

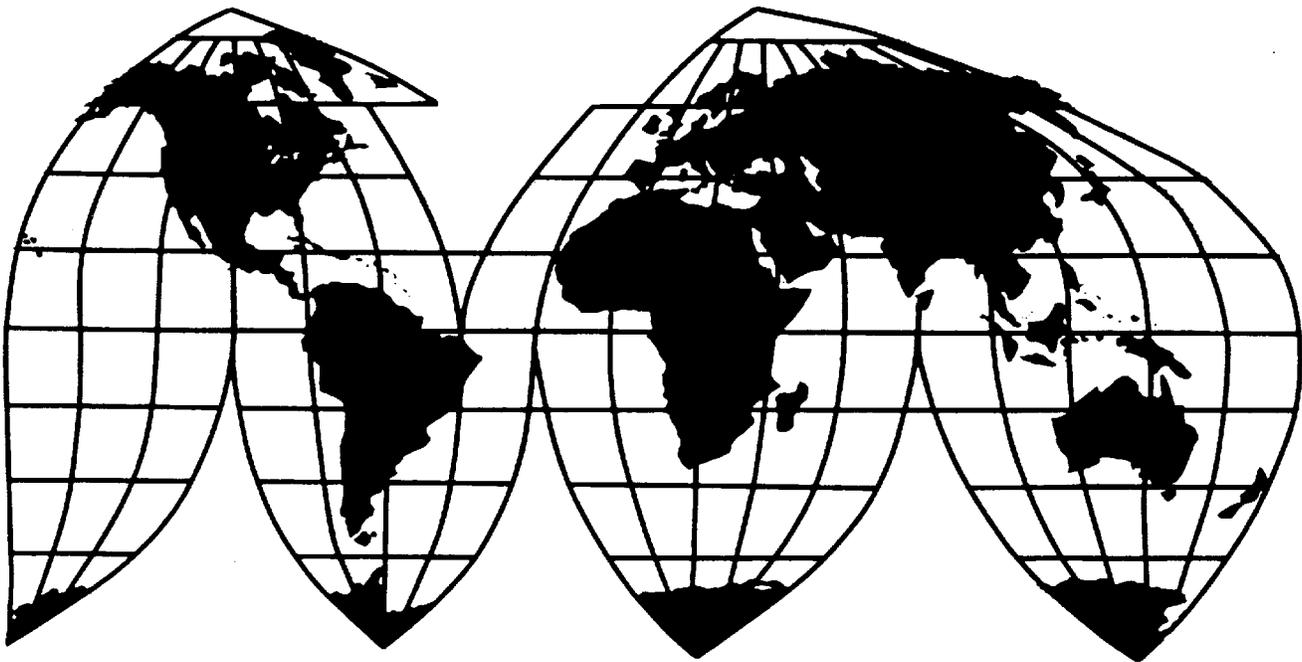
# Certain Lined Paper School Supplies From China, India, and Indonesia

Investigation Nos. 701-TA-442-443 and 731-TA-1095-1097 (Preliminary)

Publication 3811

October 2005

**U.S. International Trade Commission**



Washington, DC 20436

# 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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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 (\*\*\*)



# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-442-443 and 731-TA-1095-1097 (Preliminary)

## CERTAIN LINED PAPER SCHOOL SUPPLIES FROM CHINA, INDIA, AND INDONESIA

### DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a) and 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from India and Indonesia of certain lined paper school supplies that are alleged to be subsidized by the Governments of India and Indonesia, and by reason of imports from China, India, and Indonesia of certain lined paper school supplies that are alleged to be sold in the United States at less than fair value (LTFV).

### COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under sections 703(b) and 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) and 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of these investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

### BACKGROUND

On September 9, 2005, a petition was filed with the Commission and Commerce by MeadWestvaco Corp. of Dayton, OH; Norcom, Inc., of Norcross, GA; and Top Flight, Inc., of Chattanooga, TN (collectively, the Association of American School Paper Suppliers), alleging that an industry in the United States is materially injured, and threatened with further material injury, by reason of subsidized imports of certain lined paper school supplies from India and Indonesia, and by reason of LTFV imports of certain lined paper school supplies from China, India, and Indonesia. Accordingly, effective September 9, 2005, the Commission instituted countervailing and antidumping duty investigation Nos. 701-TA-442-443 and 731-TA-1095-1097 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference 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 September 19, 2005 (70 FR 54961). The conference was held in Washington, DC, on September 30, 2005, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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



## VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of certain lined paper school supplies (“CLPSS”) imported from India and Indonesia that are allegedly subsidized and by reason of imports of CLPSS from China, India, and Indonesia that are allegedly sold in the United States at less than fair value.

### I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.<sup>1</sup> In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”<sup>2</sup>

### II. BACKGROUND

CLPSS are used primarily for taking notes and typically as school supplies. CLPSS encompass three main products: hole-punched filler paper, spiral-bound or wireless notebooks (with or without pockets and/or dividers), and composition books. The paper typically is lined with blue and/or red ink, wide-ruled or college-ruled, and white in color.<sup>3</sup> The color of notebook and composition book covers varies from plain to including fashion graphics.<sup>4</sup>

The antidumping and countervailing duty petitions in these investigations were filed on September 9, 2005. Petitioner is the Association of American School Paper Suppliers (“petitioner”), which consists of three entities that convert unlined paper into CLPSS. These entities are MeadWestvaco Corporation (“MeadWestvaco”); Top Flight, Inc. (“Top Flight”); and Norcom, Inc. (“Norcom”). The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers International Union (“USX”) also is participating in these investigations on behalf of the workers employed by MeadWestvaco and a non-petitioning U.S. producer, Roaring Spring Blank Book Co. (“Roaring Spring”). USX supports the petition, but is not a member of the petitioning association.<sup>5</sup> Respondents that filed briefs in opposition of the petition include: (1) a group of exporters and producers of subject merchandise from China, which will be referred to collectively as “Chinese respondents;”<sup>6</sup> (2)

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<sup>1</sup> 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); see also Am. Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chem. Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

<sup>2</sup> Am. Lamb Co., 785 F.2d at 1001; see also Tex. Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

<sup>3</sup> CR at I-13, II-1; PR at I-10, II-1.

<sup>4</sup> CR/PR at II-1.

<sup>5</sup> Letter from William Klinefelter to Carlos M. Gutierrez and Marilyn R. Abbott of Sept. 16, 2005.

<sup>6</sup> Chinese respondents are Hot Rock Stationery (Shenzhen) Co. Ltd.; Watanabe Paper Product (Shanghai) Co., Ltd.; Watanabe Paper Product (Linqing) Co., Ltd.; Changshu Changjiang Printing Co., Ltd.; Anhui Light Industrial  
(continued...)

Pt. Pabrik Kertas Tjiwi Kimia, Tbk., a producer of subject merchandise from Indonesia, which will be referred to as “Indonesian respondent;” (3) a group of exporters and producers, as well as two U.S. importers, of subject merchandise from India, which will be referred to collectively as “Indian respondents;”<sup>7</sup> (4) CPP International, LLP (“CPP”), a former U.S. producer of CLPSS and currently an importer of subject merchandise from China and India;<sup>8</sup> (5) Continental Accessory Corporation (“Continental”), an importer of subject merchandise; (6) Target Corporation (“Target”), an importer of subject merchandise; (7) Wal-Mart Stores, Inc. (“Wal-Mart”), an importer of subject merchandise; and (8) Staples, Inc. (“Staples”), an importer of the subject merchandise.

### III. 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.”<sup>9</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “[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.”<sup>10</sup> 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.”<sup>11</sup>

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.<sup>12</sup> No single factor is dispositive, and the Commission

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<sup>6</sup> (...continued)

Import & Export Corp.; Suzhou Industrial Park Asia Pacific Paper Converting Co., Ltd.; Shanghai Lian Li Paper Products Co. Ltd.; Fuda Stationery Factory Co., Ltd.; Tonzex Electric Stationery Manufactory; Shanghai Sentian Paper Products Co., Ltd.; You-you Paper Products (Sunzhou) Co., Ltd.; Maxleaf Stationery Co., Ltd.; Shanghai Foreign Trade Enterprises Co., Ltd.; Jiaxing Tegaote Paper Products, Co., Ltd.; Shanghai Pudong Wenbao Paper Products Factory; Ningbo Guangbo Plastic Products Manufacture Co., Ltd.; Yantai License Printing & Making Co., Ltd.; Shanghai Lansheng Stationery & Sporting Goods Import & Exports Co., Ltd.; and GOALMARK International Group.

<sup>7</sup> Indian respondents are four Indian exporters and producers (FFI International, Navneet Publications India Ltd., Sundaram Multi-Pat, Ltd., and Aero Exports) and two U.S. importers of subject merchandise from India (Fibro Source USA Inc. and American Scholar).

<sup>8</sup> CPP produced CLPSS for part of the period of investigation under the company’s former name, Carolina Pad & Paper; it ceased production and closed its North Carolina facility in September 2003, and began importing subject merchandise from China and India exclusively. Tr. at 173-74 (Presley).

<sup>9</sup> 19 U.S.C. § 1677(4)(A).

<sup>10</sup> Id.

<sup>11</sup> 19 U.S.C. § 1677(10).

<sup>12</sup> See, e.g., NEC Corp. v. Dep’t 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) consumer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and where appropriate, (6) price. See Nippon Steel Corp., 19 CIT at 455 n.4; Timken Co. v. United

(continued...)

may consider other factors it deems relevant based on the facts of a particular investigation.<sup>13</sup> The Commission looks for clear dividing lines among possible like products, and disregards minor variations.<sup>14</sup> Although the Commission must accept the determination of the U.S. Department of Commerce (“Commerce”) as to the scope of the imported merchandise allegedly subsidized or sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>15</sup> The Commission must base its domestic like product determination on the record in these investigations. 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.<sup>16</sup>

## **B. Product Description**

The Department of Commerce’s notice of initiation defines the imported merchandise within the scope of these investigations as follows –

certain lined paper products, typically school supplies,<sup>1</sup> composed of or including paper that incorporates straight horizontal and/or vertical lines on ten or more paper sheets,<sup>2</sup> including but not limited to such products as single- and multi-subject notebooks, composition books, wireless notebooks, looseleaf or glued filler paper, graph paper, and laboratory notebooks, and with the smaller dimension of the paper measuring 6 inches to 15 inches (inclusive) and the larger dimension of the paper measuring 8-3/4 inches to 15 inches (inclusive). Page dimensions are measured size (not advertised, stated, or “tear-out” size), and are measured as they appear in the product (*i.e.*, stitched and folded pages in a notebook are measured by the size of the page as it appears in the notebook page, not the size of the unfolded paper). However, for measurement purposes, pages with tapered or rounded edges shall be measured at their longest and widest points. Subject lined paper products may be loose, packaged or bound using any binding method (other than case bound through the inclusion of binders board, a spine strip, and cover wrap). Subject merchandise may or may not contain any combination of a front cover, a rear cover, and/or backing of any composition, regardless of the inclusion of images or graphics on the cover, backing, or paper. Subject merchandise is within the scope of this petition whether or not the lined paper and/or cover are hole punched, drilled, perforated,

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<sup>12</sup> (...continued)

States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>13</sup> See, e.g., S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess., at 90-91 (1979).

<sup>14</sup> Nippon Steel Corp., 19 CIT at 455; Torrington Co., 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.”)

<sup>15</sup> 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 Co., 747 F. Supp. at 748-52 (affirming Commission’s determination of six domestic like products in investigations where Commerce found five classes or kinds).

<sup>16</sup> 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 at 455; 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).

and/or reinforced. Subject merchandise may contain accessory or informational items including but not limited to pockets, tabs, dividers, closure devices, index cards, stencils, protractors, writing implements, reference materials such as mathematical tables, or printed items such as sticker sheets or miniature calendars, if such items are physically incorporated, included with, or attached to the product, cover and/or backing thereto.

Specifically excluded from the scope of this petition are:

- unlined copy machine paper;
- writing pads with a backing (including but not limited to products commonly known as “tablets,” “note pads,” “legal pads,” and “quadrille pads”), provided that they do not have a front cover (whether permanent or removable). This exclusion does not apply to such writing pads if they consist of hole-punched or drilled filler paper;
- three-ring or multiple-ring binders, or notebook organizers incorporating such a ring binder provided that they do not include subject paper;
- index cards;
- printed books and other books that are case bound through the inclusion of binders board, a spine strip, and cover wrap;
- newspapers;
- pictures and photographs;
- desk and wall calendars and organizers (including but not limited to such products generally known as “office planners,” “time books,” and “appointment books”);
- telephone logs;
- address books;
- columnar pads & tablets, with or without covers, primarily suited for the recording of written numerical business data;
- lined business or office forms, including but not limited to: preprinted business forms, lined invoice pads and paper, mailing and address labels, manifests, and shipping log books;
- lined continuous computer paper;
- boxed or packaged writing stationery (including but not limited to products commonly known as “fine business paper,” “parchment paper,” and “letterhead”), whether or not containing a lined header or decorative lines;
- stenographic pads . . . Gregg ruled,<sup>3</sup> measuring 6 inches by 9 inches.

<sup>1</sup> For purposes of this scope definition, the actual use of or labeling these products as school supplies or non-school supplies is not a defining characteristic.

<sup>2</sup> There shall be no minimum page requirement for looseleaf filler paper.

<sup>3</sup> “Gregg ruling” consists of a single- or double-margin vertical ruling line down the center of the page. For a six-inch by nine-inch stenographic pad, the ruling would be located approximately three inches from the left of the book.

The scope of these investigations also excluded a number of products produced by MeadWestvaco bearing a trademark.<sup>17</sup> Commerce stated that merchandise subject to the preliminary phase of these investigations typically is imported under statistical reporting numbers 4820.10.2050, 4810.22.5044, 4811.90.9090 of the Harmonized Tariff Schedule of the United States (“HTSUS”).<sup>18 19 20 21</sup>

Generally speaking, the scope of these investigations includes three main products: composition books, notebooks, and filler paper with a width between and including 6 inches and 15 inches and a length measuring between and including 8-3/4 inches and 15 inches. These products include paper that is lined vertically or horizontally to assist the end user in writing straight text. The products are either

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<sup>17</sup> 70 Fed. Reg. 58374, 58380 (Oct. 6, 2005) (announcing that Commerce has initiated antidumping duty investigations with respect to subject imports from China, Indonesia, and India); 70 Fed. Reg. 58690, 58693, 58694 (Oct. 7, 2005) (announcing that Commerce has initiated countervailing duty investigations with respect to subject imports from Indonesia and India).

<sup>18</sup> 70 Fed. Reg. at 58380; 70 Fed. Reg. at 58693-94. The scope language adopted by Commerce in its initiation of these investigations was somewhat different from the scope language proposed in the petition as first filed. In particular, the proposed scope language contained in the petition appeared to include at least some legal pads and stenographic pads within the scope of these investigations. Petition at 3 (stating that the scope included lined paper products with “no cover or backing . . . or both a front cover and a rear cover or backing”). Commission staff used the proposed scope language contained in the petition as the basis for its questionnaires, which had to be mailed prior to Commerce’s initiation. This language differed from petitioner’s amended language adopted by Commerce in its notice of initiation, which expressly excluded stenographic pads and writing pads (such as legal pads), unless those pads have a front cover (whether permanent or removable) or consist of hole-punched or drilled filler paper. Letter from Alan Price, Timothy Brightbill, and Daniel Pickard to Carlos Gutierrez and Marilyn Abbott of Sept. 21, 2005 at unnumbered pages 8-9; Petitioner’s Responses to Staff’s Questions at 1. All questionnaire respondents who are parties to the Commission’s investigations have reported that the data submitted in response to the Commission’s questionnaires reflect the scope language as adopted by Commerce, with the exception of one party. CR/PR at I-11 n.30, PR at I-9 n.30. We do not know to what extent questionnaire respondents who are not parties to the Commission’s preliminary investigations have included such products in their questionnaire responses.

<sup>19</sup> More generally, we note that certain aspects of petitioner’s counsel’s conduct during the preliminary phase of these investigations made staff’s efforts to assemble an accurate and complete record more difficult. At the Staff Conference, petitioner’s counsel could not state definitively whether certain products like writing tablets with a front cover and a back cover or writing tablets with hole-punched or perforated paper were intended to be excluded from or included in its proposed scope language. Tr. at 54-55 (questioning by Carpenter and responses by Brightbill), 57-58 (questioning by Carpenter and responses by Price), 122-23 (questioning by Forstall and responses by Brightbill). Moreover, the three petitioning firms filed their responses to the producer and importer questionnaires late and the responses were incomplete. In particular, we note that petitioner did not file its members’ initial responses to the importer questionnaires until after the Staff Conference, which was seven days after the deadline in a 45-day investigation, and 21 days after the petition was filed. We note that the only party in an investigation that can gather relevant information before the case is filed is the one requesting relief.

Unfortunately, we observe that this type of conduct has not been limited to the present investigations. Accordingly, we remind the trade bar that it is the responsibility of all parties to follow Commission procedures defined by statute and regulations, and to comply with response deadlines set forth in Commission questionnaires. We expect that all parties will strive to provide the Commission with complete information in a timely fashion.

<sup>20</sup> Chairman Koplán does not join in the Commission’s discussion of certain aspects of petitioner’s conduct. While he does not dispute the accuracy of his colleagues’ comments, he believes that he addressed this subject adequately in a personal statement that he made on October 21, 2005 just prior to the Commission’s vote in these investigations. See Vote Transcript dated October 21, 2005 at 5-6.

<sup>21</sup> Commissioner Lane does not join in footnote 19.

<sup>22</sup> Vice Chairman Okun and Commissioner Pearson note that much of the confusion surrounding the scope of these investigations might have been avoided had petitioner adequately consulted in a timely fashion with staff concerning issues related to the scope of these investigations.

bound on one side or more or are loose-leaf. The products may contain no cover or both a front and a rear cover, and may be hole-punched, drilled, or perforated. Such products generally are used for taking notes and typically are used as school supplies. CLPSS are commodity products, but also include “designer” or “fashion” notebooks. CLPSS do not include other lined paper products, such as legal pads, smaller sized or personal notebooks, writing pads, and stenographic pads, unless otherwise noted by the scope language.

### **C. Domestic Like Product**

There are two domestic like product issues presented in the preliminary phase of these investigations. First, petitioner argues that the Commission should define the domestic like product as CLPSS, coextensive with the scope of these investigations. Petitioner’s proposed definition would exclude many commonly used note pads and legal pads. Four respondents, Staples, Chinese respondents, Wal-Mart, and Target, urge the Commission to define the domestic like product more broadly to include additional lined paper products such as note pads and legal pads. Second, Continental argues that the Commission should find that fashion notebooks constitute a separate domestic like product.<sup>23</sup> For purposes of the preliminary phase of these investigations, we find a single domestic like product encompassing any lined paper or lined paper products with dimensions between 5 inches x 7 inches and 15 inches x 15 inches. This domestic like product, referred to herein as lined paper products (“LPP”), encompasses both domestically produced CLPSS and additional lined paper products of similar dimension, which were not included in the scope of these investigations.<sup>24</sup>

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<sup>23</sup> Continental argues that the Commission should “remove” what it calls “fashion stationery,” or fashion notebooks, from the scope of these investigations. Continental’s Postconference Brief at 1. While Continental indicates its intention to present this argument to Commerce, in the form of a request to amend the scope of these investigations, we note that the Commission has consistently stated that it does not have the authority to “exclude” from its determination products that are included within the scope.” See, e.g., Sony Corp. of Am. v. United States, 712 F. Supp. 978, 983-84 (Ct. Int’l Trade 1989). “It is the role of Commerce, not the Commission, to determine the scope of these subject merchandise.” Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand, Inv. Nos. 731-TA-965, -971-972, -979, and -981 (Final), USITC Pub. 3536 (Sept. 2002) at 10, n. 31.

<sup>24</sup> The Commission’s questionnaires requested data for CLPSS as well as “other lined paper products” defined as “any lined paper or lined paper product with dimensions between 5 [inches] x 7 [inches] and 15 [inches] x 15 inches which are not included in the scope definition.” CR at I-3, PR at I-2.

Upon reviewing the proposed scope language contained in the petition, the Commission originally decided to collect information on all lined paper products regardless of dimension. We then decided to limit our consideration of all lined paper products to “other lined paper products” with dimensions between 5 inches x 7 inches and 15 inches x 15 inches, in light of the dimensional limitations expressly provided in the petition. Hence, we apply the questionnaire’s definition of “other lined paper products” in our domestic like product analysis.

If parties believe a different definition would be more appropriate, we encourage them to address this issue in their written comments on the draft questionnaires in any final phase of these investigations. We intend to explore this issue further in any final phase of these investigations, including the extent to which we should define the domestic like product more or less broadly than we have done at this stage.

## (1) Whether to Broaden the Domestic Like Product

Based on the Commission's traditional six factor like product analysis, we find there is no clear dividing line between CLPSS and other lined paper products; instead, we find that they constitute a continuum of lined paper products.<sup>25</sup>

Physical characteristics and uses. The physical characteristics of CLPSS and other lined paper products are similar in that both contain paper lined typically with blue and/or red ink that is either bound and/or hole-punched. There are a range of product sizes, binding methods, and other features that are added to the products; for instance, backs, pockets, tabs, or dividers as well as the absence or presence of a front and rear cover. Such characteristics vary between and among CLPSS and other lined paper products.<sup>26</sup> Although petitioner maintains that the physical characteristics of CLPSS offer necessary elements of privacy, protection, and convenience, we find that such elements are not universally present even among CLPSS.<sup>27</sup> Therefore, we do not find a clear dividing line between the physical characteristics of CLPSS and other lined paper products.

Generally speaking, the end use of CLPSS and other lined paper products is the same: for taking notes and for other similar types of writing.<sup>28</sup> Petitioner concedes that all lined paper products are used to record handwritten notes.<sup>29</sup> CLPSS and other lined paper products are used to take notes in a variety of contexts, including in schools, businesses, and the home.<sup>30</sup>

Interchangeability. The record is mixed with respect to this factor.<sup>31</sup> In general, CLPSS and other lined paper products are interchangeable in the sense that they are both used for note taking.<sup>32</sup> Moreover, petitioner concedes that there are "certainly overlaps in these [product] categories."<sup>33</sup> Interchangeability, however, is limited by the various mix of products contained within CLPSS and other lined paper products. Such physical characteristics as size, the absence or presence of a cover, and added

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<sup>25</sup> In its analysis of the traditional domestic like product factors, the Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer or producer perceptions; and, when appropriate, (6) price. See, e.g., Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996). No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Torrington Co., 747 F. Supp. at 748-49.

<sup>26</sup> CR at I-11, I-12, I-17, PR at I-9, I-10, I-13; Letter from Alan H. Price, Timothy C. Brightbill, and Daniel B. Pickard to Marilyn Abbott of October 3, 2005 at 3; Staples' Postconference Brief at 12. Other lined paper products include, inter alia, legal pads and stenographic pads with similar dimensions to CLPSS. See CR at I-3, PR at I-7.

<sup>27</sup> Letter from Alan H. Price, Timothy C. Brightbill, and Daniel B. Pickard to Marilyn Abbott of October 3, 2005 at 3; see CR at I-16, PR at I-12.

<sup>28</sup> See CR at I-11 and I-16, PR at I-9 and I-13.

<sup>29</sup> Petitioner's Postconference Brief at 6.

<sup>30</sup> See CR at I-16 to I-18, PR at I-12 to I-14.

<sup>31</sup> CR at I-18, PR at I-13 to I-14.

<sup>32</sup> CR at I-18, PR at I-13 to I-14.

<sup>33</sup> Tr. at 105 (Brightbill).

features limit the interchangeability of CLPSS and other lined paper products.<sup>34</sup> Of the six non-petitioning U.S. producers of CLPSS, three indicated that CLPSS and other lined paper products are largely or fully interchangeable, and one other U.S. producer of CLPSS indicated that size differences, not applications, limited interchangeability.<sup>35</sup> Three importers of CLPSS, which are not U.S. producers, indicated that there is no interchangeability between CLPSS and other lined paper products.<sup>36</sup> Another importer stated that size, not application, limited interchangeability between CLPSS and other lined paper products.<sup>37</sup> Those characteristics also limit interchangeability among CLPSS products.

Given these mixed responses, although other lined paper products may have limited interchangeability with CLPSS products in an elementary school context, the record reflects that CLPSS and other lined paper products are more interchangeable in a high school or college context or in home or business applications.<sup>38</sup> Petitioner concedes this point; in response to a question from staff about the use of CLPSS by users other than schoolchildren, petitioner commented that “notes taken during the course of business activity stay in the notebook/pad.”<sup>39</sup>

Channels of Distribution. CLPSS and other lined paper products are sold through the same channels of distribution, namely to retailers, such as office supply stores, mass retailers, dollar stores, grocery stores, and drug stores.<sup>40</sup> Despite some contradictory evidence on the record, both CLPSS and other lined paper products are sold throughout the year by retailers either in the same aisle or section of the store.<sup>41</sup> The record indicates, however, that some retailers advertise CLPSS differently in anticipation of the back-to-school season, and that other lined paper products are not purchased from U.S. producers concurrently with CLPSS.<sup>42</sup>

Common Manufacturing Facilities, Production Processes and Production Employees. In general, the production processes of CLPSS and other lined paper products are similar: both involve lining the paper, hole-punching the paper, cutting it into sheets, stacking the paper to the desired page-count, binding the paper if applicable, and packaging the product for sale.<sup>43</sup> Most domestic producers make other lined paper products on the same equipment and machinery and by the same production employees used in the production of CLPSS.<sup>44</sup>

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<sup>34</sup> See CR at I-18, PR at I-13 to I-14; Petitioner’s Postconference Brief at 7-8; Letter from Alan H. Price, Timothy C. Brightbill, and Daniel B. Pickard to Marilyn Abbott of Oct. 3, 2005 at 4.

<sup>35</sup> CR at I-18, PR at I-13 to I-14.

<sup>36</sup> See CR at I-18, PR at I-14.

<sup>37</sup> CR at I-18, PR at I-14.

<sup>38</sup> Petitioner’s Responses to Staff’s Questions at 14 (emphasis added); see Tr. at 200 (Ciulla).

<sup>39</sup> Petitioner’s Responses to Staff’s Questions at 14 (emphasis added).

<sup>40</sup> CR at I-15, I-22, PR at I-11, I-16. The record indicates that less than 5 percent of reported U.S. shipments of domestically produced CLPSS were sold to distributors during the period examined. See CR at I-15, PR at I-11 to I-12.

<sup>41</sup> Cf. Petitioner’s Postconference Brief at Exh. 9; Tr. at 48 (Pickard), with Tr. at 198 (Ciulla); Wal-Mart’s Postconference Brief at 2.

<sup>42</sup> Letter from Alan H. Price, Timothy C. Brightbill, and Daniel B. Pickard to Marilyn Abbott of Oct. 3, 2005 at Attach. 1; Petitioner’s Postconference Brief at 9-10; Tr. at 48-49 (Pickard).

<sup>43</sup> CR at I-13 to I-14, PR at I-10; see CR at I-19 to I-20, PR at I-15.

<sup>44</sup> CR/PR at Table III-3; CR at I-19, III-5, PR at I-15, III-3.

Customer and Producer Perceptions. Three purchasers, Staples, Wal-Mart, and Target, perceive CLPSS and other lined paper products as a continuum of products.<sup>45</sup> The record also indicates that consumers generally expect to use both CLPSS and other lined paper products to take notes and for other kinds of writing, although there is some evidence that consumers may perceive products named on school supply lists as school supplies.<sup>46</sup> Producer perceptions are mixed. Some producers perceive CLPSS and other lined paper products as distinct products, while other producers do not perceive any differences between CLPSS and other lined paper products.<sup>47</sup>

Price. In light of the variety of products among and between CLPSS and other lined paper products, it is difficult to compare meaningfully the prices of CLPSS and other lined paper products. Moreover, the record contains contradictory evidence with respect to price.<sup>48</sup>

Conclusion. CLPSS and other lined paper products share basic physical characteristics; they all contain lined paper. Although there are certainly variations in physical characteristics between CLPSS and other lined paper products, the same variations exist among CLPSS products, such as filler paper and notebooks. They also share a basic use, namely note taking or other writing. Interchangeability between CLPSS and other lined paper products is more limited in an elementary school context than in a high school or college context or in home or business applications. Even though the record is mixed with respect to customer and producer perceptions, and contradictory as to price, CLPSS and other lined paper products share common channels of distribution, as well as common manufacturing facilities, production processes and production employees.

We find for purposes of these preliminary phase determinations that the physical characteristics, end uses, interchangeability, customer and producer perceptions, and common manufacturing processes, equipment, and employees factors weigh in favor of including other lined paper products as defined in the questionnaire in the same domestic like product as CLPSS. Many of the differences between other lined paper products and CLPSS (such as producer perceptions, price and practical interchangeability) also exist among the products contained within CLPSS. For these reasons, we define the domestic like product to include “other lined paper products” with dimensions including and between 5 inches x 7 inches and 15 inches x 15 inches, as well as CLPSS. We intend to explore this issue further in any final phase of these investigations, including the extent to which we should define the domestic like product more or less broadly than we have done at this stage.

## **(2) Whether There is a Clear Dividing Line Between “Fashion” Notebooks and CLPSS**

Continental defines “fashion stationery” (also referred to as fashion notebooks) as including “notebooks that are produced using a manual, labor intensive process, and that incorporate certain design elements not found in typical lined paper products, such as custom color-coded metal or plastic wire binding, and higher quality cover material that often includes additional embellishments such as glitter or

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<sup>45</sup> Staples’ Postconference Brief at 10-11; Wal-Mart’s Postconference Brief at 2; see Target’s Postconference Brief at 5-6.

<sup>46</sup> Wal-Mart’s Postconference Brief at 2; see Target’s Postconference Brief at 5-6; Staples’ Postconference Brief at 16-17.

<sup>47</sup> CR at I-21, PR at I-15 to I-16.

<sup>48</sup> Cf. CR at I-22, PR at I-17 (indicating that the average unit values of aggregate reported U.S. shipments of other lined paper products were consistently lower than the prices of CLPSS); with Tr. at 89 (McLachlan) (testifying that other lined paper products were slightly higher priced).

three dimension [sic] or holographic material.”<sup>49</sup> Such items, it contends, are considered fashion accessories. Continental claims that no domestic producers produce such fashion products.<sup>50</sup>

Based on the Commission’s traditional six factor like product analysis, although the record on this issue is limited, we do not find a clear dividing line between fashion notebooks and LPP in the preliminary phase of these investigations. The record reflects that MeadWestvaco’s “Brights” line of spiral-bound notebooks is the product most similar to the imported “fashion” notebooks.<sup>51</sup>

MeadWestvaco does not make any distinction in its questionnaire responses, its briefs, or its conference testimony between its “fashion notebooks” and other notebooks within CLPSS. Its “Brights” notebooks and LPP are used to take notes. Both LPP and “Brights” notebooks contain lined paper, while other notebooks within LPP also contain a front and back cover that is often made of plastic and wire binding. Accordingly, other notebooks within LPP and fashion notebooks are highly interchangeable. MeadWestvaco has not indicated that fashion notebooks and other notebooks within LPP are produced on different manufacturing equipment or through different manufacturing processes. Both LPP and fashion notebooks are sold primarily to retailers and are perceived as products for taking notes. The record does not provide any information with respect to differences in price. Therefore, we do not find that fashion notebooks are a separate domestic like product from LPP.

For purposes of this preliminary determination, we define the domestic like product as LPP, encompassing both CLPSS and any lined paper or lined paper product with dimensions between 5 inches x 7 inches and 15 inches x 15 inches.

#### IV. 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.”<sup>52</sup> 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.<sup>53</sup> Based on our finding that the domestic like product is LPP, for purposes of these preliminary determinations, we find that the domestic industry consists of all known domestic producers of these products, with the exception of CPP, which we exclude from the domestic industry under the related party provision. We now turn our discussion to the issues presented under that statutory provision.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 19 U.S.C. § 1677(4)(B). Subsection 1677(4)(B) allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are

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<sup>49</sup> Continental’s Postconference Brief at 1.

<sup>50</sup> Continental’s Postconference Brief at 1-3, 11. Under the statute, the Commission has repeatedly stated that it cannot define the domestic like product as a product not produced in the United States. See, e.g., Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand, Inv. Nos. 731-TA-965, -971-72, -979, and -981 (Final), USITC Pub. 3536 (September 2002) at 10, n. 30; Certain Frozen Fish Fillets from Vietnam, Inv. No. 731-TA-1012 (Preliminary), USITC Pub. 3533 (August 2002) at 5; Ferrovandium from China and South Africa, Inv. Nos. 731-TA-986-987 (Preliminary), USITC Pub. 3484 (January 2002) at 6 & n. 26; Silicomanganese from India, Kazakhstan, and Venezuela, Inv. Nos. 731-TA-929-931 (Preliminary), USITC Pub. 3427 (May 2001) at 4-5 & n. 15.

<sup>51</sup> MeadWestvaco’s fashion notebooks have bright colored plastic covers and brown board backings, with patterns on the pocket that can be seen through the front cover. See Tr. at 261 (Price).

<sup>52</sup> 19 U.S.C. § 1677(4)(A).

<sup>53</sup> 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).

related to an exporter or importer of subject merchandise or which are themselves importers.<sup>54</sup> Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.

Petitioner argues that there are no related party issues in the preliminary phase of these investigations with respect to the three petitioning firms, all of which import subject merchandise, because their interests clearly lie in domestic production rather than in importation of subject merchandise.<sup>55</sup>

\*\*\* U.S. producers, CPP, \*\*\* as well as the three petitioning firms (MeadWestvaco, Norcom, and Top Flight), reported that they imported subject lined paper school supplies over the period of investigation.<sup>56</sup> One U.S. producer, \*\*\*.<sup>57</sup> Thus, these firms qualify as related parties. Several of these firms identified price as the primary reason for their decisions to import subject merchandise.<sup>58</sup> \*\*\* of these domestic producers, \*\*\*, collectively account for approximately \*\*\* of reported domestic production of LPP in 2004.<sup>59</sup>

CPP accounted for \*\*\* percent of reported production of LPP in 2003.<sup>60</sup> It is a respondent and formerly produced LPP during the period examined.<sup>61</sup> CPP imported subject merchandise from China and India during the period in order to enter the fashion notebook market and to sell other commodity CLPSS.<sup>62</sup> Its ratio of subject imports from China to production was \*\*\* percent in 2003, and its ratio of subject imports from India to production was \*\*\* percent in that year.<sup>63</sup> Its ratio of total subject imports to production of LPP was \*\*\* percent in 2003.<sup>64</sup> Its operating income as a ratio of net sales \*\*\*.<sup>65</sup> CPP's interests predominately lie in importation of subject merchandise, rather than production, as it ceased all production activity in 2003, opposes the petition, and imports \*\*\* quantities of subject imports. It appears to derive some financial benefit from its subject imports, as the ratio of its operating income to net sales for its domestic production operations \*\*\* from 2002 to 2003, while the domestic industry's ratio of operating income to net sales fell from \*\*\* percent in 2002 to \*\*\* percent in 2003.<sup>66</sup> Based on these factors, we find that appropriate circumstances exist to exclude CPP from the domestic industry.

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<sup>54</sup> 19 U.S.C. § 1677(4)(B).

<sup>55</sup> Petitioner's Responses to Staff Questions at 21.

<sup>56</sup> CR/PR at Table III-8A. \*\*\* also reported that it purchased subject lined paper school supplies over the period of investigation. CR/PR at Table III-8 n.4; CR at III-10 n.21, PR at III-6 n.21. Thus, it qualifies as a related party if it controls large volumes of imports. \*\*\* Importer Questionnaire at 4. While we are unable to determine from the limited record available what percentage of the individual importers' sales are represented by \*\*\* purchases of LPP from the subject countries in 2004, CR at III-10 n.21, PR at III-6 n.21, we note that \*\*\* is already a related party by virtue of its imports of subject merchandise.

<sup>57</sup> CR at III-2 n.5, PR at II-1 n.5; CR/PR at Table III-8A n.4.

<sup>58</sup> \*\*\* Importer Questionnaire at 4; \*\*\* Importer Questionnaire at 4; \*\*\* Importer's Questionnaire at 4; \*\*\* Importer Questionnaire at 4.

<sup>59</sup> Staff Table III-1A.

<sup>60</sup> CR/PR at Table III-2 n.2.

<sup>61</sup> Tr. at 173-74 (Presley).

<sup>62</sup> Tr. at 174 (Presley).

<sup>63</sup> CR/PR at Table III-8A.

<sup>64</sup> CR/PR at Table III-8A.

<sup>65</sup> Staff Table VI-2A.

<sup>66</sup> Staff Table VI-2A; CR/PR at Table C-3A.

MeadWestvaco accounted for \*\*\* percent of production of LPP in 2004.<sup>67</sup> It is a member of petitioner and \*\*\* domestic producer of LPP.<sup>68</sup> MeadWestvaco states that it was forced to import subject merchandise from China and India during the period for price reasons.<sup>69</sup> Its ratio of subject imports from China to production was \*\*\* percent in 2004, and its ratio of subject imports from India to production was \*\*\* percent in that year.<sup>70</sup> Its ratio of total subject imports to production of LPP was \*\*\* percent in 2004.<sup>71</sup> Its operating income as a ratio of net sales \*\*\*.<sup>72</sup> MeadWestvaco is \*\*\* producer and a petitioning firm. Its interests appear to lie in domestic production. Its domestic production operations also do not appear to derive significant financial benefit from the subject imports in light of its \*\*\*. We find that circumstances are not appropriate to exclude MeadWestvaco from the domestic industry.<sup>73 74</sup>

Norcom accounted for \*\*\* percent of production of LPP in 2004.<sup>75</sup> It is a petitioner and \*\*\* domestic producer of LPP.<sup>76</sup> Norcom states that it imported subject merchandise from China, India, and Indonesia during the period examined for price reasons.<sup>77</sup> Its ratio of subject imports from China to production was \*\*\* percent in 2004, while its ratio of subject imports from India to production was \*\*\* percent and its ratio of subject imports from Indonesia to production was \*\*\* percent in that year.<sup>78</sup> Its ratio of total subject imports to production of LPP was \*\*\* percent in 2004.<sup>79</sup> Its operating income as a ratio of net sales \*\*\*.<sup>80</sup> Norcom is \*\*\* producer and a petitioner. Its interests appear to lie in domestic production. Its domestic production operations also do not appear to derive significant financial benefit

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<sup>67</sup> Staff Table III-1A.

<sup>68</sup> Staff Table III-1A.

<sup>69</sup> See Tr. at 8 (Price), 90 (McLachlan).

