations are reliability of source, price and ability to meet seasonal demands. For commercial tissue purchases no vendor is asked to participate in any program or in any bidding process until they have demonstrated an ability to meet ***'s expectations for unique and innovative design. Commercial tissue papers are designed primarily to tie to a specific life event or holiday like a wedding or Easter. Just as importantly, they are designed to coordinate with convenient gift bag and gift wrap ensembles. This strategy of marketing our gift wrap with matching tissue supports one of ***'s key business strategies as being a destination for gift buying. In fact, only during the holiday season does *** regularly offer tissue paper in packages in more than 40 sheets. The overwhelming majority of SKU's of tissue paper are 4 - 10 sheets.

***: (Consumer) *** does not purchase bulk tissue. Therefore, this question cannot be answered by ***.

***: (Consumer) Purchased from supplier, shipped through our domestic and import distribution centers, to our stores and wholesale clubs for resale to our customers and club members.

***: (Bulk) Bulk tissue is sold by paper distributors and merchants to manufacturing companies and retail stores for packing, stuffing and wrapping. Consumer tissue is sold by department and retail stores as a profit item.

Price

***: (Bulk) Not sold.

: We buy the product in China for: Plain Tissue \$; Printed Tissue: \$***

***: (None) None.

***: (not indicated) Pricing differs generally because of the markets and differences of the markets. Wholesale and distribution is generally more competitive, even among the domestic manufacturers. Units differ, such at retail the sheet count may be 4 to 90 count. Bulk is done by the ream, or the case of 5 reams, which can be 480 - 500 sheet count. Freight considerations are also a factor in pricing.

***: (Bulk and Consumer) Bulk tissue is priced on a per-ream or half-ream basis, and usually is packaged 5 reams to a case for shipment to a retail outlet for in-store packaging use. Bulk tissue is sold as either one color or just white per package; if printed, a printed package of bulk has only one print. Consumer tissue is sold on a per-package basis. The price for consumer tissue is dependent upon the number of sheets per retail package, which typically may include more than one color and/or mixed substrates and/or colored tissue mixed with printed tissue. The price per sheet of consumer tissue is a high multiple of the price per sheet of bulk tissue, i.e., the price of the former is typically 20-30 times higher than the price of the latter.

***: (Consumer) We do not use the bulk products, so I do not have a point of comparison.

***: (Bulk and Consumer) None interchangeability.

***: (Bulk) Price for bulk and consumer tissue is similar for both items.

***: (Bulk and Consumer) Price was comparable between bulk and consumer packaging.

***: (Bulk) The price is 20-30% cheaper than *** tissue- which is the tissue we mostly distribute.

: (Consumer) Sales price for sold color, 20" x 26", 5 sheet pack is \$ per sheet.

***: (Consumer) Cannot compare, we only buy consumer tissue paper products.

***: (None) We are only the shipper of tissue and crepe paper products and do not have access to requested information. We sell FOB Shanghai to *** who is the consignee and importer.

: (Consumer) Import landed cost from China of the 100-count white tissue paper was \$ in 2003. Domestic U.S. pricing for the same item was \$*** or *** percent more. Domestic bulk paper pricing was \$*** per 25 lb. case.

***: (Consumer) No concrete examples but costs less (to) import.

***: (Consumer) Do not purchase domestically; cannot compare.

***: (Consumer) Don't know.

***: (Bulk) *** as importer of record, pays the seller, ***, an *** price for this merchandise.

***: (Bulk) Tissue paper 15"x 20", 20" x 30" \$36 - \$41 per carton. Packing 960 sheets per ream, 10 reams per carton.

***: (Consumer) Prices are generally lower buying on direct basis. Vendor does not have to handle or have dollar commitment.

: (Consumer) FOB \$ wholesale to our customer \$***
 FOB \$*** wholesale to our customer \$***
 FOB \$*** wholesale to our customer \$***

***: From \$0.22 - 0.65 per pack.

***: Prices are available on the website.

: (Bulk and Consumer) Bulk tissue cost is at \$/CTN of 5 reams or \$***/MSQM, retail tissue or consumer tissue is at \$***/CTN of 20"x26" x 20CT 12/CTN or \$***/MSQM.