<sup>70</sup> CR/PR at Table III-8A.

<sup>71</sup> CR/PR at Table III-8A.

<sup>72</sup> Staff Table VI-2A.

<sup>73</sup> We note that MeadWestvaco imported \*\*\* volumes of subject imports during the period of investigation: in 2002, it imported \*\*\* units of subject imports, \*\*\* in 2003 to \*\*\* units, and \*\*\* to \*\*\* units in 2004. In both the interim periods, MeadWestvaco imported approximately \*\*\* volume of subject imports: it imported \*\*\* units in interim 2004 and \*\*\* units in interim 2005. CR/PR at Table III-8A. MeadWestvaco's ratio of total subject imports to production \*\*\* from 2002 to 2003, but was lower in 2004. Its ratio nearly \*\*\* between the interim periods. Id. Moreover, record evidence suggests that MeadWestvaco may account for additional imports of subject merchandise beyond that reported in its questionnaire responses, as it has reported that it also arranges for the purchase of subject merchandise for which it does not serve as the importer of record. CR at III-10 to III-11, PR at III-6 to III-7; Tr. at 138 (McLachlan). We intend to examine more closely in any final phase of these investigations the extent to which MeadWestvaco arranges for purchases of subject merchandise.

<sup>74</sup> Commissioner Pearson agrees that the Commission should examine more closely in the final phase the extent to which the three petitioning firms, such as MeadWestvaco, arrange purchases of subject merchandise. He notes, however, that the Commission might have had adequate time to explore this issue in the preliminary phase had the petitioning firms submitted their responses to the importer questionnaires on time.

<sup>75</sup> Staff Table III-1A.

<sup>76</sup> See Petition at 1; Staff Table III-1A.

<sup>77</sup> See Tr. at 8 (Price), 90 (Rahn).

<sup>78</sup> CR/PR at Table III-8A.

<sup>79</sup> CR/PR at Table III-8A.

<sup>80</sup> Staff Table VI-2A.

from the subject imports in light of its \*\*\*. We find that circumstances are not appropriate to exclude Norcom from the domestic industry.<sup>81</sup>

\*\*\* accounted for \*\*\* percent of domestic production of LPP in 2004.<sup>82</sup> It \*\*\* the petition.<sup>83</sup> It imported subject merchandise from \*\*\* for price reasons and based on customer requests.<sup>84</sup> Its ratio of subject imports from \*\*\* to production was \*\*\* percent in 2004, and its ratio of subject imports from \*\*\* to production was \*\*\* percent in 2004.<sup>85</sup> Its ratio of total subject imports to production of LPP was \*\*\* percent in 2004.<sup>86</sup> Prior to that year, \*\*\* had not imported from \*\*\*. Its operating income as a ratio of net sales was \*\*\* percent in fiscal year 2004 – an increase from \*\*\*. This financial indicator \*\*\* during the interim periods: it was \*\*\*.<sup>87</sup> It appears that \*\*\* primary interests lie in production, as it supports the petition and does not appear to derive a significant benefit from the subject imports, in view of its \*\*\*. Nonetheless, \*\*\* domestic production operations may derive some financial benefit from its subject imports, as the ratio of its operating income to net sales was consistently \*\*\* during the period examined. We intend to explore further \*\*\* import operations in any final phase of these investigations.

Top Flight accounted for \*\*\* percent of reported production of LPP in 2004.<sup>88</sup> It is a petitioner and \*\*\* domestic producer of LPP.<sup>89</sup> Top Flight states that it was forced for price reasons to import subject merchandise from China and India during the period examined.<sup>90</sup> Its ratio of subject imports from China to production was \*\*\* percent in 2004, and its ratio of subject imports from India to production was \*\*\* percent in that year.<sup>91</sup> Its ratio of total subject imports to production of LPP was \*\*\* percent in 2004.<sup>92</sup> Its operating income as a ratio of net sales \*\*\*.<sup>93</sup> Top Flight is \*\*\* producer and a petitioner. Its interests seem to lie in domestic production. It also does not appear to have benefitted financially from the subject imports, as it imported \*\*\* while experiencing some \*\*\* on its domestic production operations. We find that circumstances are not appropriate to exclude Top Flight from the domestic industry.<sup>94</sup>

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<sup>81</sup> We note that Norcom \*\*\* its volume of total subject imports from \*\*\* units in 2002 to \*\*\* units in 2004, and from \*\*\* units in interim 2004 to \*\*\* units in interim 2005. CR/PR at Table III-8A. Moreover, record evidence suggests that Norcom \*\*\*. CR at III-10 to III-11, PR at III-6 to III-7. We intend to examine more closely in any final phase of these investigations the extent to which Norcom \*\*\* and whether its import activities \*\*\* provide appropriate circumstances to exclude Norcom from the domestic industry.

<sup>82</sup> Staff Table III-1A.

<sup>83</sup> Staff Table III-1A.

<sup>84</sup> \*\*\* Importer Questionnaire at 4.

<sup>85</sup> CR/PR at Table III-8A.

<sup>86</sup> CR/PR at Table III-8A.

<sup>87</sup> Staff Table VI-2A.

<sup>88</sup> Staff Table III-1A.

<sup>89</sup> Staff Table III-1A.

<sup>90</sup> See Tr. at 8 (Price), 90-91 (Robinson).

<sup>91</sup> CR/PR at Table III-8A.

<sup>92</sup> CR/PR at Table III-8A.

<sup>93</sup> Staff Table VI-2A.

<sup>94</sup> We also decline to exclude two other small domestic producers –\*\*\* -- that imported some subject imports during the period of investigation, and one producer –\*\*\* -- that is \*\*\*. Each of these producers accounted for under \*\*\* percent of reported domestic production of LPP in 2004. Exclusion or inclusion of the data of any of these companies would not affect the overall data of the domestic industry.

In conclusion, we exclude CPP from the domestic industry, but find that circumstances are not appropriate to exclude any other producer. Accordingly, we conclude that the domestic industry consists of all known domestic producers of LPP, with the exception of CPP.

## V. NEGLIGIBLE IMPORTS

Imports from a subject country of merchandise corresponding to a domestic like product that account for less than three percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.<sup>95</sup> Imports that are individually negligible may not be negligible if the aggregate volumes of imports from several countries with negligible imports exceeds seven percent of all such merchandise imported into the United States in the statutory period for assessing negligibility referenced above.<sup>96</sup> In countervailing duty investigations involving developing countries, the statute further provides that the negligibility thresholds are four percent and nine percent, rather than three percent and seven percent.<sup>97</sup> The statute defines “developing country” as any country so designated by the U.S. Trade Representative.<sup>98</sup> In these investigations, the subject countries with allegedly subsidized imports are India and Indonesia, each of which the U.S. Trade Representative has designated as a “developing country.”<sup>99</sup>

By operation of law, a finding of negligibility terminates the Commission’s investigation with respect to such imports.<sup>100</sup> The Commission is authorized to make “reasonable estimates on the basis of available statistics” of pertinent import levels for purposes of deciding negligibility.<sup>101</sup>

A threshold issue in the preliminary phase of these investigations concerns the data we should use to measure imports. We acknowledge that there are problems with data from the questionnaire responses and with official import statistics. The questionnaire responses yielded insufficient import coverage.<sup>102</sup> The relevant HTSUS statistical reporting numbers (4820.10.2050 and 4811.90.9000)<sup>103</sup> are “basket” categories that include both subject imports described by the scope of these investigations as well as other products outside the scope.<sup>104</sup> Petitioner proposes that the Commission use the official import statistics.

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<sup>95</sup> 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(I)(I).

<sup>96</sup> 19 U.S.C. § 1677(24)(A)(i)-(ii).

<sup>97</sup> 19 U.S.C. § 1677(24)(B).

<sup>98</sup> 19 U.S.C. § 1677(36)(A).

<sup>99</sup> 15 C.F.R. § 2013.1 (2005).

<sup>100</sup> 19 U.S.C. §§ 1671b(a)(1), 1673b(a)(1).

<sup>101</sup> 19 U.S.C. § 1677(24)(C); see also The Uruguay Round Agreements Act, Statement of Administrative Action, H.R. Doc. No. 103-316, Vol. 1 at 186 (1994) (“SAA”).

<sup>102</sup> We note that the questionnaire data understate the actual volume of imports of subject merchandise because a number of firms, in particular, large pharmacy chains, did not respond to the Commission’s importer questionnaires. These firms are thought to import large quantities of subject merchandise. CR at IV-2 n.6, PR at IV-4 n.6. Moreover, as noted above, in light of petitioner’s amendment to the scope language after the Commission’s questionnaires were disseminated, it is unclear whether the data responses from all responding parties coincide with the scope of these investigations. It is also unclear whether U.S. producers have reported all their imports from nonsubject sources. We intend to examine these matters more closely in any final phase of these investigations.

<sup>103</sup> Effective July 1, 2005, statistical reporting number 4811.90.9000 was divided into two numbers. The appropriate statistical reporting number for filler paper after that date is 4811.90.9090. CR/PR at Table I-2 & CR at I-5 n.14, PR at I-4 n.14.

<sup>104</sup> See CR/PR at Table I-2. Petitioner proposed a third HTSUS category, statistical reporting number 4810.22.5044. Petition at 5. Imports corresponding to this statistical reporting number are not included in our  
(continued...)

Indian respondents argue that Commerce's import statistics are overbroad, and that the questionnaire data are under-inclusive as a number of other nonsubject countries produce and export CLPSS to the United States.<sup>105</sup> On balance, we determine that the official import statistics are a more comprehensive and accurate measure of import volume.<sup>106</sup>

To evaluate whether subject imports from China, India, and Indonesia are negligible, we considered official import statistics for the period September 2004 through August 2005.<sup>107</sup> During that prescribed period, subject imports from China were 61.8 percent of total imports of CLPSS by quantity; subject imports from India were 5.9 percent of total imports of CLPSS by quantity; and subject imports from Indonesia were 6.9 percent of total imports of CLPSS by quantity.<sup>108</sup> Subject imports from China, India, and Indonesia are therefore not negligible under 19 U.S.C. § 1677(24)(A)(i) for purposes of both the antidumping and countervailing duty investigations, because subject imports from those three countries each accounted for more than three percent or four percent respectively of the volume of CLPSS imported into the United States in the most recent twelve-month period for which data are available preceding the filing of the petition.<sup>109</sup> We therefore find that subject imports from China, India, and Indonesia are not negligible for purposes of our present material injury analysis. We will seek more comprehensive import data from all parties in any final phase investigations.<sup>110</sup>

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<sup>104</sup> (...continued)

import data because that number applies to imports of paper coated with clay or other inorganic materials. Record evidence in these preliminary investigations indicates that little to no subject imports, as defined by Commerce's scope of these investigations, are imported under statistical reporting number 4810.22.5044. CR at I-7 & n.16-17, PR at I-4, I-6 n. 16 & 17. Thus, our import data correspond to imports for consumption which entered the United States under statistical reporting number 4811.90.9000 and statistical reporting number 4820.10.2050.

<sup>105</sup> Indian Respondents' Postconference Brief at 5-6. We note that Indian respondents' discussion of this issue includes statistical reporting number 4810.22.5044. While we recognize that the two statistical reporting numbers upon which we rely for our preliminary determinations may contain nonsubject merchandise, such as notebooks with dimensions outside the scope of these investigations or items other than filler paper, as previously noted we examine import volume on a narrower basis than that proposed by Indian respondents. CR at IV-8 n.12, PR at IV-5 n.10.

<sup>106</sup> We note that quantity data for statistical reporting number 4811.90.9000 was converted from kilograms using a conversion factor suggested by petitioner, reflecting the per-unit weight of what it identifies as the most common filler paper package (150-count at 0.491262 kg). CR at IV-2 n.7, PR at IV-1 n.5; Petition at 9. While no respondent expressly opposed petitioner's conversion method, we intend to examine this matter more closely in any final phase of these investigations.

<sup>107</sup> CR/PR at Table IV-4.

<sup>108</sup> CR/PR at Table IV-4.

<sup>109</sup> CR/PR at Table IV-4.

<sup>110</sup> In rendering our negligibility determinations, we have examined import volume by quantity, as we have in numerous previous investigations. See e.g., Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Turkey, Ukraine, and Venezuela, Inv. Nos. 701-TA-417-421 and 731-TA-953-963 (Preliminary), USITC Pub. 3456 (Oct. 2001) at 8 n.40; Hot-Rolled Steel Products from Argentina and South Africa, Inv. Nos. 701-TA-404 and 731-TA-898 and 905 (Final), USITC Pub. 3446 (Aug. 2001) at 9 n.40. We will examine this issue more closely in any final phase of these investigations, and invite parties to address whether value would be a more appropriate measure of subject import volume.

## VI. CUMULATION

### A. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the U.S. market.<sup>111</sup> In assessing whether subject imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

- (1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
- (4) whether the subject imports are simultaneously present in the market.<sup>112</sup>

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.<sup>113</sup> Only a “reasonable overlap” of competition is required.<sup>114</sup>

### B. Analysis

Petitioner argues that based on the four factors customarily considered by the Commission, subject imports compete with one another and with domestic CLPSS, and that therefore the Commission should cumulate subject imports.<sup>115</sup> Indonesian respondent and Staples claim that the brightness of Indonesian paper constitutes a commercially significant quality difference which distinguishes subject imports from Indonesia from domestically produced CLPSS and subject imports from China and India, and limits interchangeability among them.<sup>116</sup> Indonesian respondent also argues that subject imports from

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<sup>111</sup> 19 U.S.C. § 1677(7)(G)(i).

<sup>112</sup> See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

<sup>113</sup> See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

<sup>114</sup> The SAA (at 848) expressly states that “the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition.” SAA at 848 (citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988)), aff'd 859 F.2d 915 (Fed. Cir. 1988). See Goss Graphic Sys., Inc. v. United States, 33 F. Supp. 2d 1082,1087 (Ct. Int'l Trade 1998) (“cumulation does not require two products to be highly fungible”); Wieland Werke, AG, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

<sup>115</sup> See Petitioner’s Postconference Brief at 21-22.

<sup>116</sup> Indonesian paper is typically “92 bright.” “Brightness” is defined as “[t]he amount of light reflected by the paper expressed as a percentage.” Staples’ Postconference Brief at Exh. 1D. Staples measures brightness using the  
(continued...)

China and India are made on weaker paper using semi-automatic and manual machines.<sup>117</sup> Staples contends that it has developed customer loyalty based on offering customers CLPSS products that contain “92 bright” paper.<sup>118</sup> Staples claims that it \*\*\*.<sup>119</sup> Accordingly, both Indonesian respondent and Staples argue that the Commission should not cumulate subject imports from Indonesia with subject imports from China and India.<sup>120</sup>

The threshold requirement for cumulation is satisfied because petitioner filed a petition with respect to each of the three subject countries on the same day. None of the statutory exceptions to cumulation is applicable.<sup>121</sup>

We next examine the four factors that the Commission customarily considers in determining whether there is a reasonable overlap of competition.

## 1. Fungibility.

Questionnaire responses from both U.S. producers and importers generally reflect a relatively high level of fungibility between domestic LPP and subject imports from China, India, and Indonesia.<sup>122</sup> Subject imports from all sources generally are used for the same purpose as domestic LPP, i.e., to take notes and store written work product. Record evidence indicates that both subject imports and LPP are sold through common channels of distribution, namely retailers that purchase subject imports either directly from foreign or domestic producers, or through distributors for resale.<sup>123</sup> Although the record reveals that some variation exists in the production processes, material composition, weight, quality, and

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<sup>116</sup> (...continued)

Technical Association of the Pulp and Paper Industry standard, which in turn defines brightness as the 45-degree directional reflectance at 457 nanometers. *Id.* Indonesian respondent notes in its brief that its paper is brighter because it uses 88 percent ISO brightness virgin pulp and also special high opacity filler content to produce paper. The record reveals that foreign producers use an ISO scale, while domestic producers have adopted the definition stated above. Staples’ Postconference Brief at Exh. 1D. Indonesian respondent also points out that the only country producing CLPSS with a comparable brightness is Brazil. Indonesian Respondent’s Postconference Brief at 3. The record supports this contention. Tr. at 127 (Rahn).

<sup>117</sup> Indonesian Respondent’s Postconference Brief at 4-5.

<sup>118</sup> Staples’ Postconference Brief at 21.

<sup>119</sup> Staples’ Postconference Brief at 19-22, Exh. 2 at 2-3, 7, Attach. 1; Responses to Staff Questions at 2.

<sup>120</sup> Indonesian respondent also argues that the Commission should not cumulate its imports with subject imports from China and India because subject imports from Indonesia have followed different volume and pricing trends during the period of investigation. We do not consider differing trends as a basis for not cumulating subject imports in our present material injury analysis. Such a consideration is appropriate in assessing the question of threat of material injury, where cumulation is discretionary, but not appropriate for consideration in determining whether the criteria for mandatory cumulation in a present material injury determination are met. When Congress amended the statute in 1984 to make cumulation mandatory in present injury cases, it indicated that it disapproved of the “variety of differing criteria and conditions” that Commissioners then considered in exercising discretion in deciding whether to cumulate, and the purpose of the provision was to “eliminate inconsistencies in Commission practice” in “mandating cumulation.” H.R. Rep. 725, 98th Cong., 2d Sess. 36-37 (1984). The CIT has also indicated that under current law, consideration of different trends among subject countries is appropriate only where cumulation is discretionary. *Neenah Foundry Co. v. United States*, 155 F. Supp. 2d 766, 773 (Ct. Int’l Trade 2001); *see also USX Corp. v. United States*, 11 CIT 82, 87, 655 F. Supp. 487, 492 (Ct. Int’l Trade 1987).

<sup>121</sup> *See* 19 U.S.C. § 1677(7)(G) (ii).

<sup>122</sup> We note that the questionnaires asked about the four cumulation factors customarily considered with respect to CLPSS, a subset of LPP, but not all LPP.

<sup>123</sup> CR at I-15, I-21, PR at I-12, I-16. Domestic producers account for the majority of reported imports for distribution throughout the period examined. CR/PR at I-21 to I-22; *see also* CR at I-15, PR at I-12.

brightness of the paper used between and among domestic LPP and subject imports, the majority of responding market participants reported that subject imports from each subject country were always or frequently comparable to each other and the domestic like product.<sup>124</sup> Only one importer, Staples, stressed that 92-bright paper was an important characteristic that limited fungibility of the subject imports from Indonesia with the domestic like product and other subject imports.<sup>125</sup>

## **2. Same Geographical Markets.**

U.S. producers of LPP are located across the country.<sup>126</sup> Seven of eight responding U.S. producers reported that they sell LPP nationwide.<sup>127</sup> One producer reported that it sells LPP specifically in the mid-Atlantic, Southeast, Midwest, and Northwest regions.<sup>128</sup> Eighteen importers of LPP indicated that they sold nationally.<sup>129</sup> One additional importer reported that it sells to specific geographic regions including the mid-Atlantic, Midwest, and Southwest.<sup>130</sup> Although subject imports from Indonesia are sold primarily to two importers located in the Northeast and South, their questionnaire responses indicate that these importers resell subject imports from Indonesia nationwide.<sup>131</sup>

## **3. Channels of Distribution.**

LPP and subject imports are sold through common channels of distribution. These products primarily are sold directly by foreign or domestic producers to retailers, which include mass merchants, drug stores, supermarkets, and office supply stores.<sup>132</sup> The record contains evidence that the U.S. producers also purchase or source subject imports for retailers, but do not always serve as the importer of record.<sup>133</sup>

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<sup>124</sup> CR/PR at Table II-1.

<sup>125</sup> See CR at II-9, PR at II-6. The majority of U.S. producers and importers, however, found that differences other than price were at least sometimes significant in every country comparison. CR at II-8 to II-9, PR at II-6.

<sup>126</sup> See Petition at Exh. I-1, I-2.

<sup>127</sup> CR at II-1, PR at II-1.

<sup>128</sup> CR/PR at II-1.

<sup>129</sup> CR at II-2, PR at II-1.

<sup>130</sup> CR at II-2, PR at II-1.

<sup>131</sup> CR at II-7 n.10; IV-2 n.8, PR at II-5 n.10, IV-4 n.6.

<sup>132</sup> CR at I-15, I-21, II-1, PR at I-11, I-16, II-1. The record states that direct imports by retailers accounted for a growing share of total U.S. imports of CLPSS over the period examined, from 31 percent of total reported imports in 2002 to 36 percent in 2004. Direct imports by U.S. retailers in the first half of 2005 accounted for 62 percent of total reported imports of CLPSS, compared to 42 percent in the first half of 2004. CR at I-15 & n.51, PR at I-12 & n.51.

<sup>133</sup> CR at III-10 to III-11, PR at III-6 to III-7; Chinese Respondents' Postconference Brief at 36. We will examine this distribution process fully in any final phase of these investigations.

#### 4. Simultaneous Presence.

Imports from each of the subject countries and U.S. shipments of the domestic like product have been present in the U.S. market throughout the period of investigation.<sup>134</sup> Indeed, CLPSS from China, India, and Indonesia entered the U.S. in every month from January 2004 through June 2005.<sup>135</sup>

#### 5. Conclusion.

Although subject imports from Indonesia tend to possess some physical and quality differences from domestic LPP and/or subject imports from China and India, an overwhelming majority of responding market participants did not substantiate Staples' and Indonesian respondent's contention that brightness constitutes a difference that significantly reduces interchangeability. Rather, their responses indicate that a high degree of fungibility exists between domestic LPP and subject imports from China, India, and Indonesia, and among those subject imports. The record in these preliminary phase investigations consequently indicates that the domestic like product and imports from the three subject countries are sufficiently similar in characteristics to satisfy the fungibility criterion. The criteria concerning channels of distribution, geographic overlap, and simultaneous presence are clearly satisfied. Accordingly, we cumulate imports from all three subject countries for our analysis of reasonable indication of material injury by reason of subject imports.

### VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY SUBSIDIZED AND LESS THAN FAIR VALUE IMPORTS FROM CHINA, INDIA, AND INDONESIA

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.<sup>136</sup> In making this determination, the Commission must consider the volume of subject 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.<sup>137</sup> The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."<sup>138</sup> In assessing whether there is a reasonable indication that 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.<sup>139</sup> 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."<sup>140</sup>

For the reasons stated below, we determine that there is a reasonable indication that the domestic industry producing LPP is materially injured by reason of subject imports from China, India, and Indonesia.

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<sup>134</sup> CR/PR at Table IV-1.

<sup>135</sup> CR/PR at Table IV-5.

<sup>136</sup> 19 U.S.C. §§ 1671b(a) and 1673b(a).

<sup>137</sup> 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, e.g., Angus Chem. Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

<sup>138</sup> 19 U.S.C. § 1677(7)(A).

<sup>139</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>140</sup> 19 U.S.C. § 1677(7)(C)(iii).

## **A. Conditions of Competition and the Relevant Business Cycle**

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of the subject imports.

### **1. Demand Conditions**

Apparent U.S. consumption of LPP increased during the period examined. In 2002, apparent U.S. consumption of LPP increased from 860 million pieces in 2002 to 977 million pieces in 2003, and rose to 1.1 billion pieces in 2004; apparent U.S. consumption increased in interim 2005 to 612 million pieces from 558 million pieces in interim 2004.<sup>141</sup>

The parties generally agreed that demand for CLPSS, which is a subset of LPP, rose over the period of investigation.<sup>142</sup> They further agreed that demand for CLPSS is seasonal, and peaks during a four-to-ten week “back-to-school” period beginning in July and ending in September.<sup>143</sup> The record reveals that a majority of responding U.S. producers and importers indicated that demand increased or was unchanged during the period examined, and that demand is driven by the economy and the number of school-aged children.<sup>144</sup> Petitioner further asserts that more than 70 percent of CLPSS and subject imports are purchased during the “back-to-school” season each year.<sup>145</sup>

### **2. Supply Conditions and the Structure of the Domestic Industry**

The Commission received questionnaire responses from ten U.S. producers of LPP.<sup>146</sup> Three of these U.S. producers --MeadWestvaco, Norcom, and Top Flight-- comprise petitioner, and collectively account for \*\*\* percent of reported U.S. production of LPP in 2004.<sup>147</sup> Norcom is \*\*\* U.S. producer of LPP, accounting for \*\*\* percent of reported U.S. production in 2004.<sup>148</sup> MeadWestvaco is the \*\*\* U.S. producer of LPP, accounting for \*\*\* percent of reported LPP production in 2004.<sup>149</sup> In addition to subject imports from China, India, and Indonesia, there were also significant volumes of non-subject imports of

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<sup>141</sup> CR/PR at Table C-3. The Commission collected trade, financial, and pricing data on a “per unit” basis. A unit, or “each” in industry parlance, refers to an individual product unit, such as a notebook or a package of filler paper. Petitioner contends that, to the best of their knowledge, all industry participants track quantities on this basis. CR at III-4 n.12, PR at III-3 n.12.

<sup>142</sup> Petitioner’s Postconference Brief at 18; *see* Staples’ Postconference Brief at 29.

<sup>143</sup> Petitioner’s Postconference Brief at 18-19; Tr. at 186 (Marshak) (“The majority of [Chinese] production takes place in the first half of the year as lined paper is shipped to the United States to fill customer orders in a timely fashion.”); Staples’ Postconference Brief at 31; Chinese Respondents’ Postconference Brief at 11.

<sup>144</sup> CR at II-5 to II-6, PR at II-4. In addition to the members of petitioner, one non-petitioning U.S. producer and eight importers concur that demand has increased for the reasons specified by petitioner. CR at II-5, PR at II-4.

<sup>145</sup> Petitioner’s Postconference Brief at 18-19 (citing Tr. at 111) (stating that the “second semester” sales of lined paper products is not substantial, but rather involves retailers cleaning out their inventories) (Robinson)).

<sup>146</sup> We note that the Commission did not receive questionnaire responses from more than half of the 34 firms that were sent producers’ questionnaires in the preliminary phase of these investigations, several of which are thought to have significant domestic production of LPP in the United States. *See* Tr. at 253 (Mendoza) and 263 (Price) (indicating that the firms who are primarily responsible for the production of other lined paper products are not those that produce CLPSS). We intend to collect complete data to the extent possible from all of the firms producing LPP in any final phase of these investigations.

<sup>147</sup> Staff Table III-1A.

<sup>148</sup> Staff Table III-1A.

<sup>149</sup> Staff Table III-1A.

CLPSS present in the U.S. market throughout the period of investigation.<sup>150</sup> The parties agree that domestically produced LPP and subject imports are both sold primarily to retailers. Subject imports are purchased by retailers in one of two ways: either directly from foreign producers or from a distributor.<sup>151</sup> \*\*\* domestic producers also arrange for or broker purchases between retailers and foreign producers.<sup>152</sup>

From 2002 to 2004, the principal suppliers of LPP to the U.S. market were the domestic producers. The next largest suppliers were importers of subject merchandise. The remaining portion of the market was supplied by imports of CLPSS from nonsubject countries and imports of LPP other than CLPSS from all importing sources. Importers of CLPSS from subject countries were the principal suppliers of LPP during the interim periods.<sup>153</sup>

U.S. supply. Chinese respondents, Wal-Mart, Staples, and CPP contend that the domestic industry lacks sufficient capacity to meet the demands of the U.S. market.<sup>154</sup> Their inability to supply the market, they contend, is demonstrated by the fact that petitioner's members are major importers of subject imports from subject and non-subject countries, and in particular, from \*\*\*.<sup>155</sup> Petitioner contends that its members have excess capacity and are capable of supplying the U.S. market.<sup>156</sup> Petitioner also claims that reductions in capacity occurred because domestic producers were forced to import subject merchandise.<sup>157</sup>

Chinese respondents argue that the Commission should focus on interim capacity data (January through June) rather than annual data in the preliminary phase of these investigations because underutilized capacity from July to December is the industry "norm" and is not indicative of an injured domestic industry. Hence, they argue that reported annual capacity data are not particularly

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<sup>150</sup> CR at IV-5 n.9, PR at IV-4 n.7. Based on official Commerce data, Canada and Brazil were the two largest sources for non-subject imports over the period examined. After China, Canada and Brazil were respectively the second and third largest sources of CLPSS imported into the United States in 2004. Canada accounted for 14 percent of total U.S. imports in 2004; Brazil accounted for 12 percent. India and Indonesia were respectively the fourth and fifth largest sources for U.S. imports of CLPSS in 2004. Together, imports from Brazil, Canada, China, India, and Indonesia accounted for over 80 percent of total U.S. imports of CLPSS throughout the period of investigation. We note that in the preliminary phase of these investigations our consideration of nonsubject imports has been limited to CLPSS. We intend to examine this issue more closely in any final phase of these investigations.

<sup>151</sup> CR at I-15, PR at I-12.

<sup>152</sup> CR at III-10 to III-11, PR at III-6 to III-7; see also CR at V-22 to V-23, PR at V-10 to V-11; Tr. at 138 (McLachlan). As mentioned above in Section III, in any final phase of these investigations, we intend to explore the extent to which domestic producers arrange or broker purchases of subject imports.

<sup>153</sup> CR/PR at Table C-3A.

<sup>154</sup> Chinese Respondents' Postconference Brief at 13; Wal-Mart's Postconference Brief at 1; Staples' Postconference Brief at 30; CPP's Postconference Brief at 8.

<sup>155</sup> Staples' Postconference Brief at 31-32; Wal-Mart's Postconference Brief at 1-2; CPP's Postconference Brief at 8-9. The Commission has noted, however, that "there is no short supply provision in the statute" and "the fact that the domestic industry may not be able to supply all of demand does not mean the industry may not be materially injured or threatened with material injury by reason of subject imports." Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928 (Article 1904 NAFTA Remand) at 108, n. 310 (December 2003). See also Metal Calendar Slides from Japan, Inv. No. 731-TA-1094 (Preliminary), USITC Pub. 3792 (Aug. 2005) at 9, n. 45 ("To the extent that [r]espondents claim that the Commission is legally unable to make an affirmative finding of material injury by reason of subject imports because the domestic industry is incapable of supplying domestic demand, they are incorrect.").

<sup>156</sup> Tr. at 135-36 (McLachlan, Rahn, and Robinson).

<sup>157</sup> Petitioner's Postconference Brief at 15-17 (citing Tr. at 44-45) (Kaplan)). Petitioner also asserts that the costs of labor, transportation, energy and raw materials have dramatically increased during the period examined. Tr. at 78-79, 118-120 (McLachlan, Rahn, and Robinson). We will explore these contentions further in any final phase of these investigations.

meaningful.<sup>158</sup> Petitioner agrees that LPP are highly seasonal products, but contends that domestic producers have idle capacity even during the peak production periods.<sup>159</sup> The record indicates that U.S. producers' capacity to produce LPP decreased from 2002 to 2004 by \*\*\* percent.<sup>160</sup> We will examine these facts and the parties' contentions more closely in any final phase of these investigations, including whether to collect capacity and production data on a biannual basis.

Subject import supply. As discussed above, subject imports and the domestic like product are highly interchangeable, despite arguments by Staples and Indonesian respondent that the brightness of Indonesian paper limits interchangeability. Cumulated subject imports increased steadily during the period of investigation, and were the largest source of supply during the interim periods.<sup>161</sup> In evaluating subject imports as a supply source, we are mindful of the fact that \*\*\* of the domestic industry directly imported subject merchandise during the period examined. Domestic producers' reported subject imports of CLPSS were equivalent to between \*\*\* percent and \*\*\* percent of total subject imports by quantity in the three full years examined in these investigations.<sup>162</sup> More specifically, \*\*\* of the petitioning firms (\*\*\*) accounted for a significant percentage of total subject imports during that time period.<sup>163</sup> Also during most of that time period, both \*\*\* imported increasing volumes of subject merchandise, while \*\*\* also reported increasing volumes of nonsubject merchandise.<sup>164</sup> Petitioner contends that its members were being pushed out of the market as a supply source and forced to import subject merchandise to remain competitive.<sup>165</sup> We intend to examine this matter more closely in any final phase of these investigations.

Nonsubject import supply. Respondents argue that petitioner's members are \*\*\* importers of non-subject merchandise from Brazil.<sup>166</sup> \*\*\*.<sup>167</sup>

The record indicates that nonsubject import volumes have increased over the period examined.<sup>168</sup> It also indicates that some domestic producers import nonsubject merchandise, but record evidence as to

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<sup>158</sup> Chinese Respondents' Postconference Brief at 11.

<sup>159</sup> Petitioner's Postconference Brief at 18-20; Tr. at 26 (McLachlan), 186 (Marshak).

<sup>160</sup> CR/PR at Table C-3A. We note that U.S. producers' capacity to produce CLPSS decreased by \*\*\* percent between 2002 and 2004; this decrease was almost entirely attributable to \*\*\*. CR at III-4, PR at III-3.

<sup>161</sup> CR/PR at Table C-3A.

<sup>162</sup> Derived from CR/PR at Table III-8A and Table C-3A. Domestic producers' procurement of imports of CLPSS from all sources was equivalent to \*\*\* percent of U.S. production in 2002, \*\*\* percent in 2003, and \*\*\* percent in 2004. CR/PR at III-10. The record also indicates that U.S. producers' imports and purchases of CLPSS were significantly higher in interim 2005 (\*\*\* percent of their production) as compared to (\*\*\* percent) interim 2004. Derived from CR/PR at Table III-8A (excluding production and import data for CPP).

<sup>163</sup> Cf. CR/PR at Table III-8A with CR/PR at Table IV-2; see also CR/PR at Table IV-1.

<sup>164</sup> CR/PR at Table III-8A.

<sup>165</sup> Petition at 15-16. We note that petitioner presents contradictory evidence with respect to this argument. At the conference, the President of Norcom admitted that foreign producers sought out the domestic producers to act as distributors for their products in the U.S. market because the foreign producers did not have a market presence. Tr. at 22 (Rahn).

<sup>166</sup> Wal-Mart's Postconference Brief at 1-2; Chinese Respondents' Postconference Brief at 3-7.

<sup>167</sup> Wal-Mart's Postconference Brief at 2-3.

<sup>168</sup> CR/PR at Table C-3A.

the extent of imports from nonsubject countries is limited.<sup>169</sup> We intend to explore this issue in any final phase of these investigations.<sup>170</sup>

## **B. Volume of Subject Imports**<sup>171</sup>

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.”<sup>172</sup>

The volume of cumulated subject imports increased significantly over the period of investigation, both in absolute terms and relative to consumption and production in the United States.

The volume of subject imports increased from 218.5 million units in 2002 to 262.5 million units in 2003 and further to 291.7 million units in 2004. The volume of subject imports was substantially higher in interim 2005 (265.3 million units) as compared to interim 2004 (191.5 million) units.<sup>173</sup>

The share of the quantity of U.S. apparent consumption held by cumulated subject imports also increased overall throughout the period examined, rising from 25.4 percent in 2002 to 26.9 percent in 2003, before falling to 26.3 percent in 2004.<sup>174</sup> Cumulated subject imports had a greater share of U.S. apparent consumption in interim 2005, at 43.4 percent, than in interim 2004, at 34.3 percent.<sup>175</sup> As the market share held by the subject imports rose throughout most of the period of investigation, the share held by the domestic industry fell. The share of the quantity of apparent U.S. consumption represented by U.S. producers’ U.S. shipments declined from \*\*\* percent in 2002 to \*\*\* percent in 2003 and then to 33.3 percent in 2004.<sup>176</sup> This share was lower in interim 2005, when it was 19.6 percent, than it was in interim 2004, when it was 26.3 percent.<sup>177</sup> The domestic industry lost market share in the context of a 29.2-percent increase in apparent U.S. consumption between 2002 and 2004, as well as an increase of 9.7 percent in consumption in interim 2005 as compared to interim 2004.<sup>178</sup> The ratio of subject imports to domestic production of LPP increased dramatically from 2002 to 2004, and approximately doubled in interim 2005 compared to interim 2004.<sup>179</sup>

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<sup>169</sup> For instance, Norcom admitted to importing non-subject merchandise from Brazil at the Staff Conference, but \*\*\*. Tr. at 91 (Rahn).

<sup>170</sup> Commissioner Pearson notes that the late submission of petitioner’s importer questionnaires likely contributed to the Commission’s inability to address this issue fully in this preliminary stage. Hence, although Commissioner Pearson concurs with the Commission’s decision to explore this issue more fully in any final stage of these investigations, he does not view his decision in this regard as necessarily resulting from an application of the statutory standard, as set forth in American Lamb Co., 785 F.2d at 1001.

<sup>171</sup> We have measured volume by quantity rather than value in the preliminary phase of these investigations. We have used official import statistics as our data source rather than questionnaire responses. As mentioned previously, we encourage parties to comment in any final phase of these investigations on which data source is most reliable and how we should measure volume in these investigations.

<sup>172</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>173</sup> CR/PR at Table C-3A.

<sup>174</sup> CR/PR at Table C-3A.

<sup>175</sup> CR/PR at Table C-3A.

<sup>176</sup> CR/PR at Table C-3A.

<sup>177</sup> CR/PR at Table C-3A.

<sup>178</sup> CR/PR at Table C-3A.

<sup>179</sup> The ratio of subject imports to domestic production of LPP increased from \*\*\* percent in 2002, to \*\*\* percent in 2003, and further to 74.9 percent in 2004. It was 153.7 percent of domestic production in interim 2005 as

(continued...)

The volume of nonsubject imports and their market penetration also increased markedly over the period examined.<sup>180</sup> The volume of nonsubject imports of CLPSS measured by quantity increased from 66.7 million units in 2002 to 89.2 million units in 2003 and further to 165.8 million units in 2004. The volume of nonsubject imports was lower in interim 2005 units (82.9 million units) as compared to interim 2004 (90.3 million units).<sup>181</sup> The share of the quantity of U.S. apparent consumption held by nonsubject imports of CLPSS increased during the full years of the period examined, rising from 7.8 percent in 2002 to 9.1 percent in 2003, and then to 14.9 percent in 2004.<sup>182</sup> The share of nonsubject imports of CLPSS in apparent U.S. consumption fell in interim 2005, to 13.6 percent, compared to 16.2 percent in interim 2004.<sup>183</sup>

Respondents Target, Staples, and CPP argue that any increases in subject imports over the period of investigation are directly attributable to petitioner's increased purchases of such imports. This pattern of importing, Target contends, continued throughout the period examined, except that petitioner shifted supply sources to Brazil.<sup>184</sup> While the volume of cumulated subject imports from 2002 to 2004 did not increase as dramatically as nonsubject imports, cumulated subject import volume substantially exceeded the volume of nonsubject imports.<sup>185</sup> Accordingly, we find for purposes of the preliminary phase of these investigations that both the volume and increase in volume of subject imports were significant during the period examined, both in absolute terms and relative to consumption and production in the United States. We intend to explore the volume of subject and nonsubject imports more closely in any final phase of these investigations, particularly in light of the fact that domestic producers imported subject imports and nonsubject imports of CLPSS in increasing quantities during the period examined and in light of petitioner's claims that its members were forced to import subject merchandise.<sup>186</sup>

### **C. Price Effects of the Subject Imports**

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of 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.<sup>187</sup>

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<sup>179</sup> (...continued)

compared to 82.9 percent in interim 2004. Derived from CR/PR at Table C-3A (excluding CPP's production data).

<sup>180</sup> CR/PR at Table C-3A.

<sup>181</sup> CR/PR at Table C-3A.

<sup>182</sup> CR/PR at Table C-3A.

<sup>183</sup> CR/PR at Table C-3A.

<sup>184</sup> Record evidence indicates that petitioner dramatically increased its subject import volume in absolute terms throughout the period of investigation with the exception of one year. Petitioner's total subject imports decreased from \*\*\* units in 2002 to \*\*\* units in 2003. In 2004, petitioner's imports exceeded the volume of 2002, reaching \*\*\* units. In interim 2005, petitioner \*\*\* its total imports of subject merchandise when compared to interim 2004; petitioner's total subject imports increased from \*\*\* units to \*\*\* units. Derived from CR/PR at Table III-8A.

<sup>185</sup> CR/PR at Table C-3A.

<sup>186</sup> Petition at 16; Tr. at 8 (Price).

<sup>187</sup> 19 U.S.C. § 1677(7)(C)(ii).

As explained in the discussions of cumulation, there is a high degree of substitutability between the domestic like product and subject imports, though other factors besides price enter into purchasing decisions for LPP.<sup>188</sup>

In these investigations, U.S. producers and importers provided quarterly pricing data for five types of CLPSS and one product not included in the scope of these investigations, but included in LPP.<sup>189</sup> Seven U.S. producers and five importers provided usable pricing data.<sup>190</sup> Pricing data reported by these firms accounted for approximately \*\*\* percent of U.S. producers' shipments of LPP and \*\*\* percent of U.S. shipments of subject imports from China, \*\*\* percent of U.S. shipments of subject imports from India, and \*\*\* percent of U.S. shipments of subject imports from Indonesia from January 2002 to June 2005.<sup>191</sup>

The Commission also collected pricing data from U.S. purchasers of LPP that conducted auctions or standard bid processes during the period examined.<sup>192</sup> Bid data were requested for the three largest purchases during the back-to-school season each year since 2002. Four purchasers provided useable bid data for sales of the requested products.<sup>193</sup> A total of 54 bid contracts for LPP were reported for the period examined.<sup>194</sup> Nearly \*\*\* of the contracts were awarded to suppliers in subject countries.<sup>195</sup>

The pricing data collected in the preliminary phase of these investigations showed a consistent pattern of underselling. Subject imports undersold the domestic like product in 109 out of 143 price comparisons.<sup>196</sup> The margins of underselling ranged from 0.5 percent to 55.0 percent.<sup>197</sup> Moreover, subject imports undersold the domestic like product in 48 out of 54 instances in the auction or standard bid context.<sup>198</sup> For purposes of these preliminary investigations, we find that there has been significant price underselling of the domestic like product by subject imports.<sup>199</sup> We note that domestic producers

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<sup>188</sup> CR/PR at Table II-1.

<sup>189</sup> The Commission collected pricing data on the following five types of CLPSS: (1) 70-sheet count 10.5 inches x 8.0 inches wirebound notebook with paperboard cover and backing, no pockets/folders or fashion graphics; (2) 150-sheet count 10.5 inches x 8.0 inches package of filler paper; (3) 180-sheet count 10.5 inches x 8.0 inches 5-subject wirebound notebook with paperboard cover and backing; (4) 200-sheet count 10.5-11.0 inches x 8.0 inches 5-subject wirebound notebook with plastic cover and pocket dividers; and (5) 100-sheet count 9.75 inches x 7.5 inches composition book. The sixth product, a 50-sheet count 11.75 inches x 8.5 inches letter pad bound at the top with cardboard backing and no cover, was excluded from the scope of these investigations and is rather a product within LPP. CR at V-6, PR at V-4.

<sup>190</sup> CR at V-6; PR at V-5.

<sup>191</sup> CR at V-7; PR at V-5.

<sup>192</sup> CR at V-21; PR at V-10. Auctions are typically held in the fourth quarter for the following year's back-to-school season and suppliers usually are bound by the contract price for the remainder of the year, although spot purchases are possible.

<sup>193</sup> CR at V-21, PR at V-10.

<sup>194</sup> We note that all of the bid data involved sales of CLPSS, a subset of LPP.

<sup>195</sup> CR at V-22, PR at V-10. Domestic producers frequently were awarded business based on bids to supply product produced in a subject country. We note that \*\*\* percent of the value of the contracts awarded to foreign suppliers (both subject and nonsubject countries) were actually arranged through U.S. producers. CR at V-22, PR at V-10.

<sup>196</sup> CR at V-19; PR at 10; CR/PR at Table V-8.

<sup>197</sup> CR/PR at Table V-8.

<sup>198</sup> CR/PR at Table V-9.

<sup>199</sup> We note that in some of these underselling instances, the price of domestic producers' imports of subject merchandise undersells their own prices of the domestic like product. See CR/PR at Tables E-1 to E-7.

(continued...)

were responsible for a substantial share of subject import pricing data, and intend to explore their role in importing and arranging for subject imports in any final phase of these investigations.

Domestic prices were relatively flat for most of the period, declined in the latter part of 2004, and then recovered in early 2005.<sup>200</sup> The domestic industry's cost of goods sold ("COGS") as a share of net sales was steady at \*\*\* percent in 2002 and \*\*\* percent in 2003, and then grew to 84.0 percent in 2004.<sup>201</sup> The COGS as a share of net sales was 84.5 percent in interim 2005 as compared to 79.6 percent in interim 2004.<sup>202</sup> Although unit COGS steadily decreased from 2002 to 2004, they were higher in interim 2005 as compared to interim 2004.<sup>203</sup> These data suggest that the domestic industry's net sales values were covering less of their costs at the end of the period of investigation as at the beginning.<sup>204</sup> We therefore also find some evidence of price suppression in the form of a cost-price squeeze in 2004 and interim 2005, when the COGS to net sales ratio was at its highest levels, or approximately 84 percent.<sup>205</sup>

We find for purposes of the preliminary phase of these investigations that the subject imports have had significant adverse price effects on the price of the domestic like product.

#### **D. Impact of the Subject Imports**<sup>206</sup>

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."<sup>207</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all

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<sup>199</sup> (...continued)

Nonetheless, the pattern of underselling remains even after excluding the domestic producers' subject imports. Id.; see also CR/PR at Tables E-8 to E-12.

<sup>200</sup> CR/PR at Tables V-1 to V-6.

<sup>201</sup> CR/PR at Table C-3A.

<sup>202</sup> CR/PR at Table C-3A.

<sup>203</sup> CR/PR at Table C-3A. Unit COGS decreased from \$\*\*\* in 2002 to \$\*\*\* in 2003, and then fell to \$0.59 in 2004. Unit COGS, however, were higher in interim 2005 (\$0.70) than in interim 2004 (\$0.61). Id.

<sup>204</sup> Petitioner argues that domestic producers faced substantial increased costs of raw materials, labor, transportation, and energy. Tr. at 24 (Rahn), 78-79 (Robinson), 118-19 (McLachlan and Robinson); Petitioner's Postconference Brief at 15, 32. We note that confirmed lost sales and lost revenues provide some additional support for our finding that subject imports have suppressed domestic prices. \*\*\* U.S. producers reported that during the period examined they had to reduce prices or roll back announced price increases, and provided \*\*\* lost sales allegations and \*\*\* lost revenue allegations. Commission staff confirmed \$\*\*\* in lost sales and \$\*\*\* in lost revenues. CR/PR at Tables V-10 and V-11; CR at V-38 to V-42, PR at V-11 to V-13.

<sup>205</sup> Commissioner Pearson does not find evidence of a cost-price squeeze in these investigations, given the unpersuasive explanation provided for petitioner's purported increased labor costs toward the end of the period examined. Moreover, although Commissioner Pearson concurs with the Commission's decision to explore this issue more fully in any final stage of these investigations, he does not view his decision in this regard as necessarily resulting from an application of the statutory standard, as set forth in American Lamb Co., 785 F.2d at 1001.

<sup>206</sup> In its notice of initiation of the antidumping duty investigations, Commerce estimated the following dumping margins for imports from the three subject countries: 258.21 percent for China; from 181.68 percent to 215.93 percent for India; and from 77.06 percent to 118.63 percent for Indonesia. 70 Fed. Reg. at 58379.

<sup>207</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 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.") SAA at 885.

relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>208</sup>

We have examined performance indicators in trade and financial data for the domestic industry producing LPP.<sup>209</sup> These data indicate declining overall trends which are most evident in its financial data.

Regarding trade data, we note that performance indicators mostly declined over the period examined, but showed some increases from 2002 to 2003. U.S. producers’ production of LPP increased from 2002 to 2003, but was lower in 2004, and decreased again in interim 2005 as compared to the level in interim 2004.<sup>210</sup> Conversely, total domestic producers’ shipments of LPP declined from 2002 to 2003, but increased from 2003 to 2004; total domestic producers’ shipments of LPP were lower, however, in interim 2005 than in interim 2004.<sup>211</sup> Overall industry capacity fell over the period of investigation, while capacity utilization fluctuated between \*\*\* percent and \*\*\* percent from 2002 to 2004.<sup>212</sup> The average number of production related workers and hours worked for LPP fell from 2002 to 2004, and were lower in interim 2005 than in interim 2004.<sup>213</sup> Wages paid declined from 2002 to 2004, and were lower in interim 2005 than in interim 2004.<sup>214</sup> Productivity increased from 2002 to 2003, but was lower in 2004, and in interim 2005 as compared to interim 2004.<sup>215</sup>

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<sup>208</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

<sup>209</sup> CR/PR at Table C-3A. We note that the Commission is aware of other U.S. producers of LPP that did not respond to our questionnaires in the preliminary phase of these investigations. We intend to seek data from those firms in any final phase of these investigations.

<sup>210</sup> Production increased from \*\*\* million units in 2002 to \*\*\* million units in 2003 and then fell to 389.4 million units in 2004. Production was lower (172.6 million units) in interim 2005 than in interim 2004 (231.0 million units). CR/PR at Table C-3A.

<sup>211</sup> U.S. commercial shipments declined from \*\*\* million units in 2002 to \*\*\* million units in 2003, and then increased to 369.8 million units in 2004. U.S. commercial shipments were lower (120.0 million units) in interim 2005 than in interim 2004 (146.5 million units). CR/PR at Table C-3A.

<sup>212</sup> Domestic production capacity fell from \*\*\* million units in 2002 to \*\*\* million units in 2003, to 755.0 million units in 2004. Capacity was lower (333.2 million units) in interim 2005, as compared to interim 2004 (356.3 million units). Capacity utilization increased from \*\*\* percent in 2002 to \*\*\* percent in 2003, and then decreased to 51.6 percent in 2004. Capacity utilization was lower in interim 2005 (51.8 percent) than in interim 2004 (64.8 percent). CR/PR at Table C-3A.

<sup>213</sup> The average number of production workers decreased from \*\*\* in 2002 to \*\*\* in 2003 and further to 870 in 2004. The average number of workers was lower in interim 2005 (604) than in interim 2004 (734). Hours worked decreased from \*\*\* million in 2002 to \*\*\* million in 2003, and were slightly lower at 1.6 million in 2004. Hours worked were lower in interim 2005 (645,000) than in interim 2004 (830,000). CR/PR at Table C-3A.

Petitioner claims that MeadWestvaco has closed several plants over the period examined because of subject import competition. Petitioner’s Postconference Brief at 33-34; 36; Tr. at 61 (McLachlan). We intend to examine this contention more closely in any final phase of these investigations, as the record contains conflicting evidence on this point. Cf. id., with CPP’s Postconference Brief at 22-24; Target’s Postconference Brief at 12-15.

<sup>214</sup> CR/PR at Table C-3A.

<sup>215</sup> Productivity increased from \*\*\* units per hour in 2002 to \*\*\* units per hour in 2003, but fell to 243.9 units per hour in 2004. Productivity was lower (267.6 units per hour) in interim 2005 as compared to interim 2004 (278.3 units per hour). CR/PR at Table C-3A.

We also note that end-of-period inventories decreased irregularly between 2002 and 2004, and were substantially lower in interim 2005 as compared to interim 2004. CR/PR at Table C-3A. End-of-period inventories increased from \*\*\* million units in 2002, to \*\*\* million units in 2003, then decreased to \*\*\* million units in 2004. End-of-period inventories were lower (\*\*\* million units) in interim 2005 than in interim 2004 (\*\*\* million units).

(continued...)

Many of the domestic industry's consolidated financial indicators declined over the period of investigation. Operating income, operating margins, capital expenditures, and research and development expenditures, all followed these trends. In interim 2005, the downward trends experienced over the three-year period continued.<sup>216</sup> As noted previously, COGS as a ratio to sales increased during the period examined.

Operating income fell steadily by \*\*\* percent from 2002 to 2004, and it was 62.3 percent lower in interim 2005 as compared to interim 2004.<sup>217</sup> The domestic industry's ratio of operating income to sales fell by \*\*\* percentage points from 2002 to 2004. Operating margins declined slightly from \*\*\* percent in 2002 to \*\*\* percent in 2003, and fell further to 4.3 percent in 2004. In interim 2005, operating margins were 4.6 percentage points lower than in interim 2004.<sup>218</sup>

Capital expenditures decreased substantially from 2002 to 2004, but were higher in interim 2005 than in interim 2004. Research and development expenditures increased from 2002 to 2003, but in 2004 fell below the level of 2002, and were higher in interim 2005 than in interim 2004.<sup>219</sup>

COGS as a ratio to sales steadily increased from 2002 to 2004. COGS was \*\*\* percent of sales in 2002, increasing to 84.0 percent of sales in 2004. The ratio of COGS to sales was higher in interim 2005 (84.5 percent) than in interim 2004 (79.6 percent).<sup>220</sup>

Declines in U.S. industry performance indicators occurred as subject imports entered the U.S. market in increased and significant volumes, and gained market share almost exclusively at the expense of the domestic industry. At the same time, subject imports undersold domestic product, typically by double-digit margins, and based on the data currently available suppressed domestic prices to some extent.

For purposes of these preliminary determinations, we conclude that subject imports had an adverse impact on the condition of the domestic industry during the period of investigation. We find that the absolute and relative increase in volume of subject imports, as well as the underselling by the subject imports, are significant. As subject imports captured market share, they suppressed domestic prices to some extent, causing declines in the domestic industry's financial performance, particularly at the end of the period of investigation. Operating income, operating margins, and capital expenditures declined as the domestic industry decreased production and lost market share. Downward trends evident in the annual periods surveyed continued or accelerated in interim 2005.

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<sup>215</sup> (...continued)

Id.

<sup>216</sup> CR/PR at Table VI-3 and Table C-3A.

<sup>217</sup> CR/PR at Table C-3A. Operating income decreased from \$\*\*\* million in 2002 to \$\*\*\* million in 2003, then fell to \$11.8 million in 2004. Operating income decreased from \$10.2 million in interim 2004 to \$3.9 million in interim 2005. Id.

<sup>218</sup> CR/PR at Table C-3A.

<sup>219</sup> CR/PR at Table C-3A and Table VI-3. Capital expenditures for the domestic industry decreased from \$\*\*\* million in 2002 to \$\*\*\* in 2003 before decreasing further to \$412,000 in 2004. Capital expenditures were dramatically higher in interim 2005 (\$732,000) than in interim 2004 (\$112,000). CR/PR at Table C-3A. We note that the record contains information on research and development expenses only as they pertain to CLPSS, a subset of LPP. Research and development expenses increased from \$\*\*\* in 2002 to \$\*\*\* in 2003 before decreasing to \$\*\*\* in 2004. Research and development expenses were higher in interim 2005 (\$\*\*\*) than in interim 2004 when the domestic industry reported \*\*\* expenses. CR/PR at Table VI-3.

<sup>220</sup> CR/PR at Table C-3A.

## **CONCLUSION**

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of CLPSS from India and Indonesia that are allegedly subsidized, and by reason of subject imports of CLPSS from China, India, and Indonesia that are allegedly sold in the United States at less than fair value.



## PART I: INTRODUCTION

### BACKGROUND

These investigations result from a petition filed on September 9, 2005, by MeadWestvaco Corp. of Dayton, OH; Norcom, Inc., of Norcross, GA; and Top Flight, Inc., of Chattanooga, TN (collectively, the Association of American School Paper Suppliers), alleging that an industry in the United States is materially injured and threatened with further material injury by reason of subsidized imports of certain lined paper school supplies<sup>1</sup> (“CLPSS”) from India and Indonesia, and by reason of less-than-fair-value (“LTFV”) imports of CLPSS from China, India, and Indonesia. Information relating to the background of these investigations is provided in the tabulation below.<sup>2</sup>

Effective date	Action
September 9, 2005	Petition filed with Commerce and the Commission; institution of Commission investigations (70 FR 54961, September 19, 2005)
September 30, 2005	Commission's conference <sup>1</sup>
October 6, 2005	Commerce's notice of initiation of antidumping duty investigations (70 FR 58374)
October 7, 2005	Commerce's notice of initiation of countervailing duty investigations (70 FR 58690)
October 21, 2005	Date of the Commission's votes
October 24, 2005	Commission's determinations transmitted to Commerce

<sup>1</sup> A list of conference witnesses is presented in app. B.

### STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Section 771(7)(B) of the Act (19 U.S.C. § 1677(7)(B)) provides that in making its determination in this investigation the Commission--

*shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and*

*may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

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<sup>1</sup> A complete description of the subject products, based on the scope definition contained within Commerce's notices of initiation, is presented in "The Subject Product" section below.

<sup>2</sup> *Federal Register* notices cited in the tabulation are presented in app. A.

*In evaluating the volume of imports of merchandise, 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.*

*In evaluating the effect of imports of such merchandise on prices, 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.*

*In examining the impact required to be considered under subparagraph (B)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to, (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in an antidumping investigation, the magnitude of the margin of dumping.*

Information on the subject merchandise, alleged subsidies and margins of dumping, and domestic like product is presented in Part I. Information on conditions of competition and other relevant economic factors is presented in Part II. Part III presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. The volume and pricing of imports of the subject merchandise are presented in Parts IV and V, respectively. Part VI presents information on the financial experience of the U.S. producers, while information obtained for use in the Commission's consideration of the question of threat of material injury is presented in Part VII.

## **SUMMARY DATA**

A summary of data collected in these investigations is presented in appendix C. Data in these investigations were collected for two categories of products: (1) CLPSS, as defined in the scope of the petition, and (2) "other lined paper products," defined as "any lined paper or lined paper products with dimensions between 5 x 7 and 15 x 15 inches which are not included in the {petition} scope definition."<sup>3</sup> U.S. producers' data are based on the questionnaire responses of nine firms that are believed to account

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<sup>3</sup> See the *General Information, Instructions, and Definitions for Commission Questionnaires* in these investigations, p. 5. Appendix C to this report includes summary data based on the U.S. market for (1) CLPSS, (2) other lined paper products (as defined above), and (3) all lined paper products (i.e., CLPSS and other lined paper products).

for substantially all U.S. production of CLPSS during 2004.<sup>4</sup> U.S. imports are based on official Commerce statistics.<sup>5</sup>

### THE NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LESS THAN FAIR VALUE

A summary of petitioners' alleged margins of dumping and Commerce's initiated dumping margins is presented in table I-1. Petitioners' alleged dumping margins for India are based on transaction data for Kejriwal Group ("Kejriwal") and Navneet Publications Ltd. ("Navneet"), believed by petitioners to be two of the primary Indian producers and/or exporters of CLPSS to the United States.<sup>6</sup> Petitioners' alleged dumping margin for Indonesia is based on transaction data for PT. Pabrik Kertas Tjiwi Kimia Tbk. ("Tjiwi Kimia"), believed by petitioners to be the primary Indonesian producer and/or exporter of CLPSS to the United States.<sup>7</sup>

**Table I-1**  
**CLPSS: Alleged margins of LTFV sales**

Country	Petition-alleged margin	Commerce's revised margin
	(Percent)	
China	243.73 <sup>1</sup>	258.21 <sup>1</sup>
India	156.98; 207.72 <sup>2</sup>	181.68 - 215.93
Indonesia	176.95 <sup>3</sup>	77.06 - 118.63

<sup>1</sup> Dumping margins for China are a weighted-average of alleged margins.  
<sup>2</sup> India margins calculated for Navneet Publications Ltd. and Kejriwal Group, respectively.  
<sup>3</sup> Indonesia margin calculated for PT. Pabrik Kertas Tjiwi Kimia Tbk.

Source: Petition for the Imposition of Antidumping and Countervailing Duties ("Petition"), September 8, 2005, vols. II, III, and IV; *Initiation of Antidumping Duty Investigations: Certain Lined Paper Products from India, Indonesia, and the People's Republic of China*, 70 FR 58374, October 6, 2005.

Petitioners' countervailing duty allegations with respect to India identify numerous federal and state government subsidy programs that allegedly are applicable to all Indian producers of CLPSS. Countervailable benefits alleged to be conferred upon Indian CLPSS producers by these programs include import duty and/or excise tax exemption, sales tax reimbursement or exemption, access to preferential credit, income tax exemption, financial grants, and other benefits.<sup>8</sup> Petitioners argue that Commerce has previously found that the programs identified in the petition result in net countervailable subsidies to

<sup>4</sup> Responses to the Commission's producers' questionnaire were received from all but one of the firms identified in the petition as U.S. producers of CLPSS. Data were not received from one further known U.S. producer of CLPSS (*see* Part III, fn. 1).

<sup>5</sup> A discussion of import data collection, and notes regarding official statistics, are presented in Part IV of this report.

<sup>6</sup> Petition, September 8, 2005, vol. II, p. 4. Navneet is a party to these investigations; Kejriwal and Navneet both provided data in response to the Commission's foreign producers'/exporters' questionnaire.

<sup>7</sup> Petition, September 8, 2005, vol. III, p. 4. Tjiwi Kimia is a party to these investigations and provided data in response to the Commission's foreign producers'/exporters' questionnaire.

<sup>8</sup> *See* Petition, September 8, 2005, vol. V.

Indian exporters in the range of 6.15 to 62.92 percent *ad valorem*.<sup>9</sup> Commerce has included all programs identified by petitioners in its countervailing duty investigation for India, at the net subsidy rate alleged.<sup>10</sup>

With respect to Indonesia, the petition identifies various forms of government assistance to the country's large paper-producing conglomerates.<sup>11</sup> Government assistance alleged by petitioners to confer countervailable benefits upon Indonesian producers of CLPSS include preferential logging concessions, a ban on log exports, subsidized funding for reforestation, non-enforcement of banking regulations, accelerated depreciation allowances, protection from bankruptcy, invalidation of debt, the provision of preferential credit, tax holidays, duty exemptions, and interest rebates. Commerce has excluded the majority of these alleged practices from its countervailing duty investigation for Indonesia, citing insufficient information provided by petitioners regarding the existence or specificity of such practices.<sup>12</sup> Commerce's initiation established a countervailing net subsidy rate for Indonesia in the range of 35.57 to 58.92 percent *ad valorem*, revised from petitioners' alleged rate of 107.42 percent.<sup>13</sup>

## U.S. TARIFF TREATMENT

According to the petition for these investigations, and as referenced in Commerce's notice of initiation (*see* "The Subject Product," below), CLPSS are imported under statistical reporting numbers 4810.22.5044 and 4820.10.2050 of the Harmonized Tariff Schedule of the United States ("HTS"). Imports under these HTS numbers enter the United States free of duty under the general duty rate, applicable to imports from China, India, and Indonesia. The petition also identified a "related HTS number" (4811.90.9090)<sup>14</sup> and noted that "substantial quantities of {subject} imports may enter under other tariff numbers," but did not identify any further applicable HTS subheadings.<sup>15</sup> Table I-2 presents HTS excerpts and current tariff rates for the HTS numbers identified in the petition.

Official import statistics presented in Part IV of this report are based on two of the three HTS numbers identified in the petition. As noted in table I-2, HTS statistical reporting number 4810.22.5044 applies to imports of paper coated with clay or other inorganic materials. Record evidence in these investigations indicates that little to no subject merchandise, as defined by Commerce's scope, is likely to

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<sup>9</sup> *Ibid.*, p. 15.

<sup>10</sup> *Notice of Initiation of Countervailing Duty Investigations: Certain Lined Paper Products from India and Indonesia*, 70 FR 58690, October 7, 2005; and Commerce's CLPSS investigations Fact Sheet, retrieved at <http://ia.ita.doc.gov/> (October 7, 2005).

<sup>11</sup> Petition, September 8, 2005, vol. VI.

<sup>12</sup> *Notice of Initiation of Countervailing Duty Investigations: Certain Lined Paper Products from India and Indonesia*, 70 FR 58690, October 7, 2005. Commerce's investigation with respect to Indonesia will include only the following alleged programs: (1) preferential logging/fiber concessions, (2) government ban on log exports, (3) subsidized reforestation funding, and (4) accelerated depreciation allowances.

<sup>13</sup> Petition, September 8, 2005, vol. VI, att. 1; and Commerce's CLPSS investigations Fact Sheet, retrieved at <http://ia.ita.doc.gov/> (October 7, 2005).

<sup>14</sup> Prior to July 1, 2005, items imported under this HTS number entered the United States under HTS statistical reporting number 4811.90.9000. Effective July 1, 2005, statistical breakouts were implemented for certain tissue papers (4811.90.9010) and "other" paper (4811.90.9090) (*see* table I-2). The period of investigation in these investigations is January 1, 2002 through June 30, 2005.

<sup>15</sup> Petition, September 8, 2005, p. 6.

**Table I-2  
CLPSS: HTS excerpts and tariff rates, 2005**

		General <sup>1</sup>	Special <sup>2</sup>	Column 2 <sup>3</sup>
HTS provision	Article description	Rates ( <i>percent ad valorem</i> )		
4810  4810.22.50 <i>4810.22.5044</i>	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular (including square) sheets, of any size: Paper and paperboard of a kind used for writing, printing or other graphic purposes, of which more than 10 percent by weight of the total fiber content consists of fibers obtained by a mechanical or chemi-mechanical process:  Light-weight coated paper (printed, embossed, or perforated):  <i>Hole-punched looseleaf paper</i>	Free	( <sup>4</sup> )	30.0
4811  4811.90.90  4811.90.9010 <sup>5</sup> <i>4811.90.9090<sup>5</sup></i>	Paper, paperboard, cellulose wadding and webs of cellulose fibers, coated, impregnated, covered, surface-colored, surface-decorated or printed, in rolls or rectangular (including square sheets, of any size, other than goods of the kind described in heading 4803, 4809, or 4810):  Other paper, paperboard, cellulose wadding and webs of cellulose fibers: In strips or rolls of a width exceeding 15 cm or in rectangular (including square) sheets with one side exceeding 36 cm and the other side exceeding 15 cm in the unfolded state:  Tissue papers having a basis weight not exceeding 29 g/m <sup>2</sup> , in sheets  <i>Other</i>	Free	( <sup>4</sup> )	30.0
4820  4820.10.20  4820.10.2010 4820.10.2020 <i>4820.10.2050</i>	Registers, account books, notebooks, order books, receipt books, letter pads, memorandum pads, diaries and similar articles, exercise books, blotting pads, binders (looseleaf or other), folders, file covers, manifold business forms, interleaved carbon sets and other articles of stationery, of paper or paperboard; albums for samples or for collections and books covers (including cover boards and book jackets) of paper or paperboard:  Diaries, notebooks and address books, bound; memorandum pads, letter pads and similar articles  Diaries and address books Memorandum pads, letter pads and similar articles <i>Other</i>	Free	( <sup>4</sup> )	25.0

<sup>1</sup> Normal trade relations, formerly known as the most-favored-nation duty rate, applicable to imports from China, India, and Indonesia.

<sup>2</sup> The general duty rate of free applies to all preference-eligible countries.

<sup>3</sup> Applies to imports from a small number of countries that do not enjoy normal trade relations duty status.

<sup>4</sup> General note 3(c)(i) defines the special duty program symbols enumerated for this provision.

<sup>5</sup> As noted in fn. 14 (above), effective July 1, 2005, HTS statistical reporting number 4811.90.9000 was broken out into the two numbers indicated in the table above.

Note.—Italicized statistical reporting numbers are those under which petitioners believe the subject products are imported.

Source: Harmonized Tariff Schedule of the United States (2005).

be imported under this HTS number.<sup>16</sup> Rulings by the U.S. Customs and Border Protection (“Customs”) indicate that looseleaf paper is properly imported under HTS number 4811.90.9090.<sup>17</sup>

## SUMMARY OF U.S. MARKET PARTICIPANTS

Including petitioners, nine U.S. producers of CLPSS have been positively identified in these investigations. Petitioners accounted for \*\*\* percent of reported production of CLPSS in 2004; \*\*\* was the largest producer in 2004, accounting for \*\*\* percent of reported production. CLPSS is primarily sold to large retailers such as supermarkets, drug stores, mass merchants, dollar stores, and office supply stores. These firms, along with petitioners, are the largest importers of subject merchandise. Major importers of CLPSS in 2004 included (in descending order of imports) \*\*\*.

## THE SUBJECT PRODUCT

The imported products subject to these investigations are certain lined paper school supplies. Commerce’s notice of initiation for these investigations has defined the scope of the subject merchandise as follows:<sup>18</sup>

*“The scope of this investigation includes certain lined paper products, typically school supplies,<sup>19</sup> composed of or including paper that incorporates straight horizontal and/or vertical lines on ten or more paper sheets,<sup>20</sup> including but not limited to such products as single- and multi-subject notebooks, composition books, wireless notebooks, looseleaf or glued filler paper, graph paper, and laboratory notebooks, and with the smaller dimension of the paper measuring 6 inches to 15 inches (inclusive) and the larger dimension of the paper measuring 8-3/4 inches to 15 inches (inclusive). Page dimensions are measured size (not advertised, stated, or “tear-out” size), and are measured as they appear in the product (i.e., stitched and folded pages in a notebook are measured by the size of the page as it appears in the notebook page, not the size of the unfolded paper). However, for measurement purposes, pages with tapered or rounded edges shall be measured at their longest and widest points. Subject lined paper products may be loose, packaged or bound using any binding method (other than case bound through the inclusion of binders board, a spine strip, and cover wrap).*

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<sup>16</sup> Conference transcript, p. 237: “There is absolutely none of the subject merchandise that can come in coated. It’s not possible. I’m not aware of any” (Bindra). Petitioners in these investigations also reported that their firms do not produce subject merchandise coated with kaolin clay, but note that \*\*\* looseleaf paper reinforced with “other inorganic substances {i.e., plastic}.” Petitioners’ postconference brief, *Answers to ITC Staff Questions*, p. 15. Information from a Customs specialist indicates that such an item would not be classified under HTS statistical reporting number 4810.20.5044. Staff telephone interview with \*\*\*, October 11, 2005.

<sup>17</sup> Customs rulings NY J81599, March 10, 2003 (classification of looseleaf paper from China); and NY L82778, March 15, 2005 (classification of looseleaf paper from China).

<sup>18</sup> *Initiation of Antidumping Duty Investigations: Certain Lined Paper Products from India, Indonesia, and the People’s Republic of China*, 70 FR 58374, October 6, 2005. The scope definition is quoted verbatim from Commerce’s initiation notice, including all footnotes and bullet points.

<sup>19</sup> For purposes of this scope definition, the actual use of or labeling of these products as school supplies or non-school supplies is not a defining characteristic.

<sup>20</sup> There shall be no minimum page requirement for looseleaf filler paper.

*Subject merchandise may or may not contain any combination of a front cover, a rear cover, and/or backing of any composition, regardless of the inclusion of images or graphics on the cover, backing, or paper. Subject merchandise is within the scope of this petition whether or not the lined paper and/or cover are hole punched, drilled, perforated, and/or reinforced. Subject merchandise may contain accessory or informational items including but not limited to pockets, tabs, dividers, closure devices, index cards, stencils, protractors, writing implements, reference materials such as mathematical tables, or printed items such as sticker sheets or miniature calendars, if such items are physically incorporated, included with, or attached to the product, cover and/or backing thereto.*

*Specifically excluded from the scope of this petition are:*

- *unlined copy machine paper;*
- *writing pads with a backing (including but not limited to products commonly known as “tablets,” “note pads,” “legal pads,” and “quadrille pads”), provided that they do not have a front cover (whether permanent or removable). This exclusion does not apply to such writing pads if they consist of hole-punched or drilled filler paper;*
- *three-ring or multiple-ring binders, or notebook organizers incorporating such a ring binder provided that they do not include subject paper;*
- *index cards;*
- *printed books and other books that are case bound through the inclusion of binders board, a spine strip, and cover wrap;*
- *newspapers;*
- *pictures and photographs;*
- *desk and wall calendars and organizers (including but not limited to such products generally known as “office planners,” “time books,” and “appointment books”);*
- *telephone logs;*
- *address books;*
- *columnar pads & tablets, with or without covers, primarily suited for the recording of written numerical business data;*
- *lined business or office forms, including but not limited to: preprinted business forms, lined invoice pads and paper, mailing and address labels, manifests, and shipping log books;*
- *lined continuous computer paper;*
- *boxed or packaged writing stationery (including but not limited to products commonly known as “fine business paper,” “parchment paper,” and “letterhead”), whether or not containing a lined header or decorative lines;*
- *Stenographic pads (“steno pads”), Gregg ruled,<sup>21</sup> measuring 6 inches by 9 inches;*

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<sup>21</sup> “Gregg ruling” consists of a single- or double-margin vertical ruling line down the center of the page. For a six-inch by nine-inch stenographic pad, the ruling would be located approximately three inches from the left of the book.

Also excluded from the scope of these investigations are the following trademarked products:

- *Fly™ lined paper products: A notebook, notebook organizer, loose or glued note paper, with papers that are printed with infrared reflective inks and readable only by a Fly™ pen-top computer. The product must bear the valid trademark Fly™.*<sup>22</sup>
- *Zwipes™: A notebook or notebook organizer made with a blended polyolefin writing surface as the cover and pocket surfaces of the notebook, suitable for writing using a specially-developed permanent marker and erase system (known as a Zwipes™ pen). This system allows the marker portion to mark the writing surface with a permanent ink. The eraser portion of the marker dispenses a solvent capable of solubilizing the permanent ink, allowing the ink to be removed. The product must bear the valid trademark Zwipes™.*<sup>23</sup>
- *FiveStar®Advance™: A notebook or notebook organizer bound by a continuous spiral, or helical, wire and with plastic front and rear covers made of a blended polyolefin plastic material joined by 300 denier polyester, coated on the backside with PVC (poly vinyl chloride) coating, and extending the entire length of the spiral or helical wire. The polyolefin plastic covers are of specific thickness; front cover is .019 inches (within normal manufacturing tolerances) and rear cover is .028 inches (within normal manufacturing tolerances). Integral with the stitching that attaches the polyester spine covering, is captured both ends of a 1" wide elastic fabric band. This band is located 2-3/8" from the top of the front plastic cover and provides pen or pencil storage. Both ends of the spiral wire are cut and then bent backwards to overlap with the previous coil but specifically outside the coil diameter but inside the polyester covering. During construction, the polyester covering is sewn to the front and rear covers face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. The flexible polyester material forms a covering over the spiral wire to protect it and provide a comfortable grip on the product. The product must bear the valid trademarks FiveStar®Advance™.*<sup>24</sup>
- *FiveStar Flex™: A notebook, a notebook organizer, or binder with plastic polyolefin front and rear covers joined by 300 denier polyester spine cover extending the entire length of the spine and bound by a 3-ring plastic fixture. The polyolefin plastic covers are of a specific thickness; front cover is .019 inches (within normal manufacturing tolerances) and rear cover is .028 inches (within normal manufacturing tolerances). During construction, the polyester covering is sewn to the front cover face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. During construction, the polyester cover is sewn to the back cover with the outside of the polyester spine cover to the inside back cover. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction.*

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<sup>22</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>23</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>24</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

- *Each ring within the fixture is comprised of a flexible strap portion that snaps into a stationary post which forms a closed binding ring. The ring fixture is riveted with six metal rivets and sewn to the back plastic cover and is specifically positioned on the outside back cover. The product must bear the valid trademark FiveStar Flex™.*<sup>25</sup>

*Merchandise subject to this investigation is typically imported under headings {sic} 4820.10.2050, 4810.22.5044, 4811.90.9090 of the Harmonized Tariff Schedule of the United States (HTSUS).<sup>26</sup> The tariff classifications are provided for convenience and U.S. Customs and Border Protection purposes; however, the written description of the scope of the investigation is dispositive.”*

Commerce’s notices of initiation set aside a 20-day period within which interested parties may raise issues regarding the products covered by Commerce’s scope.<sup>27</sup>

The Commission collected information from U.S. producers and importers of CLPSS, as well as from foreign producers/exporters, on the basis of the scope definition contained in the petition for these investigations.<sup>28</sup> At the request of Commerce, petitioners filed an amendment to the petition on September 21, 2005, clarifying this scope. In particular, the amended scope enumerated specific scope inclusions and exclusions, and provided detailed descriptions of the proprietary products excluded from the original petition scope.<sup>29</sup> Importers and foreign producers represented by counsel in these investigations were asked at the staff conference to submit revisions to their questionnaire data that may have resulted from the scope amendment.<sup>30</sup> Petitioners’ data submissions in these investigations were reportedly based on the clarified scope of the amended petition.<sup>31</sup>

### **Physical Characteristics and Uses**

CLPSS encompass a range of products, including, but not limited to, looseleaf filler paper and notebooks. Commerce’s scope definition (outlined above) provides information regarding the physical characteristics of products included within the scope of these investigations. According to information provided by petitioners, the primary use for CLPSS is to take notes, perform class assignments, and

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<sup>25</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>26</sup> During the investigation additional HTS codes may be identified.

<sup>27</sup> *Initiation of Antidumping Duty Investigations: Certain Lined Paper Products from India, Indonesia, and the People’s Republic of China*, 70 FR 58374, October 6, 2005; and *Notice of Initiation of Countervailing Duty Investigations: Certain Lined Paper Products from India and Indonesia*, 70 FR 58690, October 7, 2005. The period of scope consultations is intended to provide Commerce with an opportunity to consider all comments, and to consult with interested parties, prior to the issuance of its preliminary determinations.

<sup>28</sup> See Petition, September 8, 2005, pp. 3-5.