: (Consumer) Original retails \$-\$***, Current retails in store \$***-\$***.

***: Prices are typically set by price lists (sample pages enclosed) and negotiation, which may include trade and volume discounts and allowances for items such as advertising and new store placements.

***: (Consumer) Don't know, we do not buy or sell bulk.

***: (Bulk and Consumer) Bulk tissue is generally sold in larger quantities which result in a lower per sheet price.

***: When *** entered this market in 2001, many of the buyers that we contacted would make comments like "the cozy relationship between the New Hampshire suppliers", referring loosely to the companies that eventually banded together to become the petitioning group. While we cannot make any accusation that there was price fixing and collusion between the petitioners, over several generations of families in the business, in the same region, there was some kind of co-operation. Perhaps some unspoken agreement that they would not compete aggressively for business. The customers knew that prices were being held artificially high. They knew that something was going on behind the scene. When *** entered this market offering to have tissue made to meet the customers requirements in China, tissue buyers were very interested in what we had to offer. Our pricing was based on our costs from the factory, plus transportation, plus a fair margin, generally ***. The factories that we were purchasing from were all small, family owned , private businesses. I am 100% confident that everyone, from the most common laborer in the factories, to me the President of *** was earning a profit that was better than any other opportunity that was available to us at the time.

***: (Bulk and Consumer) *** imports two different and distinct types of products within the scope of this investigation. First, retail products, are products that are imported packaged for retail sale in our stores. The price *** charges for this product is determined by 1) evaluation of comparative products in competing stores, 2) evaluation of the quality of the product and guests expectations, and 3) compliance with the departments expectations regarding the products margin.

Second, non-retail products, are products that are provided to the guest free of charge and are operating expenses for our stores. Since *** does not charge its customers for these products, no determination about the price it will charge is made.

***: (Consumer) *** does not purchase bulk tissue. Therefore, this question cannot be answered by ***.

: (Consumer) Wholesale club-average selling unit assorted pack of 100 to 400 sheet from \$ to \$***.

***: (Bulk) Bulk tissue is highly competitive. We are not familiar with pricing on consumer tissue as we do not sell any.

APPENDIX E

INDUSTRY FINANCIAL RESULTS INCORPORATING *'S DATA FOR
FISCAL YEARS 2002-04**

Table E-1

Certain tissue paper products: Results of operations of U.S. producers, fiscal years 2001-03 (except *, whose data reflect fiscal years 2002-04), January-September 2003, and January-September 2004**

* * * * *

Table E-2

Bulk tissue paper products: Results of operations of U.S. producers in the production of bulk tissue paper products, fiscal years 2001-03 (except *, whose data reflect fiscal years 2002-04), January-September 2003, and January-September 2004**

* * * * *

Table E-3

Consumer tissue paper products: Results of operations of U.S. producers in the production of consumer tissue paper products, fiscal years 2001-03 (except *, whose data reflect fiscal years 2002-04), January-September 2003, and January-September 2004**

* * * * *

Table E-4

Certain tissue paper products: Results of operations of U.S. producers, by firm, fiscal years 2001-03 (except *, whose data reflect fiscal years 2002-04), January-September 2003, and January-September 2004**

* * * * *

APPENDIX F

**ALLEGED EFFECTS OF IMPORTS ON PRODUCERS' EXISTING
DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH,
INVESTMENT, AND ABILITY TO RAISE CAPITAL**

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of certain tissue paper products from China, on their return on investment or their growth, investment, ability to raise capital, and existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or their scale of capital investments undertaken as a result of such imports. The responses are as follows:

Bulk Tissue Paper Products:

Actual Negative Effects

Crystal

Eagle

Flower City

Garlock

Green Mountain

Paper Service

Putney

Seaman

Anticipated Negative Effects

Crystal

Eagle

Flower City

Garlock

Green Mountain

Pacon

Paper Service

Putney

Seaman

Consumer Tissue Paper Products:

Actual Negative Effects

Crystal

Flower City

Hallmark

Seaman

Anticipated Negative Effects

Crystal

Flower City

Pacon

Seaman