<sup>29</sup> See Amendment to the Petition Clarifying Scope, September 21, 2005.

<sup>30</sup> Revised questionnaire responses were received from all Indian foreign producers that responded to the Commission’s questionnaires, as well as from importers of CLPSS from India that are parties to these investigations. All but one of the remaining parties to these investigations reported that the data they submitted in response to the Commission’s questionnaires reflected the most recent, revised scope (only \*\*\* did not confirm that its data reflected the revised scope). Transcript of the Commission’s September 30, 2005 conference (“conference transcript”), p. 245 (Ciulla); staff telephone notes, October 8-11, 2005.

<sup>31</sup> Conference transcript, p. 145 (Brightbill).

provide completed work to teachers for correction and grades.<sup>32</sup> As such, petitioners note, CLPSS must conform to teacher and student expectations relating to size, the presence of margins, and hole punches for storage. Petitioners contend that the sizes of products covered by the scope of the petition are the most effective for the uses in which they are employed.<sup>33</sup>

Petitioners note further that the physical characteristics of CLPSS combine necessary elements of privacy, protection, and convenience. Notebooks, for instance, include covers that shield written work from others, as well as protect pages from wear during transport, while looseleaf paper (when placed in a binder<sup>34</sup>) performs a similar function. Petitioners observe that notebooks may also contain enhancements such as dividers, pockets, and reference materials that promote their core classroom and educational use.<sup>35</sup>

Respondents in these investigations have argued that imports of CLPSS from Indonesia have physical characteristics that differ from those of domestically produced CLPSS.<sup>36</sup> In particular, respondents identify brightness as a distinguishing characteristic between Indonesian and U.S.-produced merchandise, noting that Indonesian CLPSS are produced to a brightness of 92 percent, compared to a standard brightness of 83-84 percent in the United States.<sup>37</sup> Indonesian producer Tjiwi Kimia also notes that \*\*\*.<sup>38</sup>

### **Manufacturing Process<sup>39</sup>**

The production of CLPSS begins with rolls of unlined paper, purchased by U.S. producers at arms length.<sup>40</sup> The majority of high volume CLPSS, such as looseleaf filler paper and wire-bound notebooks, is produced using highly automated “web-to-finish” machines that manufacture these products from start to finish in one continuous line of production. Rolls of unlined paper are loaded onto a machine that lines the top and bottom of the paper with (typically) blue and red ink. For the production of looseleaf sheets, the rolls of paper, or “webs,” are hole punched, cut into individual sheets, and stacked to the desired page count.<sup>41</sup> A printed top sheet is automatically inserted onto each stack, and each stack is then passed through a plastic wrapper. The final packed product is then hand-packed into a box for shipping.

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<sup>32</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 3.

<sup>33</sup> Ibid.

<sup>34</sup> As noted in Commerce’s notices of initiation, binders are not included in the scope of the subject products in these investigations, provided they do not include lined paper of the type covered by the petition.

<sup>35</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 3.

<sup>36</sup> Indonesian respondent’s postconference brief, pp. 3-4; Staples’ postconference brief, pp. 20-22.

<sup>37</sup> Conference transcript, pp. 127 (Rahn) and 170 (Ciulla). Record evidence in these investigations \*\*\*. Staff phone notes, October 3, 2005.

<sup>38</sup> Tjiwi Kimia’s response to the foreign producers’/exporters’ questionnaire, p. 8. In this regard, counsel to Chinese respondents notes that paper used to produce CLPSS in China is typically composed of only 30 percent wood pulp, and 70 percent pulp of other materials (counsel did not identify the comparable wood pulp content for U.S. and other subject CLPSS). Chinese respondents’ postconference brief, p. 34.

<sup>39</sup> \*\*\*.

<sup>40</sup> According to industry representatives, there are no remaining vertically integrated producers of both paper and lined paper products in the United States. Conference transcript, p. 92 (McLachlan).

<sup>41</sup> “Web-to-finish” machines are dedicated either to the production of looseleaf paper or to the production of notebooks. \*\*\*.

Wire notebooks are produced by a similar machine, employing a similarly continuous line of production. After being loaded onto the machine, webs of paper are lined and then cut into large sheets representing six final size notebooks. Sheets are then stacked to the desired page count of the final product, and covers, backing, or dividers are automatically inserted. The compiled layers are then cut into three rows representing the size of two notebooks each. These “two-on strips” are then punched with wire binding and ring holes, and cut into two notebooks. Each book is then automatically wired, and passed along a conveyer for final boxing by an employee.<sup>42</sup> The components of books produced by this method must be of the same size and of a single consistency; the process does not allow for oversized covers or backs, or for pocketed dividers.

Lower volume CLPSS, and products requiring special handling, are produced using a “step and repeat” process involving multiple machines and greater labor input.<sup>43</sup> In this process, rolls of unlined paper are loaded onto a machine that lines and then cuts the webs into large sheets. Sheets are stacked into “layers” representing the desired page count of the final product. Covers, backings, or dividers may be automatically inserted into each layer. A stack of layered sheets is then transported by a forklift, and layers are manually loaded into a “guillotine” cutter that cuts the layers to their final size. Individual books are then manually fed into another machine that drills and wire-binds the final product. This final process also allows for the inclusion of nonstandard dividers, and oversized covers or backings.<sup>44</sup>

Counsel to Chinese respondents in these investigations notes that the production process for CLPSS in China is different from that employed in the United States. According to counsel, the production process for CLPSS in China occurs on multiple single-function machines, involving far greater use of manual labor than those employed by U.S. manufacturers.<sup>45</sup> Record evidence in these investigations indicates that CLPSS are produced in Indonesia using “automatic machines,”<sup>46</sup> whereas counsel to Indian respondents notes that the production process for CLPSS in India ranges from “manual to fully automatic,” with the majority of manufacturers using a “semi-automatic” process.<sup>47</sup>

### **Channels of Distribution**

U.S.-produced CLPSS are primarily sold to retailers, including large grocery chains, drug stores, mass merchants such as Target and Wal-Mart, dollar stores, and university bookstores.<sup>48</sup> Information collected from Commission questionnaires suggests that over 95 percent of U.S. producers’ shipments of

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<sup>42</sup> \*\*\*.

<sup>43</sup> A step and repeat process is used in the production of notebooks with dimensions smaller than those included in the scope of these investigations.

<sup>44</sup> \*\*\*. Books with a sewn binding, such as traditional “composition books,” are produced on separate machines devoted to this type of production. MeadWestvaco no longer produces composition books. Conference transcript, p. 262 (Price).

<sup>45</sup> Chinese respondents’ postconference brief, p. 34.

<sup>46</sup> \*\*\*.

<sup>47</sup> Indian respondents’ postconference brief, exh. 1.

<sup>48</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 4.

U.S.-produced CLPSS in 2004 were accounted for by sales to retail end users.<sup>49 50</sup> With respect to channels of distribution, imports of CLPSS are divided into two categories: direct imports by retailers, and imports by distributors for resale. Based on data submitted in response to Commission questionnaires, direct imports by retailers accounted for a growing share of total U.S. imports of CLPSS over the period examined, from 31 percent of total reported imports in 2002 to 37 percent in 2004.<sup>51</sup> U.S. producers of CLPSS accounted for the majority of reported imports for distribution throughout the period examined.

## **DOMESTIC LIKE PRODUCT ISSUES**

Petitioners in these investigations have argued that the Commission should find a single domestic like product, coextensive with Commerce's scope,<sup>52</sup> while several respondents have argued that the Commission should find a like product consisting of all lined paper products.<sup>53</sup> As noted above, in addition to CLPSS, recipients of Commission questionnaires in these investigations were requested to provide data relating to their production, imports, and/or exports of "other lined paper products." In addition, recipients of the Commission's importers' and producers' questionnaires were asked to comment on the similarities and differences between these products and those contained within the scope of the petition, with respect to the Commission's traditional six-factor like product analysis.<sup>54</sup> Responses to these questions, as well as other record evidence relating to the Commission's like product analysis, are presented below.

### **Physical Characteristics and Uses**

Petitioners contend that CLPSS differ both physically and in terms of end use from other lined paper products.<sup>55</sup> They note that the primary uses of CLPSS are school related, and that their physical characteristics provide the privacy, protection, and convenience required for these end uses. By contrast, petitioners argue, other lined paper products (such as writing tablets, legal pads, and steno pads) are

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<sup>49</sup> In telephone interviews with staff, several U.S. producers reported initial confusion regarding the categorization of sales to retailers as shipments to distributors or shipments to end users. For the purposes of these investigations, U.S. producers' sales to retail outlets have been categorized as shipments to end users, and U.S. producers' reported shipments data have been adjusted accordingly. *See* staff phone notes, October 4-5, 2005.

<sup>50</sup> Two U.S. producers, \*\*\*, accounted for \*\*\* percent of reported shipments of U.S.-produced CLPSS to distributors.

<sup>51</sup> Direct imports by U.S. retailers in the first half of 2005 accounted for 62 percent of total reported imports of CLPSS, compared to 42 percent in the first half of 2004. The large increase in reported imports of CLPSS in the first half of 2005 is largely attributable to a substantial increase in imports by \*\*\*, whose imports accounted for \*\*\* percent of total reported imports in this period (compared to \*\*\* percent in the first half of 2004).

<sup>52</sup> Petitioners' postconference brief, p. 3.

<sup>53</sup> Chinese respondents' postconference brief, pp. 19-32; Staples' postconference brief, pp. 8-18; and Target's postconference brief, pp. 3-6. Importer Continental Accessory Corp. also contends that the Commission should treat "value-added lined fashion stationery" as a separate like product. Continental Accessory's postconference brief, p. 1.

<sup>54</sup> The six factors considered by the Commission in its like product analysis are: (1) characteristics and uses, (2) interchangeability, (3) manufacturing facilities and production employees, (4) channels of distribution, (5) customer and producer perceptions, and, where appropriate, (6) price.

<sup>55</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 3. *See also*, Petitioners' postconference brief, pp. 5-7.

either poorly sized for classroom use or are used “overwhelmingly” in business or home office environments, where written work is not intended to be transferred from person to person, and for which paper therefore need not be hole-punched or removed from its pad.<sup>56</sup> Respondents in these investigations argue that the defining characteristic of both CLPSS and other lined paper products is the presence of lines, and that the primary purpose of products within both categories is to take notes.<sup>57</sup> Respondents further argue that petitioners’ distinction between CLPSS and other lined paper products, based on the type of customer using the product, does not constitute a clear dividing line between the two product groups.

Of the six non-petitioning U.S. producers that addressed the like product question in their responses to the Commission’s questionnaires, one indicated that “there is no noticeable difference” between CLPSS and other lined paper products,<sup>58</sup> while three firms noted that the primary difference between the two product groups relates to the size of the products they contain.<sup>59</sup> One firm noted that its other lined paper products are used “for business and personal recording, versus academic needs.”<sup>60</sup>

Ten U.S. importers of CLPSS (other than U.S. producers) addressed the question of like product factors in response to the Commission’s questionnaires. Three importers noted that the two product groups are different in that CLPSS are intended for use by students, whereas other lined paper products are used primarily in business environments.<sup>61</sup> Two importers noted that other lined paper products that are smaller than the dimensions specified for CLPSS would be used by businesses or in homes, as opposed to in schools.<sup>62</sup> Several remaining firms reported that, although they are included within the scope of CLPSS, “fashion” notebooks have different physical characteristics than other CLPSS.<sup>63</sup>

### **Interchangeability**

Petitioners argue that physical differences between CLPSS and other lined paper products - such as paper size and the inclusion of covers and other added features - limit the degree of interchangeability between them, based on their end use and the expectations of teachers.<sup>64</sup> Respondents argue that CLPSS and other lined paper products constitute a continuum of lined paper products,<sup>65</sup> and that there is a significant degree of interchangeability between in-scope products and other lined paper products.<sup>66</sup>

Of the six non-petitioning U.S. producers of CLPSS, three indicated that other lined paper products and CLPSS are largely or fully interchangeable, while one indicated that differences relating to

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<sup>56</sup> Ibid. Petitioners also note that other lined paper products do not include additional features such as pockets, subject dividers, and reference materials because they are not intended for the same use as CLPSS. Ibid., p. 4.

<sup>57</sup> Chinese respondents’ postconference brief, pp. 24-27; Staples’ postconference brief, pp. 11-14; and Target’s postconference brief, p. 5.

<sup>58</sup> \*\*\* response to the producers’ questionnaire, p. 10.

<sup>59</sup> \*\*\* responses to the producers’ questionnaire, p. 10. \*\*\* also noted that the two product groups differ with respect to “page count and the type of paper used.” There is no other evidence on the record to suggest that the paper used in production of other lined paper products is different from that used to produce CLPSS.

<sup>60</sup> \*\*\* response to the producers’ questionnaire, p. 10. \*\*\*.

<sup>61</sup> \*\*\* responses to the importers’ questionnaire, p. 8. \*\*\* response also noted that CLPSS and other lined paper products are “bound differently.”

<sup>62</sup> \*\*\* response to the importers’ questionnaire, p. 8. \*\*\*.

<sup>63</sup> \*\*\* responses to the importers’ questionnaire, p. 8.

<sup>64</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 4.

<sup>65</sup> Chinese respondents’ postconference brief, p. 27.

<sup>66</sup> Staples’ postconference brief, pp. 14-16; Target’s postconference brief, p. 5.

the sizes of other lined paper school supplies limits or precludes their interchangeability with CLPSS.<sup>67</sup> Excluding U.S. producers, three importers of CLPSS indicated that there is no interchangeability between CLPSS and other lined paper products.<sup>68</sup> One importer reported that the size of other lined paper products may limit interchangeability with CLPSS to a certain extent,<sup>69</sup> while two others noted that certain items excluded from the scope, such as “petitioners’ trademarked items,” are fully interchangeable with products within the scope of CLPSS.<sup>70</sup> Two importers noted that value-added “fashion” notebooks, though in-scope, are not interchangeable with other CLPSS.<sup>71</sup>

### **Manufacturing Facilities and Production Employees**

Petitioners argue that most production equipment is dedicated to the production of either CLPSS or other lined paper products, even when equipment is capable of producing products within both groupings.<sup>72</sup> \*\*\* and conference testimony indicate that the machinery used in the production of CLPSS can be converted to produce other lined paper products, but that such a conversion would entail significant cost to the producer.<sup>73</sup> Petitioners also note record evidence indicating that U.S. CLPSS production workers are trained on, and generally dedicated to, the operation of one type of machine.<sup>74</sup> Finally, petitioners argue that manufacturers tend to focus on one or the other of these product groupings, and that the two product categories have “very different business models and marketing needs.”<sup>75</sup>

Respondents in these investigations note that the production of CLPSS and of other lined paper products involve similar equipment and facilities, and their production processes are not fundamentally different.<sup>76</sup> Counsel to Chinese respondents also note that although CLPSS and other lined paper products may be produced using different dedicated machinery and production workers in the United States, the same is not true of producers in China.<sup>77</sup>

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<sup>67</sup> Responses to the producers’ questionnaire, p. 10.

<sup>68</sup> \*\*\* responses to the importers’ questionnaire, p. 8.

<sup>69</sup> \*\*\* response to the importers’ questionnaire, p. 8.

<sup>70</sup> \*\*\* responses to the importers’ questionnaire, p. 8.

<sup>71</sup> \*\*\* responses to the importers’ questionnaire, p. 8.

<sup>72</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 6. See also, petitioners’ postconference brief, pp.

<sup>73</sup> \*\*\*; and conference transcript, p. 67 (Smith): conversion of machinery would entail “extreme capital investment to the extent that it may make more sense to buy new equipment.” The same industry representative did note, however, that the same machinery can be used to produce both CLPSS and certain other lined paper products. Conference transcript, p. 69 (Smith).

<sup>74</sup> Petitioners’ postconference brief, p. 12 (citing \*\*\*; and conference transcript, pp. 71-72 (Smith, McLachlan, and Rahn)).

<sup>75</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 7. Petitioners note that CLPSS are produced for the “back to school season,” which they contend accounts for a majority of the industry’s sales, and determines staffing, inventory, and shipments levels throughout the year; demand for other lined paper products, they argue, does not exhibit the same seasonality. Ibid. A Staples representative noted at the conference that while certain other lined paper products (such as legal pads) did not exhibit a marked seasonal selling trend, other non-scope products (such as small notebooks) do. Conference transcript, p. 200 (Ciulla).

<sup>76</sup> Staples’ postconference brief, p. 17, and Target’s postconference brief, p. 6. Respondents also note that separate machinery and employees are used to produce products within the scope of CLPSS. Ibid.

<sup>77</sup> Chinese respondents’ postconference brief, p. 29.

In response to the Commission's producers' questionnaire, seven out of nine U.S. producers of CLPSS indicated that they produced other lined paper school supplies on the same equipment and machinery used to produce CLPSS, while six of these firms (and one other) reported that production employees producing CLPSS also produced other lined paper products.<sup>78</sup> The two non-petitioning U.S. producers that addressed the issue of common manufacturing process in their questionnaire responses stated that the processes were the "same" for CLPSS and other lined paper products.<sup>79</sup> U.S. importers of CLPSS that addressed the issue of manufacturing processes in their questionnaire responses mostly noted that the processes for manufacturing CLPSS and other lined paper products are similar, while stating that specialty items such as smaller notebooks and fashion notebooks required different, less automated production methods.<sup>80</sup>

### **Customer and Producer Perceptions**

Petitioners argue that customers' and producers' distinct perceptions of CLPSS and other lined paper products are evidenced by distinct advertising trends, in-store marketing, and product placement within stores.<sup>81</sup> Petitioners also point to market data indicating a strong seasonal trend for sales of CLPSS, which is not exhibited by other lined paper products, as further evidence of distinct market perceptions of the two products.<sup>82</sup> Finally, petitioners note that the physical characteristics of CLPSS, such as their size and the presence of binder holes, lead to a perception among customers that these products are suitable for school use.<sup>83</sup>

Respondents in these investigations argue that customers do not perceive CLPSS and other lined paper products as separate product categories.<sup>84</sup> They note conference testimony from a Staples representative indicating that, from Staples' perspective, CLPSS and other lined paper products are "part of a continuum of lined paper products,"<sup>85</sup> and argue that students' perceptions of the two groups of products as separate diminish in higher grades.<sup>86</sup>

In response to Commission questionnaires, two non-petitioning U.S. producers of CLPSS reported no difference in customer or producer perceptions of CLPSS and other lined paper products,<sup>87</sup> while one producer of other lined paper products noted differences in terms of the coincidence of sales of CLPSS and the academic year.<sup>88</sup> Two U.S. importers also noted that demand for CLPSS is seasonal,

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<sup>78</sup> Further information regarding U.S. producers' other lined paper products operations is presented in Part III (*see* tables III-3 and III-7).

<sup>79</sup> \*\*\* responses to the producers' questionnaire, p. 10. Both these companies produce both CLPSS and other lined paper products.

<sup>80</sup> Importers' questionnaire responses, p. 10.

<sup>81</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 5. Petitioners observe that back-to-school lists typically include items within the scope of CLPSS, but do not include other lined paper products. *Ibid.*, p. 6.

<sup>82</sup> Response to Commerce Request for Petition Clarification, September 26, 2005, p. 6.

<sup>83</sup> Petitioners' postconference brief, p. 13.

<sup>84</sup> Staples' postconference brief, p. 16, and Target's postconference brief, p. 6.

<sup>85</sup> Conference transcript, pp. 168-169 (Ciulla).

<sup>86</sup> Staples' postconference brief, p. 16.

<sup>87</sup> \*\*\* responses to the producers' questionnaires, p. 10.

<sup>88</sup> \*\*\* response to the producers' questionnaire, p. 10.

citing the importance of the “back-to-school” season.<sup>89</sup> Although one importer reported that CLPSS are perceived as being intended for school use, whereas other lined paper products (specifically, “legal/letter pads”) are perceived as being intended for business use, three importers noted that the demand for items within these two categories of products may overlap.<sup>90</sup> Three separate importers noted that fashion notebooks are perceived by customers as being different than other CLPSS.<sup>91</sup>

### **Channels of Distribution**

Questionnaire responses from U.S. producers and importers of CLPSS and other lined paper products indicate that the items within the two product groups are distributed through very similar channels; i.e., the majority of CLPSS and other lined paper products are both sold to large retailers. Petitioners, however, argue that the types of retail establishments that sell CLPSS and other lined paper products highlight distinctions between the two groups of products. Specifically, petitioners contend that “the major purchasers of school supplies tend to be superstores, grocery stores, drug stores, and dollar stores,” whereas the “most significant retailers of other lined paper products . . . tend to be office specialists” such as Staples and Office Depot.<sup>92</sup> Respondents argue that the channels of distribution for CLPSS and other lined paper products are identical.<sup>93</sup>

Information obtained from U.S. producers in response to Commission questionnaires indicates that CLPSS and other lined paper products are for the most part sold to the same retail end users, whether office specialist or otherwise.<sup>94</sup> One non-petitioning U.S. producer of CLPSS reported no difference in distribution channels for CLPSS and other lined paper products,<sup>95</sup> while another distinguished between “school and office distribution centers.”<sup>96</sup> Questionnaire data reported by large retailers in these investigations provided mixed information: \*\*\*, for instance, reported roughly equal amounts of imports of CLPSS and other lined paper products over the period examined, whereas \*\*\* reported imports of CLPSS but no imports of other lined paper products. U.S. importers of CLPSS that addressed the Commission’s like product factors in their questionnaire responses, other than U.S. producers, reported that channels of distribution for CLPSS and other lined paper products are the same.<sup>97</sup>

### **Price**

Petitioners and respondents in these investigations have both noted that, given the range of products within and outside the scope of these investigations, price is not a determining factor in

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<sup>89</sup> \*\*\* responses to the importers’ questionnaire, p. 8.

<sup>90</sup> \*\*\* responses to the importers’ questionnaire, p. 8.

<sup>91</sup> \*\*\* responses to the importers’ questionnaire, p. 8. \*\*\* response also notes that there are no differences in customer or producer perceptions between certain in-scope products and certain out-of-scope products, such as “petitioners’ trademarked items.”

<sup>92</sup> Petitioners’ postconference brief, p. 9.

<sup>93</sup> Chinese respondents’ postconference brief, p. 29; Staples’ postconference brief, p. 16; and Target’s postconference brief, p. 6.

<sup>94</sup> \*\*\*.

<sup>95</sup> \*\*\* response to the producers’ questionnaire, p. 10.

<sup>96</sup> \*\*\* response to the producers’ questionnaire, p. 10.

<sup>97</sup> Responses to the importers’ questionnaire, p. 8.

distinguishing between CLPSS and other lined paper products.<sup>98</sup> Questionnaire data received in these investigations indicate that the average unit values of aggregate reported U.S. shipments of other lined paper products were consistently lower than those of CLPSS throughout the period examined, although individual company data indicated varying trends.<sup>99</sup>

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<sup>98</sup> Petitioners' postconference brief, p. 15, and Staples' postconference brief, p. 17.

<sup>99</sup> \*\*\*, MeadWestvaco's president testified at the conference that "in general our office supplies business sees slightly higher prices than the school business." Conference transcript, p. 89 (McLachlan).



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

### U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

CLPSS are sold in three main forms: spiral-bound or wireless notebooks (with or without pockets and/or dividers); hole-punched filler paper; and composition books. The paper may be wide-ruled or college-ruled and is typically white in color, while notebook covers may be plain or consist of fashion graphics. The product is primarily used for note taking by students in school and for school assignments that are turned in to teachers for grading, although CLPSS may also be used for business purposes. The demand for CLPSS tends to be highly seasonal, peaking in the second and third quarters as retailers stock up for back-to-school promotions.<sup>1</sup> The generally accepted back-to-school season runs four to ten weeks, from mid-July through September.<sup>2</sup> There is also reportedly a smaller peak in demand occurring in January for “second semester” sales.<sup>3</sup>

Most sales of CLPSS are made to retailers, including superstores, drugstores, and grocery chains.<sup>4</sup> \*\*\* U.S. manufacturers of CLPSS are converters that buy rolls of unlined paper and process it into lined paper products.<sup>5</sup>

When firms were asked to list market areas in the United States in which they sell CLPSS, the responses showed that the market areas tended to be nationwide. Among the eight responding U.S. producers, seven reported that they sell nationwide while the other producer reported that it sells specifically in the mid-Atlantic, Southeast, Midwest, and the Northwest regions. Eighteen importers of CLPSS from China, India, and/or Indonesia reported that they sold nationally. One other importer reported specific geographic regions including the mid-Atlantic, the Midwest, and the Southeast.

U.S. inland shipping distances for U.S.-produced CLPSS were compared with those for imports from China, India, and Indonesia. For U.S. producers, 5.8 percent of their U.S. sales occur within 100 miles of their storage or production facility, 76.6 percent were within distances of 101 to 1,000 miles, and 17.6 percent were at distances of over 1,000 miles from their facilities. For imports from China, 4.5 percent of sales occurred within 100 miles of importers’ storage facilities, 83.4 percent were within 101 to 1,000 miles, and 12.1 percent were over 1,000 miles. For imports from India, 12.1 percent of sales occurred within 100 miles of importers’ storage facilities, 63.8 percent were within 101 to 1,000 miles, and 24.2 percent were over 1,000 miles. For imports from Indonesia, 5.0 percent of sales occurred within 100 miles of importers’ storage facilities, 75.1 percent were within 101 to 1,000 miles, and 19.9 percent were over 1,000 miles.

Lead times for delivery of CLPSS ranged widely for both U.S. producers and importers. For U.S. producers, they ranged from one day to as much as 90 days. For importers, they ranged from immediate delivery to as much as 180 days.

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<sup>1</sup> \*\*\* data submitted by the petitioners show approximately two-thirds of annual retail sales of school supplies taking place during the 10-week back-to-school season. Petitioners’ postconference brief, p. 6.

<sup>2</sup> Conference transcript, p. 110 (Price).

<sup>3</sup> Conference transcript, p. 201 (Ciulla). However, petitioners contend that “second semester” sales are not very substantial. Conference transcript, p. 111 (Price, Robinson). Petitioners reported that sales may rise slightly in the fourth quarter as companies renew budgets and around tax season. Conference transcript, p. 98 (McLachlan).

<sup>4</sup> Conference transcript, p. 26 (McLachlan).

<sup>5</sup> \*\*\* produced a portion of its blank paper until six months ago, but currently purchases all of its paper, \*\*\*. \*\*\*. Staff also notes that lined pads are still made manually in the United States by “lighthouse” operations, which often perform government business but which sometimes subcontract to the larger producers. Staff telephone interview with \*\*\*.

## SUPPLY AND DEMAND CONSIDERATIONS

### U.S. Supply

#### **Domestic Production**

The supply response of domestic CLPSS producers to changes in price depends on such factors as the level of excess capacity, the availability of alternate markets for U.S.-produced CLPSS, inventory levels, and the ability to shift to the manufacture of other products. The evidence indicates that the U.S. supply is likely to be slightly elastic, due primarily to the substantial amount of unused capacity, moderate inventory levels, and ability to shift to the manufacture of other products, weighed against the lack of alternate markets.

#### *Industry capacity*

U.S. producers' annual capacity utilization rates fluctuated since 2002, increasing from 42.3 percent in 2002 to 49.7 percent in 2004. This level of capacity utilization indicates that U.S. producers have substantial unused capacity with which they could increase production of CLPSS in the event of a price change.

#### *Alternative markets*

Total exports by U.S. producers, as a share of their total shipments by quantity, decreased from \*\*\* percent in 2002 to \*\*\* percent in 2004. These data indicate that U.S. producers have little ability to divert shipments to or from alternative markets in response to changes in the price of CLPSS.

#### *Inventory levels*

The ratio of end-of-period inventories to U.S. shipments decreased from \*\*\* percent in 2002 to \*\*\* percent in 2004. These data indicate that U.S. producers have the ability to use inventories as a means of increasing shipments of CLPSS to the U.S. market.

#### *Production alternatives*

Seven of nine responding U.S. producers reported using the actual machinery and equipment used to make CLPSS in the production of other products.<sup>6</sup> One producer reported that converting existing machinery to alternative production processes would cost \*\*\* dollars.<sup>7</sup>

#### **Subject Imports**

The responsiveness of the supply of imports from China, India, and Indonesia to changes in price in the U.S. market is affected by such factors as capacity utilization rates and the availability of home markets and other export markets. Based on available information, producers in China are likely to respond to changes in demand with slight changes in the quantity of shipments of CLPSS to the U.S. market. The main contributing factor is the existence of unused capacity in conjunction with somewhat limited alternate markets and inventory levels. Based on available information, producers in India and

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<sup>6</sup> See table III-3.

<sup>7</sup> \*\*\*.

Indonesia are likely to respond to changes in demand with moderate changes in the quantity of shipments of CLPSS to the U.S. market. The main contributing factors are the availability of unused capacity and alternate markets along with considerable inventory levels.

### ***Industry capacity***

During the period of investigation, the capacity utilization rate for Chinese producers of CLPSS fluctuated, decreasing from 62.0 percent in 2002 to 52.2 percent in 2003, and increasing to 61.5 percent in 2004. It is projected to slightly increase to 62.8 percent in 2005. The capacity utilization rate for Indian producers of CLPSS was 46.4 percent in 2002 and decreased to 35.2 percent in 2004; it is projected to increase to 41.5 percent in 2005. The capacity utilization rate for Indonesian producers of CLPSS fluctuated, increasing from \*\*\* percent in 2002 to \*\*\* percent in 2003 and then decreasing to \*\*\* percent in 2004; it is projected to increase to \*\*\* percent in 2005.

### ***Alternative markets***

Available data indicate that foreign producers in China, India, and Indonesia all have the ability to divert shipments to or from alternative markets in response to changes in the price of CLPSS. Shipments of CLPSS from China to the United States increased from approximately 50.9 percent of total shipments in 2002 to 55.5 percent in 2004. The share of China's shipments to export markets other than the United States increased from about 9.8 percent in 2002 to 11.3 percent in 2004, with the remainder going to its home market, including internal consumption. Shipments of CLPSS from India to the United States increased from approximately 35.4 percent of total shipments in 2002 to 43.5 percent in 2004. The share of India's shipments to export markets other than the United States increased from about 3.9 percent in 2002 to 24.4 percent in 2004, with the remainder going to its home market, including internal consumption. Shipments of CLPSS from Indonesia to the United States decreased from approximately \*\*\* percent of total shipments in 2002 to \*\*\* percent in 2004. The share of Indonesia's shipments to export markets other than the United States increased from about \*\*\* percent in 2002 to \*\*\* percent in 2004, with the remainder going to its home market, including internal consumption.

### ***Inventory levels***

Chinese producers' inventories, as a share of total shipments, increased slightly from 4.4 percent in 2002 to 4.6 percent in 2004. These data indicate that Chinese producers have a limited ability to use inventories as a means of increasing shipments of CLPSS to the U.S. market. Indian producers' inventories, as a share of total shipments, decreased from 12.1 percent in 2002 to 6.9 percent in 2004. These data indicate that Indian producers have the ability to use inventories as a means of increasing shipments of CLPSS to the U.S. market. Indonesian producers' inventories, as a share of total shipments, increased from \*\*\* percent in 2002 to \*\*\* percent in 2004. These data indicate that Indonesian producers have the ability to use inventories as a means of increasing shipments of CLPSS to the U.S. market.

### ***Nonsubject Imports***

Based on responses to Commission questionnaires, U.S. imports of CLPSS from nonsubject sources accounted for 23.4 percent of the quantity of total U.S. imports in 2002 and increased to 36.2 percent of total U.S. imports in 2004.

## **U.S. Demand**

### **Demand Characteristics**

The availability of substitutes for CLPSS discussed below indicates that the demand for this product is likely to be slightly price elastic. When asked how the overall demand for CLPSS has changed since January 2002, four of the U.S. producers and eight importers stated that the demand had increased, citing overall economic growth and the increasing school-age population. One importer also reported that consumer demand had increased due to budget cuts at schools, resulting in students buying more of their own school supplies. Two other importers attributed the increased demand to better marketing strategies of retailers and producers, including the increased use of fashion graphics and value-added accessories. Three U.S. producers reported that demand had decreased.<sup>8</sup> Eight importers reported that demand was unchanged.

### **Substitute Products**

When asked whether there are substitutes for CLPSS, most U.S. producers and most responding importers cited one or more alternative products, including unlined copy paper, personal computers, tape recorders, and handheld digital organizers known as PDAs. However, most responding U.S. producers and importers said that these products are not direct substitutes for CLPSS as they are not efficient for taking notes in class or turning in handwritten school assignments. In addition, one importer that is also a retailer characterizes other lined paper products as close substitutes to CLPSS, especially legal pads and notebooks of smaller dimensions that are typically marketed alongside CLPSS during the back-to-school season and may also be used by students for note taking and similar purposes.<sup>9</sup> Two out of eight responding producers and three out of 20 responding importers said that as the prices of electronic note taking devices have fallen, demand for these products has increased, thus lowering the demand and the prices for CLPSS. The other responding producers and importers reported that substitutes do not affect the price of CLPSS.

## **SUBSTITUTABILITY ISSUES**

The degree of substitutability between domestic products and subject and nonsubject imports and between subject and nonsubject imports is examined in this section. The discussion is based upon the results of questionnaire responses from producers and importers.

### **Comparisons of Domestic Product and Subject Imports**

In order to determine whether U.S.-produced CLPSS can generally be used in the same applications as imports from China, India, and Indonesia, U.S. producers and importers were asked whether the products can “always,” “frequently,” “sometimes,” or “never” be used interchangeably. The majority of U.S. producers that compared CLPSS from China, India, and Indonesia with CLPSS from the United States reported that they are always interchangeable, as shown in table II-1. Likewise, the majority of importers that compared CLPSS from China, India, and Indonesia with CLPSS from the

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<sup>8</sup> One U.S. producer reporting decreased demand attributed it to the reduction in school budgets, under the supposition that some schools that typically purchase CLPSS and provide them to students now have a diminished budget with which to purchase the products.

<sup>9</sup> Conference transcript, p. 255 (Ciulla).

**Table II-1**

**CLPSS: Perceived degree of interchangeability of product produced in the United States and in other countries**

Country comparison	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. China	4	3	1	0	9	3	3	1
U.S. vs. India	4	2	0	0	7	4	0	1
U.S. vs. Indonesia	4	2	0	0	6	2	0	1
U.S. vs. nonsubject	1	2	0	0	7	2	0	1
China vs. India	3	1	0	0	7	2	1	1
China vs. Indonesia	3	1	0	0	6	2	0	1
China vs. nonsubject	1	0	0	0	6	2	0	1
India vs. Indonesia	3	1	0	0	5	3	0	1
India vs. nonsubject	1	0	0	0	5	2	0	1
Indonesia vs. nonsubject	1	0	0	0	4	3	0	0

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, and "N" = Never.

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

United States reported that they are always interchangeable, as shown in table II-1. One importer reported that a major factor limiting interchangeability is the fact that CLPSS imported from Indonesia has a higher brightness level than CLPSS from the United States, China, and India.<sup>10</sup> Imported CLPSS from Indonesia are typically 92-bright on the international brightness scale, whereas eight out of ten U.S. producers reportedly use paper with a brightness level of 83-87. However, five U.S. producers reported that the industry standard has recently been shifting toward using 92-bright paper and at least one producer, \*\*\*,<sup>11</sup> Indonesian producer Tjiwi Kimia reports that Indonesian paper exclusively uses wood fiber and is of a heavier weight and tends to be stronger than Chinese and Indian paper. This producer also reports that Indonesian producers use automated machinery that results in greater product consistency than that of Chinese and Indian producers.<sup>12</sup> One U.S. producer which also imports reported that the product from China is of lower quality than that of the United States because Chinese paper reportedly consists of \*\*\* percent non-wood fiber (e.g., straw, bamboo, and/or recycled fiber). One importer also noted that Chinese paper has more flaws than the U.S. product.

<sup>10</sup> \*\*\* due to the high-quality texture and brightness of the paper from Indonesia and Brazil. Conference transcript, pp. 202 (Ciulla) and 218 (Mendoza), and \*\*\*'s postconference brief, p. 20. Indonesian producer Tjiwi Kimia, which contends that it accounts for \*\*\* percent of Indonesia's exports of CLPSS to the United States, reports that U.S. imports of CLPSS from Indonesia and Brazil "are uniformly 92-93 bright" on the international brightness scale compared with 83-84 brightness for U.S. producers and 83-86 brightness for imports from China and India. (Indonesian respondent's postconference brief, pp. 1, 3, and 4).

<sup>11</sup> The one U.S. producer that currently produces CLPSS with 92-bright paper is \*\*\*. Staff telephone interview with \*\*\*.

<sup>12</sup> Indonesian respondent's postconference brief, pp. 3, 4.

Another factor limiting interchangeability is the fact that notebooks with fashion graphics on the covers or value-added features are typically only available from China.<sup>13</sup> Three importers said that CLPSS with fashion covers and coordinated value-added features (including matching portfolios, binders, or organizers) appeal to a specific demographic category which views them more as fashion accessories than merely as plain notebooks for school use.<sup>14</sup>

As indicated in table II-2, the majority of U.S. producers that compared CLPSS from the United States with CLPSS from China, India, and Indonesia reported that differences other than price are sometimes significant. Likewise, the majority of importers that compared the United States with China, India, and Indonesia reported that the differences are at least sometimes significant (see table II-2). Again, one importer stressed that 92-bright paper is only available from Indonesia and Brazil. Another importer also reported that, beginning in 2003, some school districts in the United States have banned metal spiral notebooks for safety issues and are increasingly requiring students to use notebooks with plastic-coated coils, twin wire, or fabric binding. This importer claimed that these binding methods are not always available from U.S. sources. However, at least one U.S. producer, \*\*\*, does produce notebooks with plastic-coated wire.<sup>15</sup>

**Table II-2**  
**CLPSS: Differences other than price between products from different sources<sup>1</sup>**

Country comparison	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. China	1	1	5	1	4	2	7	3
U.S. vs. India	0	1	4	1	2	1	7	2
U.S. vs. Indonesia	0	1	4	1	1	1	5	1
U.S. vs. nonsubject	0	0	1	1	2	1	4	1
China vs. India	0	0	4	0	0	0	8	2
China vs. Indonesia	0	0	4	0	1	1	5	1
China vs. nonsubject	0	0	1	0	1	1	5	1
India vs. Indonesia	0	0	4	0	0	1	5	1
India vs. nonsubject	0	0	1	0	0	1	5	0
Indonesia vs. nonsubject	0	0	1	0	1	0	5	0

<sup>1</sup> Producers and importers were asked if differences other than price between CLPSS produced in the United States and in other countries are a significant factor in their firms' sales of CLPSS.

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, and "N" = Never.

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

<sup>13</sup> Conference transcript, pp. 174 and 228 (Presley).

<sup>14</sup> \*\*\* postconference brief, pp. 4, 5, and 6. Conference transcript, pp. 175, 205 (Presley). One of these importers also reported that fashion stationery is typically priced 3 to 4 times higher at wholesale and 10 to 15 times higher at retail than CLPSS without fashion accessories. Conference transcript, pp. 176, 205 (Presley).

<sup>15</sup> \*\*\*.

Two importers reported that the product range is better from China and another reported that unique materials for fashion covers are sometimes only available from foreign suppliers. One producer and two importers reported that longer delivery times from China and India were a disadvantage. One of these importers specifically reported shipping problems with \*\*\* in China. One producer also reported that some customers choose not to buy products from Indonesia because of its position on environmental and human rights issues.

### **Comparisons With Nonsubject Imports**

In addition to comparisons between the U.S. product and imports from the subject countries, U.S. producer and importer comparisons between the U.S. product and imports from nonsubject countries and between subject imports and nonsubject imports are also shown in tables II-1 and II-2. \*\*\*, the one importer reporting that nonsubject imports are “never” interchangeable in the comparisons shown in table II-1, reported that only the paper from Brazil is comparable to the brightness level of Indonesian paper and that both are superior to the products from the United States, China, and India.<sup>16 17</sup>

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<sup>16</sup> Conference transcript, p. 202 (Ciulla).

<sup>17</sup> Indonesian producer Tjiwi Kimia, which contends that it accounts for \*\*\* percent of Indonesia’s exports of CLPSS to the United States, reports that U.S. imports of CLPSS from Indonesia and Brazil “are uniformly 92-93 bright” on the international brightness scale compared with 83-84 brightness for U.S. producers and 83-86 brightness for imports from China and India (Indonesian respondent’s postconference brief, p. 3).



### **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 alleged margins of dumping was presented in Part I of this report, while 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 nine firms that are believed to account for substantially all U.S. production of CLPSS during 2004.<sup>1</sup>

#### **U.S. PRODUCERS**

The petition for these investigations identified eight U.S. producers of CLPSS, three of which - MeadWestvaco, Norcom, and Top Flight - constitute the petitioning Association of American School Paper Suppliers. The five remaining firms identified in the petition were American Pad & Paper ("Ampad"), Avery Dennison Corp., DiversaFile LLC, Roaring Spring Paper Products ("Roaring Spring"), and Wilson Jones Consumer Services ("Wilson Jones"). Commission questionnaires were sent to these eight firms, as well as to 26 other firms identified by staff as potential producers of CLPSS or other lined paper products.<sup>2</sup> Responses were received from 16 firms, including seven of the firms identified in the petition.<sup>3</sup> Six firms, including \*\*\*,<sup>4</sup> certified that they had not produced CLPSS or other lined paper products in the period examined in these investigations, while ten firms provided the Commission with data.<sup>5 6</sup>

Based on information submitted in response to the Commission's producers' questionnaire, there are presently nine producers of CLPSS in the United States.<sup>7</sup> The names of these firms, as well as their plant locations, positions on the petition, and shares of reported 2004 CLPSS production, are presented in table III-1. As indicated in table III-1, petitioners MeadWestvaco, Norcom, and Top Flight together accounted for \*\*\* percent of reported U.S. production of CLPSS in 2004. On the basis of these data,

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<sup>1</sup> As noted in Part I, one firm known to produce CLPSS did not submit data in response to Commission questionnaires. The National Industries for the Blind ("NIB"), distributors of Skilcraft brand products, certified that it does not produce CLPSS or other lined paper products, but identified four "associated agencies" that produce these items. NIB administers the Javits-Wagner-O'Day ("JWOD") Program, which obliges Federal government agencies to purchase JWOD products to meet procurement needs. *See* [www.nib.org/about/jwod.htm](http://www.nib.org/about/jwod.htm).

<sup>2</sup> Staff identified potential U.S. producers on the basis of information contained in the *Lockwood-Post's Directory of the Pulp, Paper, and Allied Trades (2000)*, Miller Freeman, 1999.

<sup>3</sup> \*\*\* was the only firm identified in the petition not to submit a response to the Commission's producers' questionnaire. The company's officials did not respond to staff's attempts to contact the firm. *See* staff telephone notes, October 4-5, 2005.

<sup>4</sup> \*\*\*.

<sup>5</sup> Of the firms that provided data in response to the Commission's questionnaires, only one, \*\*\*, reported production of other lined paper products in the period of investigation but no production of CLPSS. \*\*\*.

<sup>6</sup> Trade and financial data were also received from CPP, an importer of CLPSS and a party to these investigations. CPP produced CLPSS until September 2003. Conference transcript, pp. 173-174 (Presley).

<sup>7</sup> One U.S. producer of CLPSS, \*\*\*, provided capacity, production, and shipments data on the basis of weight, as opposed to units (*see* fn. 12, below). Unless otherwise noted, data for this company are not included in the U.S. producers' data presented in this section. In 2004, \*\*\* shipments of CLPSS were equivalent to \*\*\* percent of U.S. producers' total commercial shipments of CLPSS, by value.

**Table III-1**

**CLPSS: U.S. producers, plant locations, positions on the petition, and shares of reported 2004 production quantity**

Firm	Plant locations	Position on petition	Share of 2004 production (percent)
Ampad	Richardson, TX	***	***
Comet School Supplies	Palestine, TX	***	***
Fay Paper Products	Norwood, MA	Supports	( <sup>1</sup> )
Kurtz Bros.	Clearfield, PA	***	***
MeadWestvaco	Alexandria, PA Garden Grove, CA	Supports	***
Norcom	Norcross, GA	Supports	***
Pacon Corp.	Appleton, WI	Supports	***
Roaring Spring	Martinsburg, PA	Supports	***
Top Flight	Chattanooga, TN	Supports	***
<p><sup>1</sup> ***.</p> <p>Source: Compiled from information submitted in response to Commission questionnaires.</p>			

petitioner \*\*\* is the largest U.S. producer of CLPSS, accounting for \*\*\* percent of reported U.S. production in 2004. According to the company's questionnaire response, \*\*\*.

Based on production data, \*\*\* is the next largest U.S. producer of CLPSS, accounting for \*\*\* percent of reported U.S. CLPSS production in 2004. The company \*\*\*.<sup>8</sup> According to its producers' questionnaire response, \*\*\*.<sup>9</sup>

Petitioner \*\*\* is the third-largest U.S. producer of CLPSS, accounting for \*\*\* percent of reported U.S. production in 2004. \*\*\*.<sup>10</sup> The remaining producers of CLPSS identified in table I-1 each accounted for less than \*\*\* percent of total U.S. production in 2004. Only one of these remaining firms, \*\*\*, reported being owned by another firm.<sup>11</sup>

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

Table III-2 presents data relating to U.S. producers' capacity and production of CLPSS over the period examined in these investigations (January 1, 2002 to June 30, 2005). As indicated in table III-2, U.S. producers' CLPSS production capacity decreased by 16 percent between 2002 and 2004, from 809

<sup>8</sup> \*\*\*.

<sup>9</sup> \*\*\*.

<sup>10</sup> \*\*\*.

<sup>11</sup> \*\*\*. No other U.S. producer of CLPSS reported being owned by another firm, and no U.S. producer of CLPSS (\*\*\*) reported having any related firms, foreign or domestic, involved in the production of CLPSS or other lined paper products, or involved in importing or exporting lined paper products from subject countries.

**Table III-2**  
**CLPSS: U.S. producers' capacity, production, and capacity utilization, 2002-04, January-June 2004, and January-June 2005**

Item	Calendar year			January-June <sup>1</sup>	
	2002	2003	2004	2004	2005
Capacity (1,000 pieces)	809,039	697,907	677,722	320,508	298,663
Production (1,000 pieces)	348,324	366,445	336,915	199,295	144,918
Capacity utilization <sup>2</sup> (percent)	42.3	51.8	49.7	62.2	48.5
<sup>1</sup> ***. <sup>2</sup> ***. Source: Compiled from data submitted in response to Commission questionnaires.					

million to 678 million units.<sup>12</sup> This decrease in capacity was almost entirely attributable to \*\*\* firms, \*\*\*, whose capacity was reduced by \*\*\* million units between 2002 and 2004,<sup>13</sup> \*\*\*.<sup>14</sup> U.S. producers' reported capacity was 7 percent lower in the first six months of 2005 than in the corresponding 2004 period.

\*\*\* accounted for the largest share of U.S. producers' CLPSS production capacity, accounting for between \*\*\* and \*\*\* percent of total reported capacity over the period examined. In aggregate, the three petitioning firms in these investigations accounted for over \*\*\* percent of reported production capacity throughout the period examined. U.S. producers most often cited limited equipment hours as the constraint setting the upper limit of their firm's capacity to produce CLPSS. One firm, \*\*\*, also cited the availability of raw material, while another, \*\*\*, cited a lack of skilled labor and "strict union work rules."<sup>15</sup>

Seven of the nine firms that provided questionnaire data on their CLPSS operations reported that products other than CLPSS are produced on the same equipment and machinery used in the production of CLPSS. A firm-by-firm summary of the share of 2004 production accounted for by these products is presented in table III-3.

**Table III-3**  
**CLPSS: U.S. producers' production on CLPSS equipment and machinery, 2004**

\* \* \* \* \*

<sup>12</sup> The Commission collected trade, financial, and pricing data on a "per unit" basis. A unit, or "each" in industry parlance, refers to an individual product unit, such as a notebook or a package of filler paper. Petitioners have noted that, to the best of their knowledge, all industry participants track quantities on this unit basis. Response to Commerce Request for Petition Clarification, September 26, 2005, p. 15. *See also*, conference transcript, pp. 128-129 (Smith).

<sup>13</sup> \*\*\* closures during the period of investigation, although three firms, \*\*\*, reported new construction or fresh capital expenditures in this period. Response to the producers' questionnaire (question II-2).

<sup>14</sup> \*\*\*.

<sup>15</sup> Responses to the Commission's producers' questionnaire, Question II-4.

## **U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS**

Information relating to U.S. producers' shipments of CLPSS over the period examined in these investigations is presented in table III-4. As indicated in table III-4, the value of U.S. producers' U.S. shipments of CLPSS declined throughout the period examined, from \$265 million in 2002 to \$232 million in 2004, a reduction of 12 percent. Between 2002 and 2003, this decrease in shipments value was attributable to a decrease in the quantity of units sold. Between 2003 and 2004, the decrease resulted from a 15-percent reduction in the unit value of U.S. producers' U.S. shipments,<sup>16</sup> despite an increase in sales quantity. Domestic commercial shipments accounted for \*\*\* to \*\*\* percent of U.S. producers' total shipments of CLPSS, by value, over the period examined. Only one firm, \*\*\*, reported any internal consumption<sup>17</sup> of CLPSS or transfers of CLPSS to related firms. \*\*\* accounted for virtually all reported exports of CLPSS during the period examined.<sup>18</sup>

### **U.S. PRODUCERS' INVENTORIES**

Data relating to U.S. producers' inventories of CLPSS are presented in table III-5. Higher inventories reported for the January-June periods in table III-5 reflect the seasonal nature of the CLPSS market.

### **U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY**

Data relating to U.S. producers' employment, wages, and productivity are presented in table III-6. As indicated in table III-6, the number of production and related workers ("PRWs"), hours worked by PRWs, and total wages paid all exhibited a decline over the period examined.<sup>19</sup> Hourly wages, by contrast, increased by 9 percent between 2002 and 2004, while productivity was 16 percent higher in 2004 than in 2002. Unit labor costs remained stable throughout the period examined, at \$0.06 to \$0.07 per unit.

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<sup>16</sup> It is not possible, on the basis of record evidence, to determine whether the decrease in value of U.S. shipments in 2004 was the result of a reduction in the unit value of a given basket of CLPSS, or a change in the mix of products shipped.

<sup>17</sup> \*\*\*.

<sup>18</sup> \*\*\*.

<sup>19</sup> According to conference testimony from the president of MeadWestvaco, \*\*\*, the reduction in total wages indicated in table III-6 may reflect the operation of "incentive compensation" programs in which employees are remunerated on the basis of the number of units produced. Conference transcript, p. 82 (McLachlan). *See also*, conference transcript, p. 40 (Klinefelter).

Table III-4

CLPSS: U.S. producers' domestic shipments, company transfers, and export shipments, 2002-04, January-June 2004, and January-June 2005

Item	Calendar year			January-June <sup>1</sup>	
	2002	2003	2004	2004	2005
<b>Quantity (1,000 pieces)</b>					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	309,163	290,162	317,031	117,331	91,716
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<b>Value (\$1,000)</b>					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	265,227	250,967	232,214	94,331	81,055
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<b>Unit value (per piece)</b>					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	\$0.86	\$0.86	\$0.73	\$0.80	\$0.88
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<b>Share of value (percent)</b>					
Commercial shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<sup>1</sup> ***. <sup>2</sup> Not applicable. <sup>3</sup> Less than 0.05 percent.					
Source: Compiled from data submitted in response to Commission questionnaires.					

**Table III-5**

**CLPSS: U.S. producers' end-of-period inventories, 2002-04, January-June 2004, and January-June 2005**

\* \* \* \* \*

**Table III-6**

**CLPSS: U.S. employment, wages, and productivity, 2002-04, January-June 2004, and January-June 2005**

Item	Calendar year			January-June <sup>1</sup>	
	2002	2003	2004	2004	2005
PRWs ( <i>number</i> )	947	853	795	672	550
Hours worked ( <i>1,000</i> )	1,749	1,567	1,456	757	582
Wages paid ( <i>\$1,000</i> )	25,099	23,130	22,754	11,527	9,046
Hourly wages	\$14.35	\$14.76	\$15.63	\$15.23	\$15.54
Productivity ( <i>pieces per hour</i> )	199.1	233.8	231.4	263.3	249.0
Unit labor cost ( <i>per piece</i> )	\$0.07	\$0.06	\$0.07	\$0.06	\$0.06
1 ***.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Seven of the nine U.S. producers of CLPSS identified in these investigations reported producing other products using PRWs employed in the production of CLPSS. These firms, as well as the share of 2004 production accounted for by the different products manufactured by PRWs employed in the production of CLPSS, are presented in table III-7.

**Table III-7**

**CLPSS: U.S. producers' production using CLPSS production and related workers, 2004**

\* \* \* \* \*

**U.S. PRODUCERS' IMPORTS AND PURCHASES OF IMPORTS**

Respondents in these investigations have noted the "apparent significance" of petitioning firms' CLPSS import operations.<sup>20</sup> \*\*\* out of the nine current U.S. producers identified in these investigations, including all three petitioners, reported direct imports of CLPSS during the period examined, while \*\*\* producers reported purchases of imported CLPSS during this period.<sup>21</sup> The names of these producers, the

<sup>20</sup> Conference transcript, p. 159 (Mendoza). At the conference, MeadWestvaco's president estimated that his company accounted for "a pretty good share" of total U.S. imports of CLPSS. Ibid., p. 138 (McLachlan).

<sup>21</sup> \*\*\*.

quantity of their direct imports and purchases of imported CLPSS, and the combined ratio of these imports and purchases to their U.S. production of CLPSS are presented in table III-8.<sup>22</sup>

**Table III-8**

**CLPSS: U.S. producers' imports, purchases of imports, and ratios of imports and purchases to production, 2002-04, January-June 2004, and January-June 2005**

\* \* \* \* \*

As indicated in table III-8, U.S. producers' reported procurement of imported CLPSS from all sources was equivalent to \*\*\* percent of their production in 2002, \*\*\* percent in 2003, and \*\*\* percent in 2004. Producers' reported imports and purchases of imported CLPSS in the first half of 2005 were equivalent to \*\*\* percent of their production in that period, compared to \*\*\* percent in the first half of 2004. Imports or purchases of imported CLPSS from \*\*\* accounted for the majority of imported CLPSS procured by U.S. producers in the period examined. \*\*\* was the largest source of CLPSS procured by U.S. producers from overseas.

Table III-8A presents U.S. producers' reported imports of CLPSS and purchases of imported CLPSS, as a ratio to their production of all lined paper products.

**Table III-8A**

**All lined paper products: U.S. producers' CLPSS imports, purchases of CLPSS imports, and ratios of CLPSS imports and purchases to production of all lined paper products, 2002-04, January-June 2004, and January-June 2005**

\* \* \* \* \*

Record evidence in these investigations suggests that U.S. producers may account for imports above and beyond those reported as direct imports or purchases of imported CLPSS. The president of MeadWestvaco, for instance, testified at the conference that his firm "arranged" imports for which it was not the importer of record.<sup>23</sup> Similarly, \*\*\*.<sup>24</sup> Pricing data reported by U.S. importers in these investigations suggest that imports from subject countries arranged for by U.S. producers of CLPSS amounted to \*\*\*.<sup>25</sup>

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<sup>22</sup> Table III-8 also includes production and import data for CPP International for the period during which it was a U.S. producer of CLPSS (2002 through 2003).

<sup>23</sup> Conference transcript, p. 138 (McLachlan).

<sup>24</sup> \*\*\*.

<sup>25</sup> See table D-8 in app. D.



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

### **U.S. IMPORTERS**

The petition for these investigations identified 17 U.S. importers of certain lined paper school supplies, including petitioners MeadWestvaco and Norcom.<sup>1</sup> Commission importers' questionnaires were sent to these 17 firms and to an additional 40 firms identified as large importers of subject merchandise in confidential Customs data.<sup>2</sup> Responses were received from 31 firms, including eight firms named in the petition, and eight of the nine U.S. producers of CLPSS identified in Part III.<sup>3</sup> Nine firms, including \*\*\* U.S. producers of CLPSS, certified that they had not imported CLPSS or other lined paper school supplies from any source during the period examined in these investigations. The remaining firms, including \*\*\* petitioners, provided data relating to their imports.

Based on questionnaire data received from U.S. importers, \*\*\* was the largest importer of CLPSS in 2004, accounting for \*\*\* percent of total reported imports, by value. \*\*\* was followed by \*\*\*.<sup>4 5</sup> The remaining firms that provided data to the Commission each accounted for less than 4 percent of total reported imports of CLPSS, by value. In aggregate, present U.S. producers of CLPSS accounted for \*\*\* percent of the total value of reported imports of CLPSS in 2004; the three petitioning firms in these investigations accounted for \*\*\* percent.

As indicated above, a number of firms did not submit responses to the Commission's importers' questionnaire.<sup>6</sup> For this reason, unless otherwise stated, import data in this section are based on official Commerce statistics.<sup>7</sup>

### **U.S. IMPORTS**

Data on the quantity, value, and unit value of U.S. imports of CLPSS, based on official import statistics, are presented in table IV-1. Based on these data, imports of CLPSS from China increased over the period examined, from 155 million units in 2002 to 221 million units in 2004, or by 42 percent. Imports from China were 54 percent higher in the first half of 2005 than in the first half of 2004. Imports of CLPSS from India increased by 30 percent between 2002 and 2003, from 29 million units to 37

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<sup>1</sup> Petition, September 8, 2005, exh. I-6. A representative of petitioner Top Flight revealed at the staff conference that this company is also an importer of CLPSS. Conference transcript, pp. 90-91 (Robinson).

<sup>2</sup> Importers' questionnaires were also sent to all firms that received the Commission's producers' questionnaire.

<sup>3</sup> Only \*\*\* failed to submit a response to the Commission's importers' questionnaire.

<sup>4</sup> \*\*\*.

<sup>5</sup> \*\*\*.

<sup>6</sup> In particular, no questionnaire responses were received from pharmacies (such as CVS, Eckerd, and Walgreens), which are believed to be large importers of subject merchandise. See Petition, September 8, 2005, exh. I-6. See also, Staples' postconference brief, exh. 6 (\*\*\*).

<sup>7</sup> Import data for CLPSS are based on HTS statistical reporting numbers 4811.90.9000 and 4820.10.2050 (see table I-2). Quantity data for HTS number 4811.90.9000 have been converted from kilograms using a conversion suggested by petitioners, reflecting the per-unit weight of the most common looseleaf filler paper package (150-count, at 0.491262 kg). Petition, September 8, 2005, p. 9. Quantity data for HTS number 4820.10.2050 are collected by Commerce on a unit basis. In value terms, imports in 2004 under HTS number 4811.90.9000 accounted for 31 percent of total imports reported for the two HTS numbers used for CLPSS.

Table IV-1

CLPSS: U.S. imports, by source, 2002-04, January-June 2004, and January-June 2005

Source	Calendar year			January-June	
	2002	2003	2004	2004	2005
<b>Quantity (1,000 pieces)</b>					
China	155,155	186,278	220,744	143,064	220,423
India	28,730	37,226	35,991	23,501	22,722
Indonesia	34,606	38,998	34,985	24,924	22,183
Total subject imports	218,491	262,503	291,719	191,488	265,328
All other sources	66,727	89,175	165,791	90,312	82,946
Total imports	285,218	351,678	457,509	281,800	348,274
<b>Value<sup>1</sup> (\$1,000)</b>					
China	80,808	108,779	131,836	79,159	114,917
India	13,013	15,779	13,122	8,751	8,163
Indonesia	18,112	15,477	12,603	8,781	8,506
Total subject imports	111,933	140,035	157,561	96,691	131,586
All other sources	55,453	75,755	133,590	67,796	74,219
Total imports	167,385	215,791	291,151	164,486	205,805
<b>Unit value (per piece)</b>					
China	\$0.52	\$0.58	\$0.60	\$0.55	\$0.52
India	0.45	0.42	0.36	0.37	0.36
Indonesia	0.52	0.40	0.36	0.35	0.38
Total subject imports	0.51	0.53	0.54	0.50	0.50
All other sources	0.83	0.85	0.81	0.75	0.89
Total imports	0.59	0.61	0.64	0.58	0.59

Table continued on following page.

Table IV-1--Continued

CLPSS: U.S. imports, by source, 2002-04, January-June 2004, and January-June 2005

Source	Calendar year			January-June	
	2002	2003	2004	2004	2005
<b>Share of quantity (percent)</b>					
China	54.4	53.0	48.2	50.8	63.3
India	10.1	10.6	7.9	8.3	6.5
Indonesia	12.1	11.1	7.6	8.8	6.4
Total subject imports	76.6	74.6	63.8	68.0	76.2
All other sources	23.4	25.4	36.2	32.0	23.8
Total imports	100.0	100.0	100.0	100.0	100.0
<b>Share of value (percent)</b>					
China	48.3	50.4	45.3	48.1	55.8
India	7.8	7.3	4.5	5.3	4.0
Indonesia	10.8	7.2	4.3	5.3	4.1
Total subject imports	66.9	64.9	54.1	58.8	63.9
All other sources	33.1	35.1	45.9	41.2	36.1
Total imports	100.0	100.0	100.0	100.0	100.0
<b>Ratio of quantity of imports to U.S. production (percent)</b>					
China	44.5	50.8	65.5	71.8	152.1
India	8.2	10.2	10.7	11.8	15.7
Indonesia	9.9	10.6	10.4	12.5	15.3
Total subject imports	62.7	71.6	86.6	96.1	183.1
All other sources	19.2	24.3	49.2	45.3	57.2
Total imports	81.9	96.0	135.8	141.4	240.3
<sup>1</sup> Landed, duty-paid. Source: Compiled from official Commerce statistics.					

million units, then decreased in 2004 to 36 million units. Imports from India were 3 percent lower in the first half of 2005 than in the first half of 2004. CLPSS imports from Indonesia increased by 13 percent between 2002 and 2003, from 35 million units to 39 million units, then decreased in 2004 to 35 million units.<sup>8</sup> Imports from Indonesia were 11 percent lower in the first half of 2005 than in the corresponding 2004 period. The unit value of CLPSS imports from China increased between 2002 and 2004, while the unit value of imports from India and Indonesia both decreased.

According to the data in table IV-1, China was the largest single source of CLPSS imports into the United States, accounting for over 48 percent of total imports in each full year of the period examined. Subject imports in aggregate accounted for over 63 percent of total U.S. imports of CLPSS over the period examined. As indicated in table IV-1, imports of CLPSS from nonsubject sources increased in the three full years of the period examined, accounting for 23 percent of total imports in 2002 and 36 percent in 2004.<sup>9</sup> The share of total CLPSS imports accounted for by each of the three subject countries in this investigation was lower in 2004 than in 2002.

As a ratio to U.S. production, imports of CLPSS from all sources increased throughout the period examined in these reviews, reflecting, among other things, declining U.S. production of CLPSS during this period (*see* table III-2). As indicated in table IV-1, U.S. imports were equivalent to 136 percent of U.S. production of CLPSS in 2004, compared to 82 percent in 2002. Total imports of CLPSS in the first half of 2005 were equivalent to 240 percent of U.S. production in this period, compared to 141 percent in the first half of 2004.

### **U.S. Producers and Non-Producers**

As noted in Part III, both petitioners and respondents in these investigations have noted that U.S. producers of CLPSS may account for a sizable portion of U.S. imports of CLPSS. Individual U.S. producers' reported imports of CLPSS were presented in table III-8. Table IV-2 presents the ratio of U.S. producers' reported imports of CLPSS to total U.S. CLPSS imports, based on official Commerce statistics. In quantity terms, U.S. producers' imports of CLPSS were equivalent to between \*\*\* and \*\*\* percent of total U.S. imports in the three full years examined in these investigations. U.S. producers' imports of CLPSS from subject countries were equivalent to between \*\*\* and \*\*\* percent of total U.S. imports in this period. As indicated in table IV-2, U.S. producers' imports of CLPSS from Indonesia in 2002 were equivalent to \*\*\* percent of total U.S. imports from Indonesia that year.

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<sup>8</sup> The value of total imports of CLPSS from Indonesia reported by U.S. importers in response to Commission questionnaires in these investigations was equivalent to \*\*\* percent of the import value indicated by official Commerce statistics for Indonesia between 2002 and 2004. Questionnaire data indicate that two firms, \*\*\* and \*\*\*, accounted for over \*\*\* percent of reported imports from Indonesia throughout the period examined, and over \*\*\* percent of reported imports from Indonesia in the first half of 2005.

<sup>9</sup> Based on official Commerce statistics, Canada and Brazil were the two largest sources for nonsubject imports over the period examined in these investigations. After China, Canada and Brazil were respectively the second- and third-largest sources of CLPSS imported into the United States in 2004. Canada accounted for 14 percent of total U.S. imports in 2004; Brazil accounted for 12 percent. India and Indonesia were respectively the fourth- and fifth-largest sources for U.S. imports of CLPSS in 2004. Together, imports from Brazil, Canada, China, India, and Indonesia accounted for over 80 percent of total U.S. imports of CLPSS throughout the period of investigation.

**Table IV-2**

**CLPSS: Total U.S. imports, U.S. producers' reported imports, and ratios of U.S. producers' imports to total imports, 2002-04, January-June 2004, and January-June 2005**

\* \* \* \* \*

U.S. producers that imported CLPSS during the period examined in these investigations were asked to indicate their reasons for doing so. The majority of U.S. producers reported that they imported CLPSS in order to meet price competition from foreign producers of CLPSS.<sup>10</sup> One firm reported that it imported CLPSS in order to “gain market information.”<sup>11</sup> \*\*\* did not respond to this question.

Table IV-3 presents official Commerce statistics for imports of CLPSS, minus reported imports by U.S. producers. In terms of quantity, the trends exhibited in table IV-3 by total subject imports, nonsubject imports, and total U.S. imports are similar to those presented in table IV-1. Different trends are evident for India and Indonesia, however, with imports from both countries in table IV-3 increasing through each full year of the period examined. In addition, the unit values of total subject imports in table IV-3 are consistently higher than those for total subject imports in table IV-1, while the unit values for total U.S. imports are consistently lower.

### **NEGLIGIBILITY AND CUMULATION CONSIDERATIONS**

U.S. imports of CLPSS from subject and nonsubject sources for the most recent 12-month period for which data are available are presented in table IV-4. In indicated in table IV-4, imports from India and Indonesia accounted for 5.9 and 6.9 percent, respectively, of total U.S. imports of CLPSS in this period by quantity, and 3.4 and 3.9 percent, respectively, of total U.S. imports in this period by value.<sup>12</sup>

Table IV-5 presents monthly import statistics for CLPSS from subject and nonsubject sources between January 2004 and June 2005, by value. As indicated in table IV-5, imports of CLPSS from China, India, and Indonesia were present in the United States in each month of this period.

Table IV-6 presents official statistics regarding the value of imports of CLPSS from subject countries between January 2004 and June 2005, by Customs district of entry. As indicated in table IV-6, imports of CLPSS from China entered the United States in 35 Customs districts during this period; imports from India entered in 24 districts; and imports from Indonesia entered the United States in 21 districts. Imports of CLPSS from all three subject countries overlapped in 17 Customs districts during the January 2004 to June 2005 period. These districts were spread across the east coast, west coast, and central United States. Based on the data in table IV-6, the principal Customs district of entry for imports of CLPSS from China and Indonesia was Los Angeles, CA, whereas the principal district of entry for imports from India was New York, NY.

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<sup>10</sup> Two U.S. producers, including \*\*\*, reported that imports of CLPSS were priced lower than their firm's costs of production. Producers' questionnaire responses of \*\*\* and \*\*\*, p. 4.

<sup>11</sup> \*\*\* questionnaire response, p. 4.

<sup>12</sup> Counsel to Indian producers in these investigations stated their view at the conference that “import volumes of subject merchandise from India are grossly overstated based on the HTS items alleged in the petition.” Conference transcript, pp. 191-192 (Mroczka). As noted above, import data presented in this section are based on a narrower category of HTS numbers than those identified in the petition. Import data for CLPSS may nevertheless be overstated, due to the possible inclusion of nonsubject merchandise in both HTS numbers used for official import data. In particular, HTS statistical reporting number 4820.10.2050 may contain notebooks with dimensions outside the scope of these investigations, while number 4811.90.9000 may contain items other than looseleaf filler paper (see table I-2).

Table IV-3

CLPSS: Official U.S. import statistics minus U.S. producers' reported imports,<sup>1</sup> by source, 2002-04, January-June 2004, and January-June 2005

Source	Calendar year			January-June	
	2002	2003	2004	2004	2005
<b>Quantity (1,000 pieces)</b>					
China	***	***	***	***	***
India	***	***	***	***	***
Indonesia	***	***	***	***	***
Total subject imports	***	***	***	***	***
All other sources	***	***	***	***	***
Total imports	***	***	***	***	***
<b>Value<sup>2</sup> (\$1,000)</b>					
China	***	***	***	***	***
India	***	***	***	***	***
Indonesia	***	***	***	***	***
Total subject imports	***	***	***	***	***
All other sources	***	***	***	***	***
Total imports	***	***	***	***	***
<b>Unit value (per piece)</b>					
China	\$0.54	\$0.60	\$0.65	\$0.55	\$0.56
India	0.43	0.42	0.36	0.37	0.36
Indonesia	1.06	0.33	0.33	0.33	0.38
Total subject imports	0.54	0.55	0.57	0.50	0.52
All other sources	0.80	0.89	0.83	0.77	0.94
Total imports	0.62	0.64	0.68	0.59	0.63

Table continued on following page.

**Table IV-3--Continued**

**CLPSS: Official U.S. import statistics minus U.S. producers' reported imports,<sup>1</sup> by source, 2002-04, January-June 2004, and January-June 2005**

Source	Calendar year			January-June	
	2002	2003	2004	2004	2005
<b>Share of quantity (percent)</b>					
China	57.1	53.8	42.7	49.3	60.5
India	11.5	11.4	9.3	9.2	6.8
Indonesia	2.4	6.6	6.5	7.6	6.1
Total subject imports	71.0	71.8	58.6	66.1	73.4
All other sources	29.0	28.2	41.4	33.9	26.6
Total imports	100.0	100.0	100.0	100.0	100.0
<b>Share of value (percent)</b>					
China	50.0	50.1	41.1	46.0	53.2
India	8.1	7.5	5.0	5.8	3.8
Indonesia	4.1	3.4	3.2	4.2	3.6
Total subject imports	62.2	61.0	49.4	56.0	60.6
All other sources	37.8	39.0	50.6	44.0	39.4
Total imports	100.0	100.0	100.0	100.0	100.0
<b>Ratios of quantity of imports to U.S. production (percent)</b>					
China	***	***	***	***	***
India	***	***	***	***	***
Indonesia	***	***	***	***	***
Total subject imports	***	***	***	***	***
All other sources	***	***	***	***	***
Total imports	***	***	***	***	***
<sup>1</sup> U.S. producers' imports include reported direct imports and purchases of imported CLPSS (see table III-8). <sup>2</sup> Landed, duty-paid.					
Source: Compiled from official Commerce statistics.					

**Table IV-4**  
**CLPSS: U.S. imports, by source, September 2004-August 2005**

Source	September 2004-August 2005 imports <sup>1</sup>
<b>Quantity (1,000 pieces)</b>	
China	337,713
India	32,087
Indonesia	37,682
Total subject	407,482
All other sources	138,927
Total imports	546,409
<b>Value (\$1,000)</b>	
China	189,041
India	12,022
Indonesia	13,838
Total subject	214,901
All other sources	137,615
Total imports	352,516
<b>Share of quantity (percent)</b>	
China	61.8
India	5.9
Indonesia	6.9
Total subject	74.6
All other sources	25.4
Total imports	100.0
<b>Share of value (percent)</b>	
China	53.6
India	3.4
Indonesia	3.9
Total subject	61.0
All other sources	39.0
Total imports	100.0
<p><sup>1</sup> Import data for September 2004-June 2005 were compiled using HTS numbers 4820.10.2050 and 4811.90.9000; data for July 2005 and August 2005 were compiled using HTS numbers 4820.10.2050 and 4811.90.9090. As noted in Part I, effective July 1, 2005, HTS subheading 4811.90.9000 was broken out into two statistical reporting numbers (see table I-2).</p> <p>Source: Compiled from official Commerce statistics.</p>	

**Table IV-5**  
**CLPSS: U.S. imports, by source and month, January 2004-June 2005**

Period	China	India	Indonesia	Total subject	All other sources	Total imports
<b>Value<sup>1</sup> (\$1,000)</b>						
2004:						
January	4,801	272	320	5,393	3,890	9,283
February	4,067	407	131	4,605	6,144	10,749
March	6,533	1,057	294	7,884	10,212	18,096
April	12,645	1,168	176	13,989	13,677	27,666
May	22,206	3,044	3,757	29,007	13,896	42,903
June	28,908	2,803	4,104	35,815	19,975	55,790
July	16,346	2,362	2,216	20,924	18,160	39,084
August	6,960	567	670	8,197	11,331	19,528
September	8,595	295	211	9,101	8,808	17,909
October	7,217	308	159	7,684	9,182	16,866
November	7,528	436	162	8,126	9,307	17,433
December	6,030	403	405	6,838	9,007	15,845
2005:						
January	6,630	693	291	7,614	8,144	15,758
February	6,970	342	76	7,388	7,574	14,962
March	6,099	996	740	7,835	10,105	17,940
April	16,150	1,728	370	18,248	12,393	30,641
May	34,800	2,872	2,976	40,648	16,307	56,955
June	44,267	1,532	4,054	49,853	19,696	69,549
<sup>1</sup> Landed, duty-paid. Source: Compiled from official Commerce statistics.						

Table IV-6

## CLPSS: Subject imports, by Customs district, January 2004-June 2005

Customs district	China	India	Indonesia
Value <sup>1</sup> (\$1,000)			
Anchorage, AK	189	0	0
Baltimore, MD	1,367	60	68
Boston, MA	757	20	0
Buffalo, NY	3,935	8	0
Charleston, SC	953	703	10
Charlotte, NC	10,263	3,131	33
Chicago, IL	15,046	113	61
Cleveland, OH	4,272	115	193
Columbia-Snake, OR	2,748	29	134
Dallas-Fort Worth, TX	3,785	310	236
Detroit, MI	3,638	45	0
El Paso, TX	78	0	0
Great Falls, MT	1,247	4	0
Honolulu, HI	127	0	573
Houston-Galveston, TX	6,173	180	342
Los Angeles, CA	87,208	2,200	11,214
Miami, FL	2,274	228	20
Minneapolis, MN	784	0	0
Mobile, AL	1,099	0	0
New Orleans, LA	2,882	203	121
New York, NY	27,201	11,197	5,876
Nogales, AZ	390	0	0
Norfolk, VA	9,586	996	1,139
Ogdensburg, NY	1,378	0	0
Pembina, ND	37	0	0
Philadelphia, PA	647	459	10
Providence, RI	168	0	0

Table continued on following page.

**Table IV-6--Continued**

**CLPSS: Subject imports, by Customs district, January 2004-June 2005**

Customs district	China	India	Indonesia
Value <sup>1</sup> (\$1,000)			
San Diego, CA	157	0	4
San Francisco, CA	9,244	116	43
San Juan, PR	413	314	0
Savannah, GA	33,532	675	561
Seattle, WA	11,929	107	395
St. Louis, MO	2,570	32	20
Tampa, FL	673	0	56
Washington, DC	0	46	0
<sup>1</sup> Landed, duty-paid. Source: Compiled from official Commerce statistics.			

### APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table IV-7 presents apparent U.S. consumption of CLPSS, based on U.S. producers' questionnaire data and official Commerce import statistics, while table IV-8 presents the shares of the U.S. CLPSS market accounted for by U.S. producers, subject imports, and nonsubject imports. As indicated in these tables, the quantity and value of apparent U.S. consumption of CLPSS increased between 2002 and 2004, by 30 percent and 21 percent, respectively. U.S. producers' shipments of CLPSS accounted for a declining share of the market over the period examined in these investigations, whether measured in terms of quantity or value. The market share of imports from China was higher in 2004 than in 2002, while the market shares of imports from both India and Indonesia were lower. Imports from nonsubject sources accounted for an increasing share of the U.S. market for CLPSS between 2002 and 2004.

Tables IV-7A and IV-8A present apparent U.S. consumption of all lined paper products and the markets shares of U.S. producers, subject imports, and nonsubject imports. Separate data are provided in these tables for imports procured by U.S. producers and for all other imports.<sup>13</sup>

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<sup>13</sup> Aggregate consumption and market share data for the U.S. market for all lined paper products are presented in table C-3.

Table IV-7

## CLPSS: Apparent U.S. consumption, 2002-04, January-June 2004, and January-June 2005

Item	Calendar year			January-June	
	2002	2003	2004	2004	2005
<b>Quantity (1,000 pieces)</b>					
U.S. producers' U.S. shipments	309,163	290,162	317,031	117,331	91,716
U.S. imports from-- China	155,155	186,278	220,744	143,064	220,423
India	28,730	37,226	35,991	23,501	22,722
Indonesia	34,606	38,998	34,985	24,924	22,183
Total subject imports	218,491	262,503	291,719	191,488	265,328
All other sources	66,727	89,175	165,791	90,312	82,946
Total imports	285,218	351,678	457,509	281,800	348,274
Apparent consumption	594,381	641,840	774,540	399,131	439,990
<b>Value (\$1,000)</b>					
U.S. producers' U.S. shipments	265,227	250,967	232,214	94,331	81,055
U.S. imports from-- China	80,808	108,779	131,836	79,159	114,917
India	13,013	15,779	13,122	8,751	8,163
Indonesia	18,112	15,477	12,603	8,781	8,506
Total subject imports	111,933	140,035	157,561	96,691	131,586
All other sources	55,453	75,755	133,590	67,796	74,219
Total imports	167,385	215,791	291,151	164,486	205,805
Apparent consumption	432,612	466,758	523,365	258,817	286,860
Source: Compiled from official Commerce statistics and data submitted in response to Commission questionnaires.					

Table IV-7A

## All lined paper products: Apparent U.S. consumption, 2002-04, January-June 2004, and January-June 2005

\* \* \* \* \*

Table IV-8

CLPSS: U.S. market shares, 2002-04, January-June 2004, and January-June 2005

Item	Calendar year			January-June	
	2002	2003	2004	2004	2005
<b>Quantity (1,000 pieces)</b>					
Apparent consumption	594,381	641,840	774,540	399,131	439,990
<b>Value (\$1,000)</b>					
Apparent consumption	432,612	466,758	523,365	258,817	286,860
<b>Share of quantity (percent)</b>					
U.S. producers' U.S. shipments	52.0	45.2	40.9	29.4	20.8
U.S. imports from-- China	26.1	29.0	28.5	35.8	50.1
India	4.8	5.8	4.6	5.9	5.2
Indonesia	5.8	6.1	4.5	6.2	5.0
Total subject imports	36.8	40.9	37.7	48.0	60.3
All other sources	11.2	13.9	21.4	22.6	18.9
Total imports	48.0	54.8	59.1	70.6	79.2
<b>Share of value (percent)</b>					
U.S. producers' U.S. shipments	61.3	53.8	44.4	36.4	28.3
U.S. imports from-- China	18.7	23.3	25.2	30.6	40.1
India	3.0	3.4	2.5	3.4	2.8
Indonesia	4.2	3.3	2.4	3.4	3.0
Total subject imports	25.9	30.0	30.1	37.4	45.9
All other sources	12.8	16.2	25.5	26.2	25.9
Total imports	38.7	46.2	55.6	63.6	71.7
Source: Compiled from official Commerce statistics and data submitted in response to Commission questionnaires.					

Table IV-8A

All lined paper products: U.S. market shares, 2002-04, January-June 2004, and January-June 2005

\* \* \* \* \*



## **PART V: PRICING AND RELATED INFORMATION**

### **FACTORS AFFECTING PRICES**

#### **Raw Material Costs**

The principal raw material in producing CLPSS is paper, and U.S. producers report that they purchase this paper from domestic suppliers.<sup>1</sup> The subject product is typically manufactured from uncoated freesheet paper,<sup>2</sup> which can be subdivided into three main segments: reprographic (or “copy paper”), printing and converting, and value-added grades. In 2004, tablet grade paper, which is in the printing and converting sector, was estimated to account for 260,000 tons or 2 percent of total U.S. shipments of uncoated freesheet.<sup>3</sup> U.S. producers report that they are facing increasing paper costs and energy costs.<sup>4</sup> Other raw materials may include stainless steel wire; plastic-coated wire; cardboard and paperboard for backings; staples; stitching; glue; and film or other packaging materials. Additionally, there are five principal processing steps in the production of CLPSS. These steps include ruling/printing; hole-punching and/or perforating; insertion of covers, backs, and/or dividers; cutting; and binding (which may consist of wiring, glueing, tape-binding, thread-stitching, or stapling). Other steps may include wrapping and packaging.

#### **Transportation Costs to the U.S. Market**

Transportation costs for CLPSS shipped from China, India, and Indonesia to the United States averaged 9.9 percent, 12.1 percent, and 18.2 percent of their respective customs values during 2004. These estimates are derived from official import data.<sup>5</sup>

#### **U.S. Inland Transportation Costs**

Transportation costs on U.S. inland shipments of CLPSS generally account for a small-to-moderate share of the delivered price of these products. For the seven responding U.S. producers, reported costs ranged from 4 to 10 percent of the delivered price. For importers, the costs ranged from zero to as much as 20 percent of the delivered price.<sup>6</sup>

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<sup>1</sup> Conference transcript, pp. 94 (McLachlan, Robinson) and 95 (Rahn).

<sup>2</sup> The term “uncoated” denotes paper not coated with kaolin clay. The term “freesheet” denotes paper comprised mainly of chemically pulped wood fiber.

<sup>3</sup> Market data indicate that U.S. prices for uncoated freesheet were high throughout much of 2004 as a result of U.S. mill closures and/or shutdowns. More recently, however, a major U.S. producer rolled back announced price increases in the face of growing imports of freesheet from Brazil and Portugal. “Uncoated Free-sheet Market Recovers Despite Sluggish Growth in Demand,” *Pulp and Paper*, Vol. 79, no. 4 (April 2005), p. 17.

<sup>4</sup> Conference transcript, pp. 78 (McLachlan) and 79 (Robinson).

<sup>5</sup> Following normal Commission practice, the estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for 2004 and then dividing by the customs value. This calculation used import data on HTS statistical reporting numbers 4811.90.9000 and 4820.10.2050.

<sup>6</sup> Two importers reported that their purchasers paid the transportation costs.

## Exchange Rates

China's currency (yuan) was pegged to the U.S. dollar during the period for which data were collected, so the nominal value of the Chinese yuan remained stable relative to the U.S. dollar.<sup>7</sup> A real value is unavailable. Nominal and real exchange rate data for India and Indonesia are presented on a quarterly basis in figure V-1.<sup>8</sup> The data show that the nominal and real exchange rates of the Indian rupee appreciated moderately over the period. In both nominal and real terms, the Indonesian rupiah appreciated relative to the U.S. dollar for most of the period, although it depreciated slightly in the second quarter of 2004.

**Figure V-1**

**Exchange rates: Indices of the nominal and real exchange rates between the Indian and Indonesian currencies and the U.S. dollar, by quarters, January 2002-June 2005**

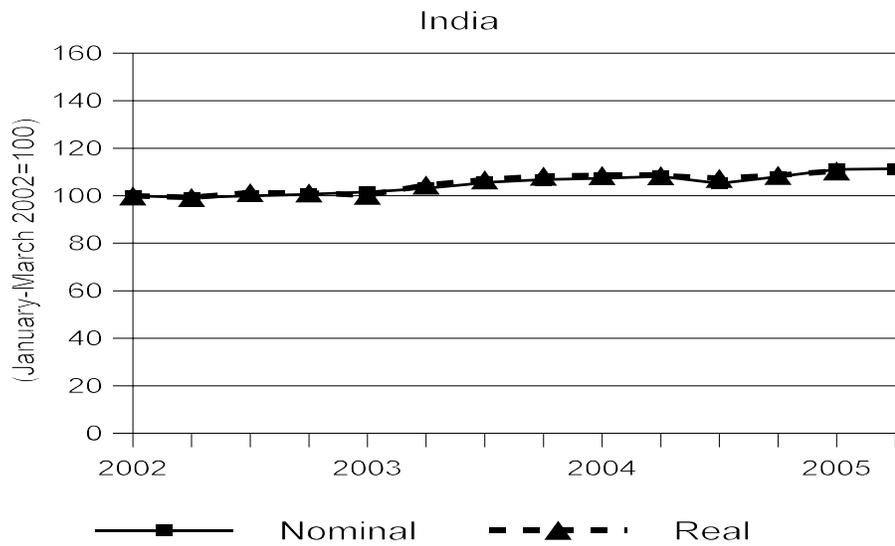


Figure continued on the next page.

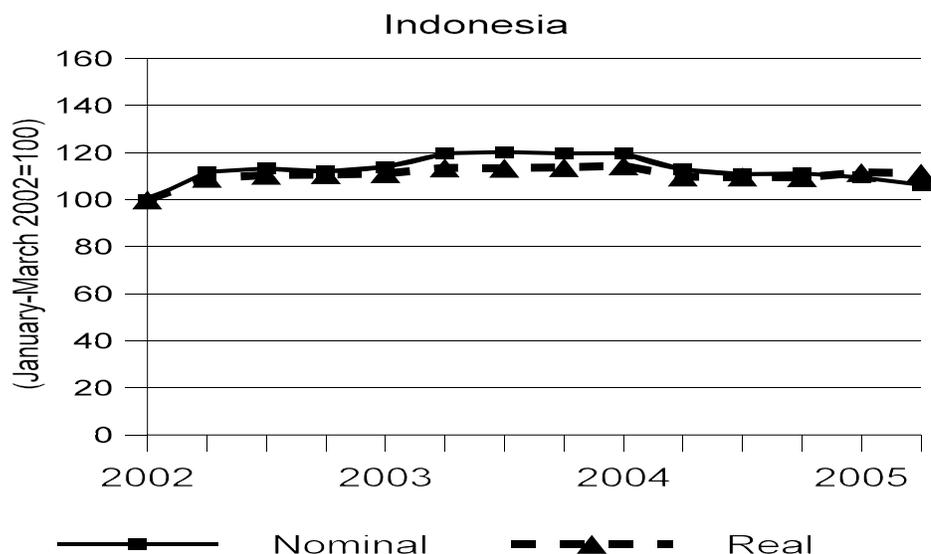
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<sup>7</sup> On July 21, 2005, China re-evaluated its currency to allow narrow fluctuations based on a basket of foreign currencies, which caused an immediate appreciation of the Chinese yuan of 2 percent against the U.S. dollar.

<sup>8</sup> Real exchange rates are calculated by adjusting the nominal rates for movements in producer prices in the United States and each of the subject countries.

**Figure V-1-- Continued**

**Exchange rates: Indices of the nominal and real exchange rates between the Indian and Indonesian currencies and the U.S. dollar, by quarters, January 2002-June 2005**



Source: International Monetary Fund, *International Financial Statistics*; St. Louis Federal Reserve, October 5, 2005.

## PRICING PRACTICES

### Pricing Methods

When questionnaire respondents were asked how they determined the prices that they charge for CLPSS, responses were varied. Among U.S. producers, customer-by-customer negotiations and contracts for multiple shipments were cited by most firms. Six producers and one importer reported the use of price lists. In other cases, the responses focused upon competitive market conditions. One U.S. producer, \*\*\*, reported that \*\*\* is a price leader.

Prices of CLPSS are most commonly quoted on a delivered basis rather than on an f.o.b basis. One U.S. producer offers \*\*\* on orders above \$\*\*\* and another offers \*\*\* on orders above \$\*\*\*.

### Sales Terms and Discounts

U.S. producers and importers of CLPSS from China, India, and Indonesia were asked what share of their sales were on a (1) long-term contract basis (multiple deliveries for more than 12 months), (2) short-term contract basis, and (3) spot sales basis (for a single delivery) during 2004. Among producers, two firms reported that they sell nearly entirely on a spot basis, one producer reported that it sells nearly entirely on a short-term contract basis, and the other five producers reported a mixture of spot sales and both long- and short-term contracts. Among importers that reported sales of imports from the subject countries, six reported that they sell exclusively on a short-term contract basis, four reported that they sell nearly entirely on a spot basis, and four other responding importers reported a mixture of spot sales and both long- and short-term contracts. For U.S. producers selling on a contract basis, provisions varied from company to company. Long-term contracts are typically for periods of three years, while short-term contracts range from periods of 3 months to one year. For long-term contracts, neither price nor quantity are fixed, while for short-term contracts, prices and sometimes quantities are fixed during the contract

period. These producer contracts usually do not have a meet-or-release provision. In the case of importers, short-term contracts range from periods of one month to one year, with prices and usually quantities fixed during the contract period. For long-term contracts, the period is typically one to three years with prices but not quantities usually fixed. These importer contracts typically do not contain meet-or-release provisions.

Discount policies on sales of CLPSS vary. Three producers reported the use of volume discounts and another reported that it typically offers customers a \*\*\*-percent discount. U.S. producers' sales are typically made in an auction or bid process and discounts are not typically offered outside of the formal bid.<sup>9</sup> Six importers reported the use of discounts. These discounts are mostly based on volume and are negotiated on a customer-by-customer basis. One of these importers reported that it offers discounts to its \*\*\* purchasers. Retailers typically offer discounts on CLPSS during the back-to-school season.<sup>10</sup>

## PRICE DATA

The Commission requested U.S. producers and importers of CLPSS to provide quarterly data for the total quantity and f.o.b. value of selected products that were shipped to unrelated customers in the U.S. market.<sup>11</sup> Data were requested for the period January 2002-June 2005. The products for which pricing data were requested are as follows:<sup>12</sup>

**Product 1.**--70-sheet count 10.5" X 8.0" wirebound notebook with paperboard cover and backing, no pockets/folders or fashion graphics.

**Product 2.**--150-sheet count 10.5" X 8.0" package of filler paper--college ruled or wide ruled.

**Product 3.**--180-sheet count 10.5" x 8.0" 5-subject wirebound notebook with paperboard cover and backing.

**Product 4.**--200-sheet count 10.5"-11.0" x 8.0" 5-subject wirebound notebook with plastic cover and pocket dividers.

**Product 5.**--100-sheet count 9.75" x 7.5" composition book.

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<sup>9</sup> Conference transcript, pp. 114 (Robinson) and 115 (Kaplan).

<sup>10</sup> Conference transcript, p. 232 (O'Brien).

<sup>11</sup> The pricing data presented here exclude retail sales prices. Importers also were asked to report the quantity and delivered value for direct import purchases of CLPSS from China, India, and Indonesia that were used for retail sales. These data, along with purchase price data of domestic product, are presented in appendix D. However, two large importers, \*\*\* and \*\*\*, reported that they do not always know the country of origin of the product when they purchase from a domestic supplier that has manufacturing facilities in other countries. U.S. producers also reported that accounting for their imports can be complicated because sometimes they arrange imports for their customers but may not be the importers themselves. Conference transcript, p. 138 (McLachlan). Staff attempted to break out pricing data on imported purchase prices reported by purchasers that were arranged by a U.S. producer, when such information was available. Staff estimates that these purchases account for between \*\*\* and \*\*\* percent of reported direct import purchases from subject countries in \*\*\*. These purchases are also presented in appendix D.

<sup>12</sup> Staff points out that product 6 is categorized as an other lined paper product (a product that is outside the scope of these investigations) because it is a pad with a backing but no cover. Pricing data on product 6 are presented as a point of comparison with the CLPSS included in pricing products 1-5.

**Product 6.**--50-sheet count 11.75" x 8.5" letter pad bound at the top, with cardboard backing, no cover.

Seven U.S. producers (\*\*\*) and five importers (\*\*\*) provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.<sup>13</sup> Pricing data reported by these firms accounted for approximately \*\*\* percent of U.S. producers' shipments of CLPSS from January 2002-June 2005 and \*\*\* percent of U.S. shipments of subject imports from China, \*\*\* percent of U.S. shipments of subject imports from India, and \*\*\* percent of U.S. shipments of subject imports from Indonesia.

U.S. producers \*\*\*, \*\*\*, and \*\*\* also reported pricing data on sales of imported product, which are included here. These \*\*\* U.S. producers account for \*\*\* percent of the pricing data collected on imported product 1; \*\*\* percent of the imports of product 2; \*\*\* percent of the imports of product 3; \*\*\* percent of imported products 4 and 6; and \*\*\* percent of the data collected on imported product 5. For product 3, these same producers account for \*\*\* percent of imports from China and Indonesia, and \*\*\* of the imports from India. For product 5, these U.S. producers account for \*\*\* percent of imports from China, \*\*\* percent of imports from India, and \*\*\* percent of imports from Indonesia.<sup>14</sup>

### Price Trends

The weighted-average sales prices for U.S. producers and importers are presented in tables V-1 through V-6 and in figures V-2 through V-7 for products 1-6 on a quarterly basis during January 2002-June 2005 on a net basis.<sup>15</sup> For products 1 through 5, both domestic and imported prices fluctuated but tended to remain stable or decrease over the period of investigation, although sales prices from Indonesia began to increase \*\*\* in mid-2004 for products 1 and 5. For product 6, both domestic and imported prices trended upwards over the period.

The weighted-average sales price of U.S.-produced product 1 decreased by \*\*\* percent from the first quarter of 2002 to the second quarter of 2005.<sup>16</sup> The weighted-average sales price of product 1 imported from China decreased by \*\*\* percent over the same period.<sup>17</sup> The sales price of product 1 from India decreased by \*\*\* percent whereas the sales price of the product from Indonesia increased by \*\*\* percent over the same period.<sup>18</sup>

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<sup>13</sup> \*\*\*, a purchaser that also directly imports, also reported data on its direct import purchases from Brazil. These are also presented in appendix D.

<sup>14</sup> In appendix E, pricing data on domestic and imported products, as reported by U.S. producers only, are presented separately from pricing data on domestic and imported products as reported by importers only. The corresponding margins of underselling and overselling are also presented in appendix E.

<sup>15</sup> As is normal Commission practice, the pricing data are presented on a net basis (e.g., net of any discounts or rebates), although the Commission also requested gross pricing values at the petitioners' request. Sales of CLPSS are highly seasonal, with sales peaking in the second and third quarters for the back-to-school season. Petitioners note that these quarters merit particular attention when looking at net pricing data. Petitioners' postconference brief, p. 18.

<sup>16</sup> Pricing data for domestic sales prices of product 1 as reported by U.S. producer \*\*\* were only reported on an annual basis. Staff converted the annual data into quarterly averages. Staff also excluded \*\*\* negative net values for domestic sales of product 1 as reported by \*\*\* and \*\*\*.

<sup>17</sup> Staff excluded \*\*\* negative net value for sales of product 1 imported from China as reported by \*\*\* and data reported by \*\*\* because the product did not match the product 1 description.

<sup>18</sup> Staff excluded \*\*\* negative net value for sales of product 1 imported from India as reported by \*\*\*.

The weighted-average sales price of U.S.-produced product 2 decreased by \*\*\* percent from the first quarter of 2002 to the second quarter of 2005.<sup>19</sup> The weighted-average sales price of product 2 imported from China decreased by \*\*\* percent over the same period. The sales price of product 2 from India decreased by \*\*\* percent and the price of the product from Indonesia decreased by \*\*\* percent over the same period.<sup>20</sup>

The weighted-average sales price of U.S.-produced product 3 decreased by \*\*\* percent from the first quarter of 2002 to the second quarter of 2005.<sup>21</sup> The weighted-average sales price of product 3 imported from China decreased by \*\*\* percent over the same period. The sales price of product 3 from India decreased by \*\*\* percent and the price of the product from Indonesia decreased by \*\*\* percent over the same period.

The weighted-average sales price of U.S.-produced product 4 increased \*\*\* by \*\*\* percent from the first quarter of 2002 to the second quarter of 2005.<sup>22</sup> There were virtually no reported sales of product 4 imported from China, India, or Indonesia over the period.

The weighted-average sales price of U.S.-produced product 5 increased \*\*\* by \*\*\* percent from the first quarter of 2002 to the second quarter of 2005.<sup>23</sup> The weighted-average sales price of product 5 imported from China decreased by \*\*\* percent over the same period.<sup>24</sup> The sales price of product 5 from India decreased by \*\*\* percent while the sales price of the product from Indonesia increased by \*\*\* percent.

The weighted-average sales price of U.S.-produced product 6 (an out-of-scope product) increased \*\*\* by \*\*\* percent from the first quarter of 2002 to the second quarter of 2005, and sales prices of the product from China increased by \*\*\* percent.<sup>25</sup> There were no reported sales of product 6 imported from India or Indonesia over the period.

**Table V-1**  
**CLPSS: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarters, January 2002-June 2005**

\* \* \* \* \*

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<sup>19</sup> Pricing data for domestic sales prices of product 2 as reported by U.S. producer \*\*\* were only reported on an annual basis. Staff converted the annual data into quarterly averages.

<sup>20</sup> Staff excluded \*\*\* negative net value for sales of product 2 imported from Indonesia as reported by \*\*\*.

<sup>21</sup> Pricing data for domestic sales prices of product 3 as reported by U.S. producer \*\*\* were only reported on an annual basis. Staff converted the annual data into quarterly averages. Staff excluded \*\*\* negative net value for domestic sales of product 3 as reported by \*\*\*.

<sup>22</sup> Pricing data for domestic sales prices of product 4 as reported by U.S. producer \*\*\* were only reported on an annual basis. Staff converted the annual data into quarterly averages.

<sup>23</sup> Pricing data for domestic sales prices of product 5 as reported by U.S. producer \*\*\* were only reported on an annual basis. Staff converted the annual data into quarterly averages.

<sup>24</sup> Staff excluded pricing data for sales of product 5 imported from China as reported by \*\*\* and as reported by \*\*\* because the products did not match the product 5 description.

<sup>25</sup> Pricing data for domestic sales prices of product 6 as reported by U.S. producer \*\*\* were only reported on an annual basis. Staff converted the annual data into quarterly averages. Pricing data for sales of product 6 imported from China as reported by \*\*\* were excluded as the product did not match the product 6 description.

**Table V-2**

**CLPSS: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table V-3**

**CLPSS: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table V-4**

**CLPSS: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table V-5**

**CLPSS: Weighted-average f.o.b. prices and quantities of domestic and imported product 5, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table V-6**

**Other lined paper product: Weighted-average f.o.b. prices and quantities of domestic and imported product 6, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Figure V-2**

**CLPSS: Weighted-average f.o.b prices of domestic and imported product 1, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Figure V-3**

**CLPSS: Weighted-average f.o.b prices of domestic and imported product 2, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Figure V-4**

**CLPSS: Weighted-average f.o.b prices of domestic and imported product 3, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Figure V-5**  
**CLPSS: Weighted-average f.o.b prices of domestic and imported product 4, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Figure V-6**  
**CLPSS: Weighted-average f.o.b prices of domestic and imported product 5, by quarters, January 2002-June 2005**

\* \* \* \* \*

**Figure V-7**  
**Other lined paper product: Weighted-average f.o.b prices of domestic and imported (out-of-scope) product 6, by quarters, January 2002-June 2005**

\* \* \* \* \*

### Price Comparisons

Margins of underselling for the period are presented by product category in tables V-7 and V-8 below.<sup>26</sup> The data show that prices of imports from China were lower than the U.S. producer prices in 21 out of 45 quarterly comparisons for in-scope product by margins of 1.1 percent to 38.8 percent. In the remaining 24 instances, the imported product from China was priced above the comparable domestic product; margins of overselling ranged from 1.4 percent to 72.7 percent.<sup>27</sup> Prices of imports from India were lower than the U.S. producer prices in 48 out of 56 quarterly comparisons by margins of 0.5 percent to 55.0 percent. In the remaining 8 instances, the imported product from India was priced above the comparable domestic product; margins of overselling ranged from 0.4 percent to 58.6 percent. Prices of imports from Indonesia were lower than the U.S. producer prices in 40 out of 42 quarterly comparisons by margins of 0.9 percent to 39.2 percent. In the remaining 2 instances, the imported product from Indonesia was priced above the comparable domestic product; margins of overselling ranged from 5.1 percent to 13.2 percent.

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<sup>26</sup> Margins of underselling and overselling for products 1-6, produced and imported by U.S. producers only, are presented in appendix E. The overall margin analysis is not substantially different than the margin analysis presented here. In both cases, instances of underselling accounted for 75-78 percent of all quarterly comparisons. In summary, the margins in table E-7 show slightly higher average margins of underselling for products 3 and 5. Appendix E also presents data on reported sales prices of products 1, 2, 3 and 5, imported only by firms that exclusively import. In those comparisons, instances of underselling accounted for 70 percent of all quarterly comparisons.

<sup>27</sup> Prices of imports from China for out-of-scope product 6 were lower than U.S. producers' prices for product 6 in all 10 quarterly comparisons; margins of underselling ranged from 47.6 percent to 79.8 percent.

Table V-7

## Lined paper products: Margins of underselling/(overselling) by product, by quarters, January 2002-June 2005

	Product 1			Product 2			Product 3			Product 4			Product 5			Product 6		
	China	India	Indonesia	China	India	Indonesia	China	India	Indonesia	China	India	Indonesia	China	India	Indonesia	China	India	Indonesia
	<i>(In percent)</i>																	
2002 Jan.- Mar.	4.4	12.5	***	(1.4)	9.5	***	(1)	2.0	***	(1)	(1)	(1)	(2.0)	29.3	***	(1)	(1)	(1)
Apr.- June	28.2	(2.2)	***	(8.2)	6.7	***	(1)	(0.8)	***	(1)	(1)	(1)	3.8	27.0	***	(1)	(1)	(1)
July- Sept.	1.1	6.9	***	(3.4)	9.1	***	(1)	(0.4)	***	(1)	(1)	(1)	10.1	21.7	***	(1)	(1)	(1)
Oct.- Dec.	(3.7)	3.7	***	(72.7)	12.2	***	(1)	2.0	***	(1)	(1)	(1)	(1.8)	22.9	***	(1)	(1)	(1)
2003 Jan.- Mar.	17.7	18.5	***	(16.6)	17.8	***	(1)	14.2	***	(1)	(1)	(1)	(3.0)	22.7	***	64.5	(1)	(1)
Apr.- June	7.5	12.2	***	(7.2)	22.2	***	(1)	11.3	***	(1)	(1)	(1)	(6.5)	15.2	***	66.1	(1)	(1)
July- Sept.	9.0	11.6	***	(7.4)	22.3	***	(1)	12.9	***	(1)	(1)	(1)	2.0	25.2	***	67.4	(1)	(1)
Oct.- Dec.	38.8	12.7	***	15.8	20.9	***	(1)	11.4	***	(1)	(1)	(1)	(22.9)	22.5	***	66.7	(1)	(1)
2004 Jan.- Mar.	(4.3)	18.1	***	(3.1)	16.0	***	(1)	11.8	***	(1)	(1)	(1)	(5.0)	55.0	***	72.1	(1)	(1)
Apr.- June	6.8	2.9	***	1.6	1.0	***	(1)	(3.2)	***	(1)	(1)	(1)	(3.7)	35.3	***	73.0	(1)	(1)
July- Sept.	4.0	(1.7)	***	(16.2)	(6.9)	***	(1)	(58.6)	***	(1)	(1)	(1)	1.2	26.7	***	63.0	(1)	(1)
Oct.- Dec.	1.1	8.5	***	(2.0)	9.7	***	(1)	0.5	***	(1)	(1)	(1)	(8.7)	26.7	***	79.8	(1)	(1)
2005 Jan.- Mar.	(11.9)	19.0	***	7.8	8.5	***	(32.1)	(8.5)	***	(1)	(1)	(1)	6.4	40.5	***	52.5	(1)	(1)
Apr.- June	7.2	11.7	***	5.2	7.7	***	(7.3)	3.4	***	(16.8)	(1)	(1)	24.0	44.5	***	47.6	(1)	(1)
<sup>1</sup> No sales reported.																		
Source: Compiled from data submitted in response to Commission questionnaires.																		

**Table V-8****Lined paper products: Instances of underselling/overselling and the range and average of margins for products 1-6, January 2002-June 2005**

	Underselling			Overselling		
	Number of instances	Range (percent)	Average margin (percent)	Number of instances	Range (percent)	Average margin (percent)
Product 1	32	1.0 to 38.8	12.9	6	2.2 to 11.9	4.8
Product 2	26	0.5 to 55.0	12.0	11	1.4 to 72.7	13.2
Product 3	19	0.5 to 39.2	17.3	8	0.4 to 58.6	15.5
Product 4	0	(1)	(1)	1	16.8	16.8
Product 5	32	0.9 to 55.0	20.7	8	1.8 to 22.9	6.7
<b>Total, CLPSS<sup>2</sup></b>	<b>109</b>	<b>0.5 to 55.0</b>	<b>15.7</b>	<b>34</b>	<b>0.4 to 72.7</b>	<b>10.8</b>
Product 6	10	47.6 to 79.8	65.3	0	(1)	(1)

<sup>1</sup> Not applicable.  
<sup>2</sup> Total number of instances for in-scope products 1-5, range of margins for products 1-5, and average margin for products 1-5.

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

### BID DATA

The Commission requested U.S. purchasers of CLPSS to provide data on the price negotiation process. CLPSS are often purchased in an auction or a standard bid process, with suppliers participating in several rounds of bidding, either on-line or in “shoot-outs” conducted in person.<sup>28</sup> Auctions are typically held in the fourth quarter for the following year’s back-to-school season and suppliers are usually bound by the contract price for the remainder of the year.<sup>29</sup> Purchasers may also make spot purchases to supplement greater than expected back-to-school sales or to restock inventories throughout the year as needed.

Bid data were requested for the three largest purchases during the back-to-school season each year since 2002. Four end users provided usable bid data for sales of the requested products, although not all firms reported pricing for all years (see table V-9). Bid data were grouped by purchaser and year. Initial and awarded bids are provided when they were reported. A total of 54 bid contracts for CLPSS were reported for the period examined, involving 129.2 million units of CLPSS valued at \$63.6 million (in winning bid values). Of these contracts, 8.7 percent of the value of the contracts was awarded to U.S. producers and 91.3 percent of the quantity was awarded to foreign suppliers. However, staff estimates that \*\*\* percent of the value of the contracts that were awarded to foreign suppliers were actually arranged through U.S. producers with foreign suppliers. In particular, \*\*\* through its Brazilian and Chinese suppliers, accounted for \*\*\* percent of the value of the foreign-awarded contracts; \*\*\*, through

<sup>28</sup> Conference transcript, pp. 42, 44 (Kaplan) and 101 (Robinson, McLachlan). Staples reportedly used an auction for its 2004 back-to-school season and has subsequently reverted to a standard bid process in order to pre-qualify suppliers for its quality standards. Conference transcript, p. 230 (Ciulla).

<sup>29</sup> Conference transcript, p. 112 (Kaplan, Price).

its Chinese suppliers, accounted for \*\*\* percent; and \*\*\*, through its Brazilian suppliers, accounted for \*\*\* percent.<sup>30</sup>

More specifically, \*\*\*, one of the purchasers that supplied bid information, reported that it purchased CLPSS from China in the \*\*\* bid for the \*\*\* back-to-school season at \*\*\*'s request to support its expansion in \*\*\*.<sup>31</sup> One U.S. producer, \*\*\*, reported that, beginning in 2001, CLPSS producers in China, India, and Indonesia contacted U.S. producers to serve as distributors of their product in the United States because they had not established a sales or marketing presence in the United States.<sup>32</sup>

Moreover, two purchasers, \*\*\* and \*\*\*, noted that even when they purchase CLPSS directly from a domestic supplier, they do not always necessarily know in which country the product will be manufactured as the domestic producer may be importing some of the product from foreign sources, including the subject countries.<sup>33</sup> U.S. producers also report that accounting for their imports can be complicated because sometimes they arrange the imports but do not always act as the importer of record.<sup>34</sup> However, another purchaser, \*\*\*, reported that it always knows where the product is manufactured because it specifically requests that information from the producer.<sup>35</sup>

**Table V-9**  
**CLPSS: Bid information and sales to purchasers, January 2002-June 2005**

\* \* \* \* \*

(Fourteen pages of business proprietary bid and sales information have been deleted here.)

### LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of CLPSS to report any instances of lost sales or revenues they experienced due to competition from imports of CLPSS from China, India, and/or Indonesia from January 2002 to June 2005. \*\*\* U.S. producers reported that they had to either reduce prices or roll back announced price increases and they provided \*\*\* lost sales allegations and \*\*\* lost revenue allegations. \*\*\* U.S. producer made a general comment that often the competitor forcing it to lower prices is not a producer from the subject countries, but rather a U.S. producer who imports. \*\*\* producer reported that it was unable to record all instances of lost sales and lost revenues, but it estimated that there were “thousands upon thousands of transactions” involved. \*\*\* U.S. producer, \*\*\*,

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<sup>30</sup> These transactions are shown in table V-9 and are as follows: \*\*\*'s award of \*\*\* units of 70-count 1-subject spiral notebooks to \*\*\* on \*\*\*, \*\*\*'s award of \*\*\* units of 150-count wide-ruled filler paper to \*\*\* on \*\*\*, \*\*\*'s award of \*\*\* units of 150-count college-ruled filler paper to \*\*\* on \*\*\*, at least part of \*\*\*'s award of \*\*\* units of 10-packs of 70-count 1-subject spiral notebooks to \*\*\* on \*\*\*, \*\*\*'s award of \*\*\* units of 150-count filler paper to \*\*\*'s \*\*\* on \*\*\*, \*\*\*'s award of \*\*\* units of composition books to \*\*\* on \*\*\*, \*\*\*'s award of \*\*\* units of 70-count 1-subject spiral notebooks to \*\*\* in \*\*\*, \*\*\*'s award of \*\*\* units of 70-count 1-subject spiral notebooks to \*\*\*'s \*\*\*, in \*\*\*, and \*\*\*'s award of \*\*\* units of 150-count filler paper to \*\*\* in \*\*. These purchases were reported as direct imports by the purchasers in the pricing data submitted in response to Commission questionnaires.

<sup>31</sup> \*\*\*.

<sup>32</sup> \*\*\*.

<sup>33</sup> Chinese respondents estimate that more than \*\*\* percent of Chinese exports of CLPSS are sold to or through \*\*\* and \*\*\* (Chinese respondents' postconference brief, p. 36).

<sup>34</sup> Conference transcript, p. 138 (McLachlan).

<sup>35</sup> Staff telephone interview with \*\*\*.

reported that once imports from China, India, and Indonesia began entering the U.S. market in 2001, U.S. producers felt pricing pressure to source from lower-priced foreign suppliers rather than to continue to invest in domestic production. Moreover, \*\*\* stated that if U.S. producers do not provide pricing competitive with sourcing from foreign suppliers, their customers bypass them and purchase directly from the foreign manufacturers.<sup>36</sup> The \*\*\* lost sales allegations totaled approximately \$\*\*\* and the \*\*\* lost revenue allegations totaled at least \$\*\*\*. Staff contacted the \*\*\* purchasers cited in the allegations; \*\*\* responded. The results are summarized in tables V-10 and V-11 and are discussed below.

\*\*\* was named in \*\*\* lost sale allegation involving CLPSS valued at \$\*\*\* allegedly occurring in \*\*\*. It agreed with \$\*\*\* worth of the allegation and disagreed with the remainder, stating that it did not order the specified product.

\*\*\* was named in a lost sales allegation valued at \$\*\*\* allegedly occurring in \*\*\*. It disagreed with the allegation, stating it did not require either of its domestic suppliers, \*\*\* and \*\*\*, to reduce their prices in order to compete with imports from China, India, or Indonesia.

**Table V-10**  
**CLPSS: U.S. producers' lost sales allegations**

\* \* \* \* \*

**Table V-11**  
**CLPSS: U.S. producers' lost revenue allegations**

\* \* \* \* \*

\*\*\* was cited in \*\*\* lost sale \*\*\* involving CLPSS valued at \$\*\*\* allegedly occurring in \*\*\*. It disagreed with the \*\*\* and reported buying some \*\*\* products at the time specified as well as purchasing from another domestic producer, \*\*\*. In addition, \*\*\* explained that, for years, it has contacted domestic suppliers for price quotes but these domestic producers were always late in responding, costing \*\*\* business with customers at the busy back-to-school season. \*\*\* then decided to source directly from Chinese producers, who responded quickly with price quotes. It also stated that it tries to buy as much as possible from U.S. sources, but claims they are not always reliable. In particular, in \*\*\*, \*\*\* scheduled \*\*\* new items with \*\*\*, in particular the \*\*\*, but \*\*\* was unable to deliver the product, citing problems in China. \*\*\* also reported that it has had many delivery problems with U.S. sources and that Chinese sources are more reliable.

\*\*\* was named in a lost sales allegation involving CLPSS valued at \$\*\*\* allegedly occurring in \*\*\*. It disagreed, stating that the products cited were all imported by \*\*\* through \*\*\*. Moreover, it reported that \*\*\* had transportation problems, so \*\*\* eventually had purchased products from a variety of sources, both foreign and domestic.

\*\*\* was named in \*\*\* lost sales \*\*\* involving CLPSS valued at \$\*\*\* allegedly occurring in \*\*\*. It disagreed, stating that it has no record of a domestic bid that matches the price quotes cited in the \*\*\*. \*\*\* also reported that U.S. suppliers often did not qualify for further participation in the bid due to quality issues. Specifically, \*\*\* reportedly stopped purchasing from domestic sources in \*\*\* in order to obtain \*\*\*. In addition, \*\*\* notes that the price quotes from U.S. suppliers may or may not have been

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<sup>36</sup> \*\*\*.

for product produced in the United States, but rather for product that a U.S. producer imported from another country, including the subject countries. \*\*\*.<sup>37</sup> \*\*\*.<sup>38</sup>

\*\*\* was named in \*\*\* lost sales \*\*\* involving CLPSS valued at \$\*\*\* allegedly occurring in \*\*\*. It disagreed, stating that it purchased some of the product from domestic companies, including \*\*\* and \*\*\*, but that these producers determined the source of supply, not \*\*\*.

\*\*\* was named in a lost sale allegation involving CLPSS valued at \$\*\*\* allegedly occurring in \*\*\*. It stated that it could not substantiate the allegation, stating that it does not choose one paper supplier over another as its role in the supply chain is to respond to vendor requests.

\*\*\* was named in \*\*\* lost revenue \*\*\* valued at \$\*\*\* allegedly occurring in \*\*\*. It agreed with all but \*\*\* percent of the volume cited. It reported that U.S. producers reduced their prices to compete with imports from China and India, but that their prices were still not competitive.

\*\*\* was named in a lost revenue allegation valued at \$\*\*\* allegedly occurring in \*\*\*. It agreed with the allegation.

\*\*\* was named in \*\*\* lost revenue \*\*\* valued at \$\*\*\* allegedly occurring in \*\*\*. It agreed with the \*\*\*.

\*\*\* was named in a lost revenue allegation valued at \$\*\*\* allegedly occurring in \*\*\*. It disagreed, stating that it purchased volumes from two domestic producers, \*\*\* and \*\*\*, that were higher than those cited. Additionally, \*\*\* stated that it did not require either \*\*\* or \*\*\* to reduce their prices in order to compete with imports from China, India, or Indonesia.

\*\*\* was named in a lost revenue allegation valued at \$\*\*\* allegedly occurring in \*\*\*. It disagreed, stating that while it has a record of receiving a price quote from a U.S. supplier close to the “accepted price” cited in the allegation, U.S. suppliers often did not qualify for further participation in the bid due to quality issues. \*\*\* also reported that it never placed orders at the price cited. Moreover, it reports that it has primarily purchased the products cited from \*\*\*.

\*\*\* was named in a lost revenue allegation valued at \$\*\*\* allegedly occurring in \*\*\*. \*\*\* disagreed, stating that it purchased a higher volume of one of the products cited from a domestic producer, \*\*\*. Moreover, \*\*\* reported that since 2002, it has shifted only one product from a U.S. source to a foreign one and it was not necessarily because of price. \*\*\* stated that this purchase was a test shipment from a Chinese source in conjunction with \*\*\*.

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<sup>37</sup> \*\*\*.

<sup>38</sup> \*\*\*.



## **PART VI: FINANCIAL CONDITION OF U.S. PRODUCERS**

### **BACKGROUND**

Ten domestic firms provided financial results on their operations processing CLPSS.<sup>1</sup> These firms are believed to account for the vast majority of the domestic industry's production volume during 2004. Of these ten firms, seven (\*\*\*) reported financial results on their operations producing CLPSS and also on their operations producing other lined paper products, while the remaining three firms (\*\*\*) reported financial results only for CLPSS because they do not produce other lined paper products. In addition, \*\*\* reported financial results only for other lined paper products because it does not produce CLPSS. No firms reported internal consumption; however, \*\*\*. Financial data on other lined paper products are presented in appendix C.

### **OPERATIONS ON CLPSS**

Income-and-loss data for U.S. producers on their CLPSS operations are presented in table VI-1. Selected company-specific financial data are presented in table VI-2. The reported net sales quantity increased slightly from 2002 to 2004, then declined by 21 percent between the interim periods. During these same time frames, the net sales value declined by 13 and 14 percent, respectively. In combination, these shifts in net sales quantity and value resulted in per-unit revenues, costs, and expenses that generally declined from 2002 to 2004 and generally increased between the interim periods. Because different in-scope products have varying per-unit measures (i.e., per notebook, per package, etc.) and reporting firms differ in terms of product mix, per-unit data should be used with caution.<sup>2</sup>

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<sup>1</sup>The producers and their fiscal year ends if other than December 31 are: Ampad (September 30), Comet (May 31), CPP (October 31), Day Timers (only reported data on other lined paper products), Fay, Kurtz, MeadWestvaco, Norcom, Pacon (November 30), Roaring Spring (October 31), and Top Flight (September 30).

<sup>2</sup>For example, in 2004, per-unit revenue for total net sales for all reporting firms was \$0.73, whereas \*\*\*, \*\*\*, and \*\*\* reported \$0.99, \$0.48, and \$1.89, respectively, for per-unit revenue for total net sales.

**Table VI-1**  
**CLPSS: Results of operations of U.S. producers, 2002-04, January-June 2004, and January-June 2005**

Item	Calendar year			Interim period (January-June)	
	2002	2003	2004	2004	2005
<b>Quantity (1,000 units)</b>					
Commercial sales <sup>1 2</sup>	***	***	***	***	***
Internal consumption <sup>3</sup>	0	0	0	0	0
Transfers to related firms <sup>3</sup>	***	***	***	***	***
Total net sales	323,644	303,580	326,923	134,212	105,777
<b>Value (1,000 dollars)</b>					
Commercial sales <sup>1</sup>	***	***	***	***	***
Internal consumption <sup>3</sup>	0	0	0	0	0
Transfers to related firms <sup>3</sup>	***	***	***	***	***
Total net sales	276,644	261,792	240,267	109,220	93,487
Cost of goods sold: <sup>1</sup>					
Raw materials	136,555	127,293	119,843	50,661	50,432
Direct labor	11,677	18,930	20,994	9,041	6,334
Other factory costs	66,765	59,865	62,575	27,735	22,634
Less scrap revenue	425	396	495	236	245
Total COGS	214,572	205,692	202,917	87,201	79,155
Gross profit or (loss)	62,072	56,100	37,350	22,019	14,332
SG&A expense <sup>1</sup>	30,346	30,811	27,961	13,807	11,845
Operating income or (loss) <sup>1</sup>	31,726	25,288	9,389	8,212	2,487
Other income or (expense), net <sup>4</sup>	(12,488)	(6,341)	(45,300)	(2,431)	(7,593)
Net income or (loss) <sup>1</sup>	19,238	18,947	(35,911)	5,781	(5,106)
Depreciation	8,171	8,181	7,342	4,305	3,447
Cash flow	27,409	27,128	(28,569)	10,086	(1,658)
Table continued.					

**Table VI-1--Continued**

**CLPSS: Results of operations of U.S. producers, 2002-04, January-June 2004, and January-June 2005**

Item	Calendar year			Interim period (January-June)	
	2002	2003	2004	2004	2005
<b>Ratio to net sales (percent)</b>					
Cost of goods sold:					
Raw materials	49.4	48.6	49.9	46.4	53.9
Direct labor	4.2	7.2	8.7	8.3	6.8
Other factory costs	24.1	22.9	26.0	25.4	24.2
Less scrap revenue	0.1	0.1	0.1	0.3	0.2
Average COGS	77.6	78.6	84.5	79.8	84.7
Gross profit or (loss)	22.4	21.4	15.5	20.2	15.3
SG&A expenses	11.0	11.8	11.6	12.6	12.7
Operating income or (loss) <sup>1</sup>	11.5	9.7	3.9	7.5	2.7
Net income or (loss)	7.0	7.2	(14.9)	5.3	(5.5)
<b>Value (per unit)<sup>5</sup></b>					
Commercial sales	***	***	***	***	***
Internal consumption <sup>3</sup>	ERR	ERR	ERR	ERR	ERR
Transfers to related firms <sup>3</sup>	***	***	***	***	***
Total net sales	0.85	0.86	0.73	0.81	0.88
Cost of goods sold	0.66	0.68	0.62	0.65	0.75
Gross profit or (loss)	0.19	0.18	0.11	0.16	0.14
SG&A expenses	0.09	0.10	0.09	0.10	0.11
Operating income or (loss)	0.10	0.08	0.03	0.06	0.02
Net income or (loss)	0.06	0.06	(0.11)	0.04	(0.05)
<b>Number of companies reporting</b>					
Operating losses	3	2	3	4	4
Data	10	10	9	9	9
Table continued.					

**Table VI-1--Continued**

**CLPSS: Results of operations of U.S. producers, 2002-04, January-June 2004, and January-June 2005**

<sup>1</sup> \*\*\*'s financial data reflect the sales, costs, and expenses associated with both its domestic production of CLPSS and its domestic sales of imported CLPSS. The company reported that it cannot separate such data. According to \*\*\*, its sales of imported CLPSS account for between \*\*\* and \*\*\* percent of its reported net sales quantities and values during the period of investigation (e-mail response from \*\*\*, September 29, 2005). If \*\*\* were removed from the data, the industry's operating margins would be \*\*\* percent in 2002, \*\*\* percent in 2003, \*\*\* percent in 2004, \*\*\* percent in interim 2004, and \*\*\* percent in interim 2005.

<sup>2</sup> \*\*\* reported quantity data in pounds. \*\*\* accounts for less than \*\*\* to \*\*\* percent of the total quantity reported in each period for which data were collected.

<sup>3</sup> \*\*\* was the only firm to report transfers to related firms. \*\*\*.

<sup>4</sup> \*\*\*.

<sup>5</sup> Because different in-scope products have varying per-unit measures (i.e., per notebook, per package, etc.) and reporting firms differ in terms of product mix, per-unit data should be used with caution.

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

An analysis of the data as a percentage of net sales value reveals different, and perhaps more meaningful, trends in the data. From 2002 to 2004, cost of goods sold ("COGS") as a ratio to net sales increased primarily due to increased direct labor costs. Direct labor costs increased 80 percent in absolute terms during this time frame, which combined with the decline in total sales value led to reduced gross profit and operating income in both absolute terms and as a percentage of sales.<sup>3</sup> Between the interim periods, COGS as a ratio to net sales increased due to increased raw material costs as a ratio to net sales. While all components of COGS declined in absolute terms between the interim periods, net sales value declined further than raw material costs and thus the ratio increased. The decline in total sales value is the main factor behind the reduction in gross profit and operating income between the interim periods.<sup>4</sup>

**Table VI-2**

**CLPSS: Selected results of operations of U.S. producers, by firm, 2002-04, January-June 2004, and January-June 2005**

\* \* \* \* \*

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<sup>3</sup> Much of the increase in direct labor costs is attributable to the financial data reported by \*\*\*. \*\*\* (response to staff questions, counsel for petitioners, October 5, 2005).

<sup>4</sup> Respondent Staples cited several issues in the financial data as reported by \*\*\* and \*\*\* that the respondent considers unusual and potentially incorrect, such as discrepancies in the employment data and the direct labor data for both \*\*\* and \*\*\* (Staples' postconference brief, pp. 26-29). Petitioners answered staff questions regarding these issues, and stated that \*\*\* and \*\*\* have responded appropriately in their producers' questionnaire responses (response to staff questions, counsel for petitioners, October 11, 2005).

## CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures and research and development (R&D) expenses are shown in table VI-3. Six firms reported capital expenditures, and only \*\*\* reported R&D expenses during the period for which data were requested.

**Table VI-3**

**CLPSS: Capital expenditures and research and development expenses of U.S. producers, by firm, 2002-04, January-June 2004, and January-June 2005**

Item	Fiscal year			Interim period (January-June)	
	2002	2003	2004	2004	2005
	<i>Value (1,000 dollars)</i>				
Capital expenditures	2,822	653	391	109	713
R&D expenses	***	***	***	***	***
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 CLPSS 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 CLPSS.

Data on the U.S. CLPSS producers' total assets and their ROI are presented in table VI-4. The total assets utilized in the production, warehousing, and sale of CLPSS decreased from \$154.7 million in 2002 to \$126.9 million in 2004. The ROI declined from 20.4 percent in 2002 to 7.5 percent in 2004.

**Table VI-4****CLPSS: U.S. producers' assets and return on investment, fiscal years 2002-04**

Item	Fiscal year		
	2002	2003	2004
<b>Assets</b>			
Cash	166	327	233
Accounts receivable	30,790	23,413	20,366
Inventories	58,920	74,881	61,941
Original cost, fixed assets	92,730	79,080	74,532
Less: accumulated depreciation	28,876	30,453	31,684
Equals: Book value	63,854	48,627	42,849
All other assets	1,009	1,322	1,514
Total assets	154,738	148,569	126,903
Operating income	31,566	24,901	9,549
<b>Return on investment (percent)</b>			
Return on investment	20.4	16.8	7.5
Note: Based upon the data of those companies that supplied both profit-and-loss and asset data.			
Source: Compiled from data submitted in response to Commission questionnaires.			

**CAPITAL AND INVESTMENT**

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of CLPSS from China, India, and Indonesia on their firms' growth, investment, ability to raise capital, development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. Their responses are shown in appendix F.

## PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making its threat determination (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the alleged subsidies was presented in Part I of this report; information on the volume and pricing of imports of the subject merchandise was 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 was 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, follows.

### THE INDUSTRY IN CHINA

There are estimated to be more than 4,000 paper mills presently in China, although a great number of these mills are very small.<sup>1</sup> Much of the papermaking capacity in China is still government-owned, but foreign and private companies are beginning to play a larger role.<sup>2</sup> Publicly available information suggests massive investments are presently being made in the Chinese pulp and paper industry. It is estimated, for instance, that 90 percent of new capacity in the global paper industry is being built in China.<sup>3</sup> Industry analysts expect that China's small mills will gradually be displaced,<sup>4</sup> and that Chinese paper imports will decline<sup>5</sup> as larger, more modern mills are constructed.<sup>6</sup> By 2002, China produced 11 million metric tons of printing and writing paper of the kind typically used to manufacture CLPSS, having increased production of such paper by over 9 million metric tons in the previous 10 years.<sup>7</sup>

Because China's domestic supply of wood pulp is limited, nonwood fiber (e.g., reed, straw, bagasse, and bamboo) has traditionally been an important raw material<sup>8</sup> although it has declined as a percentage of total consumption.<sup>9</sup> The country has seen steadily increasing imports of waste paper,<sup>10</sup> which in 2004 accounted for 52 percent of total pulp consumption.<sup>11</sup> Market pulp is a globally traded

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<sup>1</sup> Rodden, Graeme, "Chinese Board Set to Boom," *Pulp & Paper International*, Vol. 45, No. 7 (July 2003), p. 30.

<sup>2</sup> Rooks, Alan, "China: Beyond the Boom," *Tappi and Pima Solutions*, Vol. 88, No. 9 (September 2005), p. 26.

<sup>3</sup> Oinonen, Hannu and Nie Xiaorong, "China on a Hot Streak with Larger Scale, New Mills," *Tappi and Pima Solutions*, Vol. 87, no. 3 (March 2004), pp. 24-27.

<sup>4</sup> Rodden, Graeme, "Chinese Board Set to Boom," *Pulp & Paper International*, Vol. 45, no. 7 (July 2003), p. 30.

<sup>5</sup> Oinonen, Hannu and Nie Xiaorong, "China on a Hot Streak with Larger Scale, New Mills," *Tappi and Pima Solutions*, Vol. 87, No. 3 (March 2004), pp. 24-27.

<sup>6</sup> Kelly, Joe, "China: Massive Investment in Pipeline," *Pulp & Paper International*, Vol. 44, No. 7 (July 2002), p. 45.

<sup>7</sup> 2003 PPI Annual Review, retrieved at [www.paperloop.com](http://www.paperloop.com) (September 3, 2003) and "China: More Capacity Under Construction as New Lines Start Up," *Pulp & Paper International*, Vol 36, No. 7 (July 1994), p. 62.

<sup>8</sup> Oinonen, Hannu and Nie Xiaorong, "China on a Hot Streak with Larger Scale, New Mills," *Tappi and Pima Solutions*, Vol. 87, No. 3 (March 2004), pp. 24-27.

<sup>9</sup> Rooks, Alan, "China: Beyond the Boom," *Tappi and Pima Solutions*, Vol. 88, No. 9 (September 2005), p. 26.

<sup>10</sup> Kelly, Joe, "China: Massive Investment in Pipeline," *Pulp & Paper International*, Vol 44, no. 7 (July 2002), p. 45.

<sup>11</sup> Rooks, Alan, "China: Beyond the Boom," *Tappi and Pima Solutions*, Vol. 88, No. 9 (September 2005), p. 26.

commodity which is readily available, but Chinese manufacturers are trying to reduce their dependence on imports by efforts to encourage and develop plantation forests.<sup>12</sup>

### **Chinese Producers' Capacity, Production, Shipments, and Inventories**

Commission foreign producer/exporter questionnaires were sent to 20 firms identified in the petition as producers and/or exporters of merchandise subject to these investigations, for which contact information were publicly available. Responses were received from 18 firms, each of which provided data on their production and/or exports of CLPSS. Counsel for Chinese producers in these investigations has indicated that the responses received from Chinese producers represent the majority of Chinese exports of CLPSS to the United States.<sup>13</sup> Data submitted by these firms are presented in table VII-1.<sup>14</sup>

As indicated in table VII-1, Chinese responding firms' reported capacity and production of CLPSS increased throughout the period examined, and are both projected to increase further in 2005, but decrease in 2006. Capacity utilization exhibited no clear trend, but was highest in the first half of 2005. Exports to the United States accounted for the majority of Chinese responding firms' shipments throughout the period examined, though responding firms projected a large decline in shipments to the United States in 2006.<sup>15</sup> Responding firms project a corresponding increase in shipments within the home market and shipments to other export markets in 2006.<sup>16</sup>

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<sup>12</sup> Oinonen, Hannu and Nie Xiaorong, "Zhongzhu Group and YueYang Group: Building for the Future," *Tappi and Pima Solutions*, Vol. 87, No.7 (July 2004), pp. 39-41, and Oinonen, Hannu and Nie Xiaorong, "China on a Hot Streak with Larger Scale, New Mills," *Tappi and Pima Solutions*, Vol. 87, No. 3 (March 2004), pp. 24-27.

<sup>13</sup> Conference transcript, p. 173 (Marshak). Only one responding Chinese firm provided an estimate of its share of total production and total export of CLPSS from China. This firm, which produced \*\*\* metric tons of CLPSS in 2004, and exported \*\*\* metric tons, reported that its production accounted for \*\*\* percent of total production and \*\*\* percent of total exports of CLPSS from China in 2004.

<sup>14</sup> One Chinese firm, \*\*\*, reported its trade data in units, as requested in the Commission's questionnaire; the remainder of responding Chinese firms reported data on the basis of metric tons. \*\*\*'s data were therefore not included in the data presented in table VII-1. The company reported a production capacity of \*\*\* units and CLPSS production of \*\*\* units in 2004, projected to increase to \*\*\* units and \*\*\* units, respectively, in 2005. \*\*\* reportedly exported \*\*\* of CLPSS to the United States in 2004. The company estimates that it accounted for \*\*\* percent of total production of CLPSS in China in 2004, and \*\*\* percent of exports of CLPSS from China to the United States.

<sup>15</sup> Chinese responding firms based their 2005 and 2006 projections on existing orders, past experience, and the expected impact of these investigations. Responses to the foreign producers'/exporters' questionnaire, p. 5.

<sup>16</sup> Chinese firms most often reported \*\*\* as their principal other export markets. Responses to the foreign producers'/exporters' questionnaire, p. 6.

Table VII-1

CLPSS: Chinese production, shipments, and inventories, 2002-04, January-June 2004, January-June 2005, and projections for 2005 and 2006

Item	Actual experience					Projections	
	2002	2003	2004	January-June		2005	2006
				2004	2005		
<b>Quantity (metric tons)</b>							
Capacity	80,435	126,897	149,424	90,352	113,129	178,160	165,068
Production <sup>1</sup>	49,850	66,234	91,851	62,284	92,320	111,842	62,005
Shipments:							
Internal consumption/transfers	(2)	2	(2)	(2)	19	10	40
Home market sales	21,678	29,199	33,305	14,519	21,929	32,767	38,612
Exports to--							
United States	28,029	39,067	55,713	49,879	66,136	68,420	614
All other markets	5,385	6,934	11,369	5,936	7,991	16,119	25,083
Total exports	33,414	46,000	67,082	55,814	74,127	84,539	25,697
Total shipments	55,092	75,201	100,387	70,333	96,075	117,316	64,349
End-of-period inventories	2,434	2,137	4,590	4,118	3,436	2,059	2,378
<b>Ratios and shares (percent)</b>							
Capacity utilization	62.0	52.2	61.5	68.9	81.6	62.8	37.6
Share of shipments:							
Internal consumption/transfers	(3)	(3)	(3)	(3)	(3)	(3)	0.1
Home market sales	39.3	38.8	33.2	20.6	22.8	27.9	60.0
Exports to--							
United States	50.9	51.9	55.5	70.9	68.8	58.3	1.0
All other markets	9.8	9.2	11.3	8.4	8.3	13.7	39.0
Total exports	60.7	61.2	66.8	79.4	77.2	72.1	39.9
Inventories to production	4.9	3.2	5.0	3.3	1.9	1.8	3.8
Inventories to total shipments	4.4	2.8	4.6	2.9	1.8	1.8	3.7
<p><sup>1</sup> Five Chinese firms projected markedly lower production of CLPSS for 2006 compared to 2005. Two additional firms, with a combined projected capacity of *** metric tons, projected no production of CLPSS in 2006.</p> <p><sup>2</sup> Less than 500 metric tons.</p> <p><sup>3</sup> Less than 0.05 percent.</p>							
Source: Compiled from data submitted in response to Commission questionnaires.							

## THE INDUSTRY IN INDIA

There are presently approximately 540 paper mills in India.<sup>17</sup> In 2002, the last year for which specific data are available, India produced 2.0 million metric tons of uncoated printing and writing paper.<sup>18</sup> Reportedly, the primary end uses for printing and writing grade paper in India are in stationery, scholastic applications, and business/communications.<sup>19</sup>

The Indian paper industry remains highly fragmented, with the top 10 producers accounting for just 40 percent of installed capacity.<sup>20</sup> The majority of Indian paper companies are locally owned.<sup>21</sup> Total paper production in India is expected to double in the next 10 years.<sup>22</sup> Several companies have recently announced new projects relating to the acquisition of new machines, upgrades, or conversions.<sup>23</sup>

### Indian Producers' Capacity, Production, Shipments, and Inventories

Commission questionnaires were sent to all 20 firms identified in the petition as producers and/or exporters of CLPSS in India. Responses were received from 17 firms, with four firms certifying that they had not produced or exported CLPSS since January 1, 2004. The remaining 13 firms provided data in their questionnaire responses, though not all firms reported data for all periods. Data compiled from these responses are presented in table VII-2. It is not known what percentage of CLPSS production in India, or exports of CLPSS from India, are accounted for by responding firms.<sup>24</sup>

Based on the data in table VII-2, the production capacity of Indian producers of CLPSS increased over the period examined, but is projected to decrease in 2005. Indian firms' production and capacity utilization over the period exhibited no steady trend, though production is projected to increase from its 2004 level in 2005 and 2006. Exports to the United States accounted for over a third of reporting firms' total shipments over the period examined, and represented the largest single destination for these firms' shipments in 2003 and 2004. As a share of total shipments, exports to the United States are projected to decrease in 2005.<sup>25</sup> Except for 2002, exports accounted for the majority of reporting Indian firms' total

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<sup>17</sup> 2003 PPI Annual Review, retrieved at [www.paperloop.com](http://www.paperloop.com) (September 3, 2003).

<sup>18</sup> Ibid.

<sup>19</sup> "The Forecast for India: Continued Growth in Pulp and Paper," *Tappi and Pima Solutions*, Vol. 88, No. 1 (January 2005), p. 88.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> "Metso Paper Establishes Sales Company in India," 2003 PPI Annual Review, retrieved at [www.paperloop.com](http://www.paperloop.com) (October 4, 2005).

<sup>23</sup> "The Forecast for India: Continued Growth in Pulp and Paper," *Tappi and Pima Solutions*, Vol. 88, No. 1 (January 2005), p. 88.

<sup>24</sup> Responding firms often reported contradictory and unreasonable data regarding their estimates of total Indian production and exports of CLPSS. Three firms, for instance, reported that they accounted for over 70 percent of total production of CLPSS in India (with one firm reporting that it accounted for 100 percent), while one firm reported that it accounted for over 100 percent of exports of CLPSS from India. Responses to the foreign producers'/exporters' questionnaires, p. 6.

<sup>25</sup> Indian firms reportedly based 2005 and 2006 projections on existing orders and past sales patterns, though not all firms reported the basis for their projections. Responses to the foreign producers'/exporters' questionnaires, p. 5. One Indian firm noted that, as a result of the petition for these investigations, it did not expect any growth of sales to the United States for 2006.

Table VII-2

CLPSS: Indian production, shipments, and inventories, 2002-04, January-June 2004, January-June 2005, and projections for 2005 and 2006

Item	Actual experience					Projections	
	2002 <sup>1</sup>	2003	2004	January-June		2005	2006
				2004	2005		
<b>Quantity (1,000 pieces)</b>							
Capacity	55,550	120,412	160,212	81,616	89,616	159,112	162,201
Production	25,749	64,266	56,413	34,670	40,111	66,044	77,396
Shipments: Internal consumption/transfers	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Home market sales	16,391	18,758	23,462	12,786	14,687	36,086	38,590
Exports to-- United States	9,545	34,495	31,727	26,366	19,485	28,505	31,700
All other markets	1,065	16,044	17,783	9,547	10,195	37,447	42,100
Total exports	10,610	50,538	49,510	35,913	29,680	65,952	73,800
Total shipments	27,001	69,297	72,972	48,699	44,367	102,038	112,390
End-of-period inventories	3,261	12,361	5,007	3,682	4,086	2,959	3,105
<b>Ratios and shares (percent)</b>							
Capacity utilization	46.4	53.4	35.2	42.5	44.8	41.5	47.7
Share of shipments: Internal consumption/transfers	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Home market sales	60.7	27.1	32.2	26.3	33.1	35.4	34.3
Exports to-- United States	35.4	49.8	43.5	54.1	43.9	27.9	28.2
All other markets	3.9	23.2	24.4	19.6	23.0	36.7	37.5
Total exports	39.3	72.9	67.8	73.7	66.9	64.6	65.7
Inventories to production	12.7	19.2	8.9	5.3	5.1	4.5	4.0
Inventories to total shipments	12.1	17.8	6.9	3.8	4.6	2.9	2.8
<p><sup>1</sup> Reported trade data for 2002 are markedly lower than those for subsequent periods. Although several Indian firms did report lower capacity, production, and shipments in 2002, at least one firm did not report any data for 2002. This firm reported *** million units of capacity for 2003-06.</p> <p><sup>2</sup> Less than 500 pieces.</p> <p><sup>3</sup> Less than 0.05 percent.</p>							
Source: Compiled from data submitted in response to Commission questionnaires.							

shipments.<sup>26</sup> \*\*\* and countries in \*\*\* were most often cited by Indian firms as their principal other export markets.<sup>27</sup>

## THE INDUSTRY IN INDONESIA

There are currently 67 pulp and paper mills operating in Indonesia, a result of rapid industry expansion.<sup>28</sup> In 2002, production of uncoated printing and writing paper in Indonesia totaled 3.0 million metric tons.<sup>29</sup>

### Indonesian Producer's Capacity, Production, Shipments, and Inventories

Commission foreign producer/exporter questionnaire were sent to three firms identified in the petition for these investigations as producers or exporters of subject merchandise in Indonesia.<sup>30</sup> Only one firm, Tjiwi Kimia (a party to these investigations), provided data in response to the Commission's questionnaires. According to its response, Tjiwi Kimia accounted for \*\*\* percent of total production of CLPSS in Indonesia, and \*\*\* percent of Indonesian exports of CLPSS to the United States in 2004. Production, shipments, and inventory data, based on Tjiwi Kimia's questionnaire response, are presented in table VII-3.

**Table VII-3**  
**CLPSS: Indonesian production, shipments, and inventories, 2002-04, January-June 2004, January-June 2005, and projections for 2005 and 2006**

\* \* \* \* \*

As indicated in table VII-3, Tjiwi Kimia's capacity for production of CLPSS \*\*\* metric tons<sup>31</sup> throughout the period examined in these investigations. The firm's capacity \*\*\*. Tjiwi Kimia's production and capacity utilization exhibited no clear trend during the period of investigation. The company projects that its production in 2005 and 2006 will be \*\*\* its production in 2004.<sup>32</sup>

Exports to the United States represented a \*\*\* of Tjiwi Kimia's shipments during the period examined in these investigations. As indicated in table VII-3, exports to the United States accounted for \*\*\* percent of Tjiwi Kimia's total shipments in 2004, compared to \*\*\* percent in 2002.<sup>33</sup> The corollary of this trend was an increase in export shipments to third countries, which accounted for \*\*\* percent of

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<sup>26</sup> Contrary to the data in table VII-2, an importer of CLPSS from India testified at the conference that "by far the largest share of production goes into the domestic market." Conference transcript, p. 207 (Bindra).

<sup>27</sup> Responses to the foreign producers'/exporters' questionnaires, p. 6.

<sup>28</sup> 2003 PPI Annual Review, retrieved at [www.paperloop.com](http://www.paperloop.com) (September 3, 2003).

<sup>29</sup> Ibid., and "Indonesia: New Capacity Mushrooms to Meet Potential Growth," *Pulp & Paper International*, Vol. 36, No. 7 (July 1994), p. 67.

<sup>30</sup> The petition identified five subsidiaries of Asia Pulp and Paper Co. Ltd. Group. Although a questionnaire was sent only to the parent, responses were received from each of the subsidiary firms. Only Tjiwi Kimia reported that it had produced and/or exported CLPSS or other lined paper products during the period examined in these investigations.

<sup>31</sup> Tjiwi Kimia was not able to \*\*\*.

<sup>32</sup> According to the company's questionnaire response, Tjiwi Kimia's projections for 2005 are \*\*\*. Foreign producers'/exporters' questionnaire, p. 5. The company noted that \*\*\*.

<sup>33</sup> \*\*\*.

the company's total shipments in 2004, compared to \*\*\* percent in 2002.<sup>34</sup> As a share of total shipments, exports to the United States are projected to \*\*\* in 2005,<sup>35</sup> then \*\*\* in 2006 to the 2004 level.<sup>36</sup>

Based on the data in table VII-3, Tjiwi Kimia produces CLPSS \*\*\*. The company's home market shipments accounted for \*\*\* percent of total shipments in 2004, and this share is projected to \*\*\* in 2005.

## U.S. INVENTORIES OF SUBJECT IMPORTS

Table VII-4 presents inventories of subject imports, as reported by the 15 firms that were able to provide inventory data in their responses to the Commission's importers' questionnaire. Three firms, \*\*\*, reported that they could not distinguish inventories on the basis of country-of-origin, and therefore did not provide data on inventories of imported CLPSS. Five firms, including \*\*\*, reported that they do not maintain inventories of imported CLPSS.<sup>37</sup>

## PRODUCT SHIFTING AND DUMPING IN THIRD-COUNTRY MARKETS

Eight out of the 17 Chinese firms that submitted data in response to the Commission's foreign producers'/exporters' questionnaire reported that they produce products other than CLPSS on the same machinery and equipment used in the production of CLPSS.<sup>38</sup> As noted in table VII-3, Indonesian producer Tjiwi Kimia reported a \*\*\*. Eight out of the 17 Indian firms that submitted data in response to the Commission's foreign producers'/exporters' questionnaire reported that they produce products other than CLPSS on the same machinery and equipment used in the production of CLPSS.<sup>39</sup>

There is no evidence on the record of these investigations to suggest that CLPSS or other lined paper products produced by firms in China, India, or Indonesia are subject to antidumping findings or remedies in any WTO-member country.<sup>40</sup>

## U.S. IMPORTS AFTER JUNE 30, 2005

Recipients of the Commission's importers' questionnaire were asked to provide information relating to their imports of CLPSS from subject countries that were delivered or ordered after June 30, 2005. Nineteen out of the 23 firms that provided data in response to the Commission's questionnaire, including \*\*\*, responded positively. These importers reported several million units of CLPSS having been delivered or scheduled for delivery after June 30, 2005.

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<sup>34</sup> According to Tjiwi Kimia's questionnaire response (p. 6), the company \*\*\*.

<sup>35</sup> Tjiwi Kimia attributes the projected \*\*\* in shipments to the United States in 2005 to \*\*\*. Response to the foreign producers'/exporters' questionnaire, p. 5. Tjiwi Kimia understands that \*\*\*.

<sup>36</sup> According to the company's questionnaire response, Tjiwi Kimia's projected \*\*\*. Response to the foreign producers'/exporters' questionnaire, p. 5. According to Tjiwi Kimia's response, \*\*\*.

<sup>37</sup> \*\*\* was among the firms that reported that it did not maintain any inventories of CLPSS, whether imported or domestically purchased. According to a company representative, \*\*\*. Staff telephone notes, October 5, 2005.

<sup>38</sup> Responses to the foreign producers'/exporters' questionnaires, p. 4.

<sup>39</sup> Responses to the foreign producers'/exporters' questionnaires, p. 4.

<sup>40</sup> In its importers' questionnaire response (p. 4), \*\*\* reported that "filler paper" had been subject to an import injury investigation in Canada in "the early 90s," but did not elaborate.

Table VII-4

CLPSS: U.S. importers' end-of-period inventories, 2002-04, January-June 2004, and January-June 2005

Item	Calendar year			January-June	
	2002	2003	2004	2004	2005
<b>Imports from China</b>					
Inventories ( <i>1,000 pieces</i> )	10,701	11,929	8,954	11,880	13,738
Ratio of inventories to imports ( <i>percent</i> )	25.7	28.5	9.1	18.2	4.6
<b>Imports from India<sup>1</sup></b>					
Inventories ( <i>1,000 pieces</i> )	***	***	***	***	***
Ratio of inventories to imports ( <i>percent</i> )	***	***	***	***	***
<b>Imports from Indonesia</b>					
Inventories ( <i>1,000 pieces</i> )	***	***	***	***	***
Ratio of inventories to imports ( <i>percent</i> )	***	***	***	***	***
<b>Total subject imports</b>					
Inventories ( <i>1,000 pieces</i> )	15,876	17,298	17,962	20,150	20,957
Ratio of inventories to imports ( <i>percent</i> )	15.3	18.2	12.8	16.5	5.4
<sup>1</sup> ***. <sup>2</sup> Not applicable.					
Note.—Ratios in this table are based on reported U.S. imports, rather than on official Commerce import statistics. January-June ratios were calculated using annualized production and shipments data. All ratios were calculated using data only from firms providing inventory as well as production and shipments data.					
Source: Compiled from data submitted in response to Commission questionnaires.					

**APPENDIX A**  
***FEDERAL REGISTER* NOTICES**



**SUMMARY:** The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping and countervailing duty investigation Nos. 701-TA-443-443 and 731-TA-1095-1097 (Preliminary) under sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from India and Indonesia of certain lined paper school supplies, provided for in subheadings 4810.22.50, 4811.90.90, and 4820.10.20 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Governments of India and Indonesia, and by reason of imports from China, India, and Indonesia of certain lined paper school supplies that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 702(c)(1)(B) or section 732(c)(1)(B) of the Act (19 U.S.C. 1671a(c)(1)(B) and 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping and countervailing duty investigations in 45 days, or in this case by October 24, 2005. The Commission's views are due to the Department of Commerce within five business days thereafter, or by October 31, 2005.

For further information concerning the conduct of these investigations 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 B (19 CFR part 207).

**EFFECTIVE DATE:** September 9, 2005.

**FOR FURTHER INFORMATION CONTACT:** Jai Motwane (202-205-3176), Office of Investigations, 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

these investigations may be viewed on the Commission's electronic document information system (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:**

*Background.* These investigations are being instituted in response to a petition filed on September 9, 2005, by MeadWestvaco Corp. of Dayton, OH; Norcom, Inc., of Norcross, GA; and Top Flight, Inc., of Chattanooga, TN (collectively, the Association of American School Paper Suppliers).

*Participation in the investigations and public service list.* Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the commission, as provided in §§ 2011.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

*Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.* Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

*Conference.* The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on September 30, 2005, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Jai Motwane (202-205-3176) not later than September 28, 2005, to arrange for their appearance. Parties in support of the imposition of antidumping and countervailing duties in these investigations and parties in opposition

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**INTERNATIONAL TRADE COMMISSION**

[Investigation Nos. 701-TA-442-443 and 731-TA-1095-1097 (Preliminary)]

**Certain Lined Paper School Supplies From China, India, and Indonesia**

**AGENCY:** United States International Trade Commission.

**ACTION:** Institution of antidumping and countervailing duty investigations and scheduling of preliminary phase investigations.

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to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

*Written submissions.* As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before October 5, 2005, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 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 (Nov. 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (Nov. 8, 2002).

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (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:** These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: September 14, 2005.

By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. 05-18575 Filed 9-16-05; 8:45 am]

BILLING CODE 7020-02-M

**DEPARTMENT OF COMMERCE****International Trade Administration****[A-533-843, A-560-818 and A-570-901]****Initiation of Antidumping Duty Investigations: Certain Lined Paper Products From India, Indonesia, and the People's Republic of China****AGENCY:** Import Administration, International Trade Administration, Department of Commerce.**DATES:** Effective October 6, 2005.**FOR FURTHER INFORMATION CONTACT:** Christopher Hargett (India), Brandon Farlander (Indonesia), or Charles Riggle (People's Republic of China), AD/CVD Operations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-4161, (202) 482-0182 and (202) 482-0650, respectively.**Initiation of Investigations***The Petitions*

On September 9, 2005, the Department of Commerce ("the Department") received Petitions ("the Petitions") concerning imports of certain lined paper products ("CLPP") from India, Indonesia, and the People's Republic of China ("PRC") filed in proper form by the Association of American School Paper Suppliers and its individual members (MeadWestvaco Corporation; Norcom, Inc.; and Top Flight, Inc.) ("Petitioner") on behalf of the domestic industry and workers

producing CLPP. On September 21, 2005, the Department issued a memo clarifying that the official filing date of the Petitions was September 9, 2005. See *Memorandum from the Team to Acting Deputy Assistant Secretary Barbara Tillman: Decision Memorandum Concerning Filing Date of Petitions*, September 21, 2005. The period of investigation ("POI") for India and Indonesia is July 1, 2004, through June 30, 2005. The POI for the PRC is January 1, 2005, through June 30, 2005.

In accordance with section 732(b) of the Tariff Act of 1930, as amended ("the Act"), Petitioner alleged that imports of CLPP from India, Indonesia and the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring and threaten to injure an industry in the United States.

### Scope of Investigations

See *Scope Appendix*.

### Comments on Scope of Investigations

During our review of the Petitions, we discussed the scope with Petitioner to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for interested parties to raise issues regarding product coverage. See *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997). The Department encourages all interested parties to submit such comments within 20 calendar days of publication of this initiation notice. Comments should be addressed to Import Administration's Central Records Unit in Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230—Attention: James Terpstra. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with interested parties prior to the issuance of the preliminary determinations.

### Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed by or on behalf of the domestic industry. In order to determine whether a petition has been filed by or on behalf of the industry, the Department, pursuant to section 732(c)(4)(A) of the Act, determines whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who

support the petition account for: (i) At least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) Poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the 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 under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, Petitioner does not offer a definition of domestic like product distinct from the scope of the investigation. See *Indonesia Initiation*

*Checklist, India Initiation Checklist, and PRC Initiation Checklist* at Attachment II (Industry Support). Based on our analysis of the information submitted in the Petitions we have determined there is a single domestic like product, certain lined paper products, which is defined further in the Scope Appendix below, and we have analyzed industry support in terms of that domestic like product.

Our review of the data provided in the Petitions and other information readily available to the Department indicates that Petitioner has established industry support representing at least 25 percent of the total production of the domestic like product; and more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the Petitions, requiring no further action by the Department pursuant to section 732(c)(4)(D) of the Act. In addition, the Department received no opposition to the Petitions from domestic producers of the like product.<sup>1</sup> Therefore, the domestic producers (or workers) who support the Petitions account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) of the Act are met. Furthermore, the domestic producers who support the Petitions account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petitions. Thus, the requirements of section 732(c)(4)(A)(ii) of the Act also are met. Accordingly, the Department determines that the Petitions were filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. See *Indonesia Initiation Checklist, India Initiation Checklist, and PRC Initiation Checklist* at Attachment II (Industry Support).

The Department finds that Petitioner filed the Petitions on behalf of the domestic industry because it is an interested party as defined in section 771(9)(E) and (F) of the Act and it has demonstrated sufficient industry support with respect to the antidumping investigations that it is requesting the Department initiate. See *Indonesia Initiation Checklist, India Initiation Checklist, and PRC Initiation Checklist* at Attachment II (Industry Support).

### U.S. Price and Normal Value

The following is a description of the allegation of sales at less than fair value

<sup>1</sup> The Department did receive a challenge to industry support in the PRC case. See *Indonesia Initiation Checklist, India Initiation Checklist, and PRC Initiation Checklist* at Attachment II (Industry Support).

upon which the Department based its decision to initiate these investigations on India, Indonesia, and the PRC. The sources of data for the deductions and adjustments relating to the U.S. price, home-market price (India and Indonesia), constructed value (India and Indonesia), and the factors of production (PRC only) are also discussed in the country-specific *Initiation Checklist*. See *Indonesia Initiation Checklist*, *India Initiation Checklist*, and *PRC Initiation Checklist*. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we will reexamine the information and may revise the margin calculations, if appropriate.

### India

#### *Export Price ("EP")*

Petitioner based U.S. price on transaction information from the Port Import-Export Reporting Service ("PIERS") data intelligence service for two Indian producers/exporters of CLPP. Petitioner based U.S. price on export price because it stated that Indian producers/exporters typically sell either directly to a distributor or retailer in the United States or through an unaffiliated trading company to unrelated distributors or retailers in the United States. In addition, the quoted sales offers are made to the unrelated customers for purchase prior to importation. See *Petition Volume II* at pages 2–4. Petitioner calculated EP based on the sale of notebooks manufactured in India by Kejriwal Paper Ltd. ("Kejriwal") and the sale of filler paper manufactured in India by Navneet Publications (India) Ltd. ("Navneet"), both free on board ("FOB") foreign port. In terms of movement charges, Petitioner deducted from U.S. price the domestic freight from the producers' factories to the ports of exportation, insurance fees, port charges, brokerage and handling fees associated with the transfer of goods to an ocean-going vessel, and document preparation fees. *Id.* at page 5 and Exhibit II–11. To be conservative, Petitioner stated that it made no downward adjustment for trading company commissions. *Id.* at page 3.

#### *Normal Value ("NV")*

To calculate NV, Petitioner provided a price quote for one size of packaged and lined filler paper, obtained through foreign market research regarding products manufactured by Navneet and offered for sale in the Indian market. See *Petition Volume II* at pages 10–11. This

sale price was offered by Navneet without the involvement of a distributor or agent. Petitioner has not based normal value upon the ex-factory normal value for Kejriwal because the foreign market researcher found that Kejriwal is not involved in the sale of merchandise domestically. Petitioner stated that Kejriwal has dedicated its current production to producing and selling only to the United States market. See *id.*

#### *Price-to-Constructed Value ("CV") Comparisons*

Petitioner has provided information demonstrating reasonable grounds to believe or suspect that sales of CLPP in the home market were made at prices below the fully absorbed cost of production ("COP"), within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing ("COM"); selling, general, and administrative expenses ("SG&A"); financial expenses; and packing expenses. Petitioner calculated COM based on their own production experience, adjusted for known differences between costs incurred to produce CLPP in the United States and in India. Petitioner calculated the COM as the sum of raw materials, direct labor, and manufacturing overhead inclusive of energy and depreciation expenses. However, Petitioner calculated the manufacturing overhead ratio by dividing the manufacturing overhead amount inclusive of depreciation expense by the sum of raw materials, direct labor, and energy. Petitioner then applied this ratio to the sum of raw materials and direct labor to calculate the COM. Thus, Petitioner included energy in the denominator of the calculated overhead rate, which is not arithmetically consistent with the raw materials and direct labor to which it was applied. To correct this error, we recalculated the manufacturing overhead ratio by dividing the manufacturing overhead amount inclusive of energy and depreciation expenses by the sum of raw materials and direct labor, and applied this ratio to the sum of direct materials and direct labor to calculate the COM. As a result of changes to overhead and SG&A, the profit ratio also changed.

To calculate SG&A and financial expenses, Petitioner relied upon amounts reported in Navneet's 2004 fiscal year financial statements, an Indian CLPP producer. In calculating the COP, Petitioner erroneously included certain items (e.g., rebates,

discounts, transportation expenses etc.) in the SG&A expenses. Therefore, to avoid double counting, we revised the SG&A, inclusive of interest expense ratios, and recalculated the COP. See *India Initiation Checklist*. Based upon a comparison of the prices of the foreign like product in the home market to the recalculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, Petitioner also based NV for sales in India on CV. Petitioner calculated CV using the same COM, SG&A, and financial expense figures used to compute the Indian home market costs. Consistent with 773(e)(2) of the Act, Petitioner included in CV an amount for profit. See *India Initiation Checklist*.

### Indonesia

#### *Export Price*

Petitioner based U.S. price on EP, which was based on a sales quote. Petitioner also claims that Indonesian producers typically sell subject merchandise directly to a distributor or retailer in the United States or through an unaffiliated trading company to unrelated distributors or retailers in the United States. Petitioner also asserts that the sales quote it obtained is to unrelated customers for purchase prior to importation. See *Petition Volume III* at page 2. Petitioner claims that it was informed of this price through a common process of auction-style bidding between U.S. producers and Indonesian producers and/or exporters, as well as through monitoring of import manifests as collected through the PIERS service. See *Petition Volume III* at page 3. To be conservative, Petitioner stated that it made no downward adjustment for trading company commissions.

Petitioner calculated an export price based upon transaction information concerning sales of CLPP produced in Indonesia. Because Petitioner believes that PT. Pabrik Kertas Tjiwi Kimia Tbk. ("Tjiwi Kimia") was the primary manufacturer/exporter of CLPP to the United States during the POI, Petitioner calculated EP based upon sales of a specific type of filler paper sold by Tjiwi Kimia. See *Petition Volume III* at pages 3–4.

Petitioner states that it was unable to obtain sales terms, but based upon its own experience, knows that CLPP is

quoted by Indonesian producers and exporters on a FOB export port basis. Petitioner notes that CLPP is also sold on a per unit basis. From the quoted transaction price, Petitioner deducted domestic freight from the producer's factory to the port of exportation, port charges, and brokerage and handling fees associated with the transfer of goods to an ocean-going vessel along with documentation fees. See Petition Volume III at pages 4–5. Although Petitioner also stated that it was deducting inland freight insurance, we see no evidence of this deduction in the Petition. In its September 22, 2005, submission, Petitioner provided a revised price quote, resulting in an adjusted EP. See the September 22, 2005, Supplemental Response at III–Suppl–1 and III–Suppl–9. See *Indonesia Initiation Checklist*.

#### *Normal Value*

Petitioner calculated NV based upon information on sales or offers of sales in Indonesia of CLPP that are identical or similar to the imported product. See Petition at Exhibit III–3. Petitioner used quoted transaction prices of CLPP produced by Tjiwi Kimia and sold or offered for sale to customers in Indonesia. Petitioner notes that there are differences in the physical characteristics between the product sold in the United States and the product sold by Tjiwi Kimia in Indonesia. Petitioner states that these differences relate to paper size. Petitioner has accounted for these differences in sizes through a difference in merchandise adjustment. See Petition Volume III at page 10 and at Exhibit III–21. All of the quoted prices for Indonesian home market sales are on a per unit basis. We have revised Petitioner's calculation of the exchange rate to be a simple average of daily exchange rates during the POI in accordance with our standard practice.

Petitioner states that it does not have the information concerning delivery terms in the home market, but has assumed delivery to customers in Jakarta. Petitioner states that it deducted from this price inland freight charges from the Indonesian mill to their home market customers, and a distributor mark-up. In its submission, Petitioner notes that it was not able to obtain actual inland freight expenses incurred by Tjiwi Kimia in shipping to its home market customers, or by what method the subject merchandise was shipped. Therefore, Petitioner has used the average of the truck and rail freight rates as reported by the Department in its investigation of *Carbon and Certain Alloy Steel Wire Rod From Ukraine*. See

Petition Volume III at page 10–11, and at Exhibit III–5, and 21. Petitioner states that, because neither Tjiwi Kimia, the Asia Pulp and Paper Group, nor their wholesalers, provided a price quote for sales in the home market when contacted, Petitioner instead contacted a distributor. Therefore, Petitioner has deducted a ten percent mark-up to reflect the “likely mark-up that a customer would likely incur in prices from a distributor.” See Petition Volume III at page 12, and at Exhibit III–13. Petitioner notes that NV was calculated in the manner above to be conservative. See *Indonesia Initiation Checklist*.

#### *Cost of Production*

Petitioner has provided information demonstrating reasonable grounds to believe or suspect that sales of CLPP in the home market were made at prices below the fully absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. Pursuant to section 773(b)(3) of the Act, COP consists of COM; SG&A; financial expenses; and packing expenses. Petitioner calculated COM based on the production experience of a large U.S. CLPP producer, adjusted for known differences between costs incurred to produce CLPP in the United States and in Indonesia.

Petitioner computed factory overhead costs (which are composed primarily of depreciation expenses) based on Tjiwi Kimia's parent company's 1999 consolidated financial statements. However, the parent company appears to be an integrated paper producer (*i.e.*, manufactures the blank paper in rolls as well as the final CLPP product) and, as a result, appears to maintain a substantial amount of fixed assets for the production of blank paper in rolls. In Petitioner's calculation of COP, the factory overhead ratio (*i.e.*, overhead expenses over the cost of goods sold) was applied to Tjiwi Kimia's total cost of manufacturing, which included the cost of blank paper in rolls, to obtain factory overhead costs. In order to avoid double-counting any factory overhead costs incurred by the paper producer in the paper production process that are included in the price of blank paper, we revised Petitioner's calculation of factory overhead costs by excluding factory overhead from the blank paper costs before applying the factory overhead ratio to COM.

To calculate SG&A and financial expenses, Petitioner relied upon amounts reported in the 1999 consolidated financial statements of

Tjiwi Kimia's parent company, Asia Pulp & Paper Co. Ltd.

Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation. See *Indonesia Initiation Checklist*.

#### *Normal Value based on Constructed Value*

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, Petitioner also based NV on CV. We calculated CV using the same COM, SG&A, and financial expense figures used to compute the COP. Petitioner did not include an amount for profit in the calculation of CV, as permitted by 773(e)(2) of the Act, because the most recent data available (*i.e.*, the parent company's 1999 consolidated financial statements) reflected a net loss. Therefore, Petitioner did not adjust CV to account for profit. Should the need arise to use the profit rate provided by Petitioner as facts available under section 776 of the Act in our preliminary or final determination, we will re-examine the information and may, if appropriate, revise the CV calculations. See *Indonesia Initiation Checklist*.

#### **PRC**

##### *Export Price*

Petitioner based its U.S. prices on information regarding Chinese quoted offer prices as relayed by a U.S. customer. Petitioner based U.S. price on export price because it stated that Indian producers/exporters typically sell either directly to a distributor or retailer in the United States or through an unaffiliated trading company to unrelated purchasers in the United States. The Department deducted from these prices the costs associated with exporting the product, including foreign port expense, inland insurance, and brokerage and handling. See *PRC Initiation Checklist*.

##### *Normal Value*

Petitioner stated that the PRC is a non-market economy (“NME”) and no determination to the contrary has yet been made by the Department. In previous investigations, the Department has determined that the PRC is an NME. See *Notice of Final Determination of Sales at Less Than Fair Value: Magnesium Metal from the People's*

*Republic of China*, 70 FR 9037 (February 24, 2005), *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), and *Notice of Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the People's Republic of China*, 69 FR 70997 (December 8, 2004). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production valued in a surrogate market-economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters. Petitioner selected India as the surrogate country arguing that, pursuant to section 773(c)(4) of the Act, India is an appropriate surrogate because it is a market-economy country that is at a comparable level of economic development to the PRC and is a significant producer and exporter of CLPP. See Petition Volume IV at pages 10–12. Based on the information provided by Petitioner, we believe that its use of India as a surrogate country is appropriate for purposes of initiating this investigation. After the initiation of the investigation, we will solicit comments regarding surrogate country selection. Also, pursuant to 19 CFR 351.301(c)(3)(i) of the Department's regulations, interested parties will be provided an opportunity to submit publicly available information to value factors of production within 40 days after the date of publication of the preliminary determination.

Petitioner explained that the production process for CLPP involves drawing out large rolls of paper (*i.e.*, "web paper"), printing lines with a press machine, cutting it to desired size, and perforating the paper as necessary. See Petition Volume IV at 13. Petitioner stated that manufacturing of CLPP is extremely similar regardless of location and therefore its use of the U.S. producer's product-specific production costs and/or consumption rates represents the best information reasonably available to Petitioner at this time. See Petition Volume IV at 13–14. In building up the factors of production,

Petitioner started with blank paper in rolls as the primary input in finished CLPP.

Petitioner provided a dumping margin calculation using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C). See Petition Volume IV at Exhibit IV–20; and September 22, 2005, First Supplement Exhibit IV–Supp–9; September 23, 2005, at Exhibit IV–Supp–2–6; and September 27, 2005, at Exhibit IV–Supp–3–10. To determine the quantities of inputs used by the PRC producers to produce 150-count filler paper and 70-count spiral-bound notebooks, Petitioner relied on the production experience and actual consumption rates of a U.S. CLPP producer for the period January 2005 through June 2005. For composition books, Petitioner relied on its understanding of the "step and repeat" manufacturing process to estimate usage rates for the period July 1, 2004, through June 30, 2005.

In accordance with section 773(c)(4) of the Act, Petitioner valued factors of production, where possible, on reasonably available, public surrogate country data. To value certain factors of production, Petitioner used *Monthly Statistics of the Foreign Trade of India*, as published by the Directorate General of Commercial Intelligence and Statistics of the Ministry of Commerce and Industry, Government of India. For more information see the *PRC Initiation Checklist*.

For inputs valued in Indian rupees and not contemporaneous with the POI, Petitioner used information from the wholesale price indices in India as published by the International Monetary Fund in the *International Financial Statistics* to determine the appropriate adjustments for inflation. In addition, Petitioner made currency conversions, where necessary, based on the average rupee/U.S. dollar exchange rate for the POI as reported on the Department's Web site. The Department recalculated Petitioner's exchange rate for the POI to be a simple daily average. See *PRC Initiation Checklist*.

The Department calculates and publishes the surrogate values for labor to be used in NME cases on its Web site. Therefore, to value labor, Petitioner used a labor rate of \$0.85 per hour, in accordance with the Department's regulations. See 19 CFR 351.408(c)(3) and the September 27, 2005, submission at page 8. Petitioner stated that electricity was recorded in overhead and did not include packing costs. See Petition at Exhibit IV–13.

Petitioner calculated surrogate financial ratios (overhead, SG&A, and profit) using information obtained from

the Navneet 2003–2004 Annual Report. See Petition Volume IV at page 19–21 and Exhibit IV–19. Navneet is an Indian producer of CLPP. In this case, the Department has accepted the financial information from the Navneet financial statements for the purposes of initiation, because these data appear to be the best information on such expenses currently available to Petitioner. However, the Department identified certain errors in Petitioner's calculations and has corrected these surrogate financial ratios as discussed below. Petitioner calculated the COM as the sum of raw materials, direct labor, and manufacturing overhead expenses inclusive of energy and depreciation expenses. However, Petitioner calculated the manufacturing overhead ratio by dividing the manufacturing overhead amount, as discussed above, by the sum of raw materials, direct labor, and energy. Petitioner then applied this ratio to the sum of raw materials and direct labor to calculate the COM. Thus, Petitioner erred in calculating the overhead amount included in the COM, by including energy in the denominator of the calculated overhead rate and then applying this rate to the sum of materials and direct labor. To correct this error, we recalculated the manufacturing overhead ratio by dividing the manufacturing overhead amount (inclusive of energy and depreciation expenses) by the sum of raw materials and direct labor, and applied this ratio to the sum of raw materials and direct labor to calculate the COM.

To calculate the SG&A ratio and financial expenses, Petitioner relied upon amounts reported in Navneet's 2004 fiscal year financial statements. In calculating the SG&A ratio (which includes the interest expense ratio), Petitioner erroneously included certain items such as rebates, discounts, transportation expenses, etc. These items are generally accounted for elsewhere in our calculations. Therefore, to avoid double counting, we revised the SG&A ratio to exclude these items. As a result of these changes in the overhead and SG&A ratios, the profit ratio also changed. See *PRC Initiation Checklist*.

The Department's practice in NME proceedings is to add to surrogate values based on import statistics a surrogate freight cost calculated using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory. This adjustment is in accordance with the Court of Appeals for the Federal Circuit's decision in

*Sigma Corp. v. United States*, 117 F. 3d 1401, 1408 (Fed. Cir. 1997). Here, Petitioner was unable to obtain the actual supplier distances to the Chinese producer, and did not adjust its NV calculation to include a freight expense for the raw material inputs. See Petition Volume IV at pages 15–16 and Exhibit IV–15. Therefore, we did not include the freight-in expense from Navneet's financial statement in the buildup of materials costs for purposes of calculating the surrogate financial ratios.

#### Fair Value Comparisons

Based on the data provided by Petitioner, there is reason to believe that imports of CLPP from India, Indonesia and the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on comparisons of EP (method derived from one price quote) to NV, calculated in accordance with section 773(a) of the Act, and of EP to CV, the range of the revised estimated dumping margins for CLPP from Indonesia is 77.06 percent to 118.63 percent. Based on comparisons of EP to NV, calculated in accordance with section 773(c) of the Act, the estimated revised weighted-average dumping margin for CLPP from the PRC is 258.21 percent. The estimated revised dumping margins for India based on a comparison of EP to recalculated CV ranged from 181.68 percent to 215.93 percent.

#### Allegations and Evidence of Material Injury and Causation

With regard to India, Indonesia and the PRC, Petitioner alleges that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. Petitioner contends that the industry's injured condition is illustrated by the decline in customer base, market share, domestic shipments, prices and profit. We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. See *Indonesia Initiation Checklist*, *India Initiation Checklist*, and *PRC Initiation Checklist* at Attachment III (Injury).

#### Separate Rates and Quantity and Value Questionnaire

The Department recently modified the process by which exporters and producers may obtain separate-rate status in NME investigations. See Policy Bulletin 05.1: Separate-Rates Practice

and Application of Combination Rates in Antidumping Investigations Involving Non-Market Economy Countries, (April 5, 2005), available on the Department's Web site at <http://ia.ita.doc.gov/policy/bull05-1.pdf>. The process now requires the submission of a separate-rate status application. Based on our experience in processing the separate rates applications in the antidumping duty investigations of *Artists Canvas* and *Diamond Sawblades* (see *Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China*, 70 FR 21996, 21999 (April 28, 2005), and *Initiation of Antidumping Duty Investigations: Diamond Sawblades and Parts Thereof from the People's Republic of China and the Republic of Korea*, 70 FR 35623, 35629 (June 21, 2005)), we have modified the application for this investigation to make it more administrable and easier for applicants to complete. The specific requirements for submitting the separate-rates application in this investigation are outlined in detail in the application itself, which will be available on the Department's Web site at <http://ia.ita.doc.gov/> on the date of publication of this initiation notice in the **Federal Register**. Please refer to this application for all instructions.

#### Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The *Separate Rates and Combination Rates Bulletin*, states:

{w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of "combination rates" because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.

*Separate Rates and Combination Rates Bulletin*, at page 6.

#### Initiation of Antidumping Investigations

Based upon our examination of the Petitions on CLPP, we find that these Petitions meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of CLPP are being, or are likely to be, sold in the United States at less than fair value. Unless postponed, we will make our preliminary determinations no later than 140 days after the date of these initiations.

#### Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, copies of the public versions of the respective Petition has been provided to the Government of India, Government of Indonesia, and the Government of the PRC.

#### International Trade Commission Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

#### Preliminary Determination by the ITC

The ITC will preliminarily determine, within 25 days after the date on which it receives notice of these initiations, whether there is a reasonable indication that imports of CLPP from India, Indonesia and the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. See section 733(a)(2) of the Act. A negative ITC determination will result in the investigations being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: September 29, 2005.

**Barbara E. Tillman,**

*Acting Assistant Secretary for Import Administration.*

#### Scope Appendix

##### *Scope of the Investigation*

The scope of this investigation includes certain lined paper products, typically school supplies,<sup>2</sup> composed of or including paper that incorporates straight horizontal and/or vertical lines on ten or more paper sheets,<sup>3</sup> including but not limited to such products as single- and multi-subject notebooks,

<sup>2</sup> For purposes of this scope definition, the actual use of or labeling these products as school supplies or non-school supplies is not a defining characteristic.

<sup>3</sup> There shall be no minimum page requirement for looseleaf filler paper.

composition books, wireless notebooks, looseleaf or glued filler paper, graph paper, and laboratory notebooks, and with the smaller dimension of the paper measuring 6 inches to 15 inches (inclusive) and the larger dimension of the paper measuring 8<sup>3</sup>/<sub>4</sub> inches to 15 inches (inclusive). Page dimensions are measured size (not advertised, stated, or "tear-out" size), and are measured as they appear in the product (*i.e.*, stitched and folded pages in a notebook are measured by the size of the page as it appears in the notebook page, not the size of the unfolded paper). However, for measurement purposes, pages with tapered or rounded edges shall be measured at their longest and widest points. Subject lined paper products may be loose, packaged or bound using any binding method (other than case bound through the inclusion of binders board, a spine strip, and cover wrap). Subject merchandise may or may not contain any combination of a front cover, a rear cover, and/or backing of any composition, regardless of the inclusion of images or graphics on the cover, backing, or paper. Subject merchandise is within the scope of this petition whether or not the lined paper and/or cover are hole punched, drilled, perforated, and/or reinforced. Subject merchandise may contain accessory or informational items including but not limited to pockets, tabs, dividers, closure devices, index cards, stencils, protractors, writing implements, reference materials such as mathematical tables, or printed items such as sticker sheets or miniature calendars, if such items are physically incorporated, included with, or attached to the product, cover and/or backing thereto.

Specifically excluded from the scope of this petition are: unlined copy machine paper; writing pads with a backing (including but not limited to products commonly known as "tablets," "note pads," "legal pads," and "quadrille pads"), provided that they do not have a front cover (whether permanent or removable). This exclusion does not apply to such writing pads if they consist of hole-punched or drilled filler paper; three-ring or multiple-ring binders, or notebook organizers incorporating such a ring binder provided that they do not include subject paper; index cards; printed books and other books that are case bound through the inclusion of binders board, a spine strip, and cover wrap; newspapers; pictures and photographs; desk and wall calendars and organizers (including but not limited to such products generally

known as "office planners," "time books," and "appointment books"); telephone logs; address books; columnar pads & tablets, with or without covers, primarily suited for the recording of written numerical business data; lined business or office forms, including but not limited to: preprinted business forms, lined invoice pads and paper, mailing and address labels, manifests, and shipping log books; lined continuous computer paper; boxed or packaged writing stationery (including but not limited to products commonly known as "fine business paper," "parchment paper," and "letterhead"), whether or not containing a lined header or decorative lines; Stenographic pads ("steno pads"), Gregg ruled,<sup>4</sup> measuring 6 inches by 9 inches;

Also excluded from the scope of these investigations are the following trademarked products: Fly\* lined paper products: A notebook, notebook organizer, loose or glued note paper, with papers that are printed with infrared reflective inks and readable only by a Fly\* pen-top computer. The product must bear the valid trademark Fly\*.<sup>5</sup> Zwipes\*: A notebook or notebook organizer made with a blended polyolefin writing surface as the cover and pocket surfaces of the notebook, suitable for writing using a specially-developed permanent marker and erase system (known as a Zwipes\* pen). This system allows the marker portion to mark the writing surface with a permanent ink. The eraser portion of the marker dispenses a solvent capable of solubilizing the permanent ink, allowing the ink to be removed. The product must bear the valid trademark Zwipes\*.<sup>6</sup> FiveStar\*Advance\*: A notebook or notebook organizer bound by a continuous spiral, or helical, wire and with plastic front and rear covers made of a blended polyolefin plastic material joined by 300 denier polyester, coated on the backside with PVC (poly vinyl chloride) coating, and extending the entire length of the spiral or helical wire. The polyolefin plastic covers are of specific thickness; front cover is .019 inches (within normal manufacturing tolerances) and rear cover is .028 inches (within normal manufacturing tolerances). Integral with the stitching that attaches the polyester spine

<sup>4</sup> "Gregg ruling" consists of a single- or double-margin vertical ruling line down the center of the page. For a six-inch by nine-inch stenographic pad, the ruling would be located approximately three inches from the left of the book.

<sup>5</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>6</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

covering, is captured both ends of a 1" wide elastic fabric band. This band is located 2<sup>3</sup>/<sub>8</sub>" from the top of the front plastic cover and provides pen or pencil storage. Both ends of the spiral wire are cut and then bent backwards to overlap with the previous coil but specifically outside the coil diameter but inside the polyester covering. During construction, the polyester covering is sewn to the front and rear covers face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. The flexible polyester material forms a covering over the spiral wire to protect it and provide a comfortable grip on the product. The product must bear the valid trademarks FiveStar\*Advance\*.<sup>7</sup>

FiveStar Flex\*: A notebook, a notebook organizer, or binder with plastic polyolefin front and rear covers joined by 300 denier polyester spine cover extending the entire length of the spine and bound by a 3-ring plastic fixture. The polyolefin plastic covers are of a specific thickness; front cover is .019 inches (within normal manufacturing tolerances) and rear cover is .028 inches (within normal manufacturing tolerances). During construction, the polyester covering is sewn to the front cover face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. During construction, the polyester cover is sewn to the back cover with the outside of the polyester spine cover to the inside back cover. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. Each ring within the fixture is comprised of a flexible strap portion that snaps into a stationary post which forms a closed binding ring. The ring fixture is riveted with six metal rivets and sewn to the back plastic cover and is specifically positioned on the outside back cover. The product must bear the valid trademark FiveStar Flex\*.<sup>8</sup>

Merchandise subject to this investigation is typically imported under headings 4820.10.2050, 4810.22.5044, 4811.90.9090 of the Harmonized Tariff Schedule of the United States (HTSUS).<sup>9</sup> The tariff classifications are provided for

<sup>7</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>8</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>9</sup> During the investigation additional HTS codes may be identified.

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convenience and U.S. Customs and Border Protection purposes; however, the written description of the scope of the investigation is dispositive.

[FR Doc. E5-5515 Filed 10-5-05; 8:45 am]

**BILLING CODE 3510-DS-P**

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**DEPARTMENT OF COMMERCE****International Trade Administration**

[C-533-844, C-560-819]

**Notice of Initiation of Countervailing Duty Investigations: Certain Lined Paper Products from India (C-533-844) and Indonesia (C-560-819)****AGENCY:** Import Administration, International Trade Administration, Department of Commerce.**ACTION:** Initiation of countervailing duty investigation.**SUMMARY:** The Department of Commerce is initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters of certain lined paper products from India and Indonesia receive countervailable subsidies.**EFFECTIVE DATE:** October 7, 2005.**FOR FURTHER INFORMATION CONTACT:** Maura Jeffords and Eric B. Greynolds (India) or Indonesia, David Layton or David Neubacher (Indonesia) AD/CVD Operations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-0371 and (202) 482-5823, (202) 482-3146 and (202) 482-6071, (202) or 482-0371 and (202) 482-5823, respectively.**SUPPLEMENTARY INFORMATION:****Initiation of Investigations  
The Petitions**

Between September 9 and September 26, 2005, the Department of Commerce ("the Department") received Petitions, and amendments to the Petitions, ("the Petitions") filed in proper form by Association of American School Suppliers ("Petitioner").

In accordance with section 702(b)(1) of the Tariff Act of 1930, as amended by

the Uruguay Round Agreements Act (effective January 1, 1995) ("the Act"), Petitioner alleges that manufacturers, producers, or exporters of certain lined paper products ("certain lined CLPP paper" or "subject merchandise") from India and Indonesia receive countervailable subsidies within the meaning of section 701 of the Act, and that such imports are materially injuring, or threatening material injury, to an industry in the United States. On September 21, 2005, the Department issued a memo clarifying that the official filing date of the Petitions was September 9, 2005. *See Memorandum from the Team to Acting Deputy Assistant Secretary Barbara Tillman: Decision Memorandum Concerning Filing Date of Petitions*, September 21, 2005, (explaining that the proper file date is September 9, 2005, as it was filed at the ITC after the noon deadline on the previous day).

The Department finds that Petitioner filed the Petitions on behalf of the domestic industry because they are interested parties, as defined in sections 771(9)(E) and (F) of the Act, and have demonstrated sufficient industry support in accordance with section 702(c)(4)(A) of the Act. *See infra*, "Determination of Industry Support for the Petitions."

**Scope of Investigation***See Appendix I.***Comments on Scope of Investigations**

During our review of the Petitions, we discussed the scope with Petitioner to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for interested parties to raise issues regarding product coverage. *See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27295, 27323 (1997). The Department encourages all interested parties to submit such comments within 20 calendar days of publication of this initiation notice. Comments should be addressed to Import Administration's Central Records Unit ("CRU") in Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230 - Attn: James Terpstra. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with interested parties prior to the issuance of the preliminary determinations.

## Consultations

Pursuant to section 702(b)(4)(A)(ii) of the Act, the Department invited representatives of the Governments of India and Indonesia for consultations with respect to the Petitions. The Department held consultations with the Government of Indonesia on September 23, 2005. The points raised in the consultations are described in the consultation memorandum to the file dated September 26, 2005, and in the Government of Indonesia's September 22, 2005, and September 26, 2005, submissions to the Department, both of which are on file in the CRU. The Government of India declined the Department's invitation for consultations.<sup>1</sup>

## Determination of Industry Support for the Petitions

Section 702(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 702(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 702(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (1) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (2) determine industry support using a statistically valid sample.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the Act directs the Department to look to producers and workers who account for production of the domestic like product. The ITC, which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (see section

771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law. See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1 (CIT 2001) (citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988)).

Section 771(10) of the Act defines the domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation" (i.e., the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, Petitioner does not offer a definition of domestic like product distinct from the scope of the investigation. See *Indonesia Initiation Checklist, India Initiation Checklist* at Attachment II (Industry Support). Based on our analysis of the information submitted in the Petitions we have determined that there is a single domestic like product, certain lined paper products, which is defined further in the "Scope of the Investigations" section in Appendix I, and we have analyzed industry support in terms of that domestic like product.

Our review of the data provided in the petition and other information readily available to the Department indicates that Petitioner has established industry support representing at least 25 percent of the total production of the domestic like product, and more than 50 percent of the production of the domestic like product produced by that portion of the industry, requiring no further action by the Department pursuant to section 702(c)(4)(D) of the Act. In addition, the Department received no opposition to the Petitions from domestic producers of the like product. Therefore, the domestic producers (or workers) who support the Petitions account for at least 25 percent of the total production of the domestic like product, and the requirements of section 702(c)(4)(A)(i) of the Act are met. Furthermore, the domestic producers who support the Petitions account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the

Petitions. Thus, the requirements of section 702(c)(4)(A)(ii) of the Act also are met. Accordingly, the Department determines that the Petitions were filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act. See *Indonesia Initiation Checklist* and *India Initiation Checklist* at Attachment II (Industry Support).

The Department finds that Petitioner filed these petitions on behalf of the domestic industry because it is an interested party as defined in sections 771(9)(E) and (F) of the Act and it has demonstrated sufficient industry support with respect to the countervailing duty investigations that it is requesting the Department initiate. See *Indonesia Initiation Checklist* and *India Initiation Checklist*.

## Injury Test

Because India and Indonesia are each a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, section 701(a)(2) of the Act applies to these investigations. Accordingly, the ITC must determine whether imports of the subject merchandise from India and Indonesia materially injure, or threaten material injury to, a U.S. industry.

## Allegations and Evidence of Material Injury and Causations

With regard to India and Indonesia, Petitioner alleges that the U.S. industry producing the domestic like product is being materially injured, and is threatened with material injury, by reason of the individual and cumulative imports of the subject merchandise. Petitioner contends that the industry's injured condition is illustrated by the decline in its customer base, market share, domestic shipments, prices and profit. We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. See *Indonesia Initiation Checklist, India Initiation Checklist* at Attachment III (Injury).

## Initiation of Countervailing Duty Investigations

Section 702(b) of the Act requires the Department to initiate a countervailing duty proceeding whenever an interested party files a petition on behalf of an industry that (1) alleges the elements necessary for an imposition of a duty under section 701(a) of the Act and (2) is accompanied by information reasonably available to Petitioner supporting the allegations.

<sup>1</sup> See Memorandum to the File from Maura Jeffords Regarding Subject Consultations and the Government of India (GOI), Sept. 22, 2005.

The Department has examined the countervailing duty petitions on certain lined paper products from India and Indonesia and found that they comply with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters of certain lined paper products from India and Indonesia receive countervailable subsidies. For a discussion of evidence supporting our initiation determination, see *Indonesia Initiation Checklist* and *India Initiation Checklist*.

We are including in our investigations the following programs alleged in the Petitions to have provided countervailable subsidies to producers and exporters of the subject merchandise in India and Indonesia:

#### I. India:

##### A. Duty Entitlement Passbook Scheme (“DEPS”)

##### B. Export Processing Zones and Export Oriented Units

1. Duty Free Import of Capital Goods and Raw Materials
2. Reimbursement of Central Sales Tax Paid on Domestically-Sourced Materials
3. Duty Drawback on Furnace Oil Sourced from Domestic Companies

##### C. Pre-shipment and Post Shipment Export Financing

##### D. Income Tax Exemption Schemes under Sections 10A, 10B and 80 HHC

##### E. Export Promotion Capital Goods Scheme (“EPCGS”)

##### G. Market Access Initiative

##### H. Market Development Assistance

##### I. Status Certificate Program

##### J. State Programs

1. State of Gujarat Sales Tax Program
2. State of Maharashtra Sales Tax Program

#### II. Indonesia

##### A. Provision of Logs at Less Than Adequate Remuneration

1. Provision of Fiber at Preferential Rates

2. Government Ban on Log Exports

##### B. Subsidized Funding for Reforestation (*Hutan Tanaman Industri* or *HTI Program*)

##### C. Accelerated Depreciation

We are not including in our investigation the following programs alleged to benefit producers and exporters of the subject merchandise in Indonesia:

##### A. Non-Enforcement of Banking Regulations at Conglomerate-Owned Financial Institutions

Petitioner alleges that the Government of Indonesia’s non-enforcement of its laws intended to ensure prudent lending and the solvency of lending institutions permitted financial institutions controlled by forest industry conglomerates to provide credit to producers of the subject merchandise which would not have otherwise been available. In particular, Petitioner asserts that Sinar Mas/APP’s affiliated bank, Bank Internasional Indonesia (BII), made loans to its affiliates that exceeded the legal loan exposure limit of the bank to any one affiliated company.

Petitioner provided insufficient information regarding the existence of a financial contribution or specificity.

##### B. Government Protection from Bankruptcy

Sinar Mas/APP had amassed an estimated debt of \$13.4 to \$13.9 billion in high yield bonds and loans from several domestic and international financial institutions and Export Credit Agencies (ECAs). In March 2001, Sinar Mas/APP unilaterally ceased all of its debt payments. Of this estimated debt, \$1.3 billion was owed to BII. In May 2001, the BII and the Sinar Mas/APP debt owed to the bank were placed under the control of the Indonesian Bank Restructuring Agency (IBRA), a government entity created under the Indonesian Ministry of Finance. In assuming the Sinar Mas/APP debt, IBRA received a lien on all Sinar Mas/APP assets, which gave the agency first rights to Sinar Mas/APP assets. Because IBRA never attempted to exercise its liens, Petitioner alleges that IBRA provided a shield for Sinar Mas/APP preventing foreign creditors from collecting on the estimated \$12.6 billion or forcing Sinar Mas/APP into bankruptcy. Sinar Mas/APP continued to operate without any changes to ownership.

Petitioner provided insufficient information regarding the existence of a financial contribution or specificity.

##### C. Invalidation of Bonds Through Court Action

Sinar Mas/APP sued in Indonesian court to invalidate bonds it had issued with an estimated value of \$550 million. The bonds were registered with the U.S. Securities and Exchange commission, underwritten by Morgan Stanley, and held by international investors. The District Court of Kuala Tungkal ruled that the bonds were invalid on the grounds that they were concocted by the foreign institutions to earn excessive fees. Therefore, the court ruled that Sinar Mas/APP did not have to repay

the \$550 million in bonds or the accrued interest to its creditors.

Petitioner provided insufficient information regarding the financial contribution or specificity. Moreover, according to the information provided by Petitioner, the financial institutions still have the option of appealing the Indonesian court decision. Therefore, the judicial process in this claim has not finished its course.

##### D. Tax Holidays, Import Duty Exemption and Other Tax Benefits

The Department found in *Indonesian Textiles*<sup>2</sup> that the Indonesian Ministry of Finance may grant industries a variety of tax benefits, such as tax holidays, exemption from capital stamp duties and different levels of exemption from corporate taxes. The industries approved for the tax benefits are deemed “priority” industries by the Ministry of Finance and also are listed on two priority lists called Daftar Skala Priorities (DSP).

We do not plan to investigate these alleged subsidies because they were recurring subsidies which occurred in 1983, 22 years ago, and there has been no new information provided by Petitioner to indicate that these programs are still in existence.

##### E. Working Capital Export Credits

Beginning in June 1983, Indonesian state and private banks offered working capital export credits to domestic companies exporting goods other than gas and oil. The banks decided which companies could borrow and the interest rate to charge. The Department preliminarily found this to be a countervailable subsidy.

We do not plan to investigate these alleged subsidies because they were recurring subsidies which occurred in 1983, 22 years ago, and there has been no new information provided by Petitioner to indicate that these programs are still in existence.

Other

##### A. Provision of Capital on Preferential Terms Prior to the Indonesian Financial Crisis

In its September 9th filing, Petitioner alleged that preferential financing was provided to the forest industry during the 1990’s and included information regarding loans to Bob Hasan’s Kalimanis Group. In its September 22nd submission, Petitioner stated that it did not know whether any members of the Bob Hasan Group produced or exporter subject merchandise, and reserved the right to provide additional information.

<sup>2</sup> See *Preliminary Affirmative Countervailing Duty Determinations; Certain Textile Mills Products and Apparel from Indonesia*, 49 FR 49672 (December 12, 1984) (*Indonesian Textiles*).

Therefore, we are not including this allegation in our investigation at this time.

### Distribution of Copies of the Petitions

In accordance with section 702(b)(4)(A)(i) of the Act, a copy of the public version of the Petitions has been provided to the Government of India and Government of Indonesia. We will attempt to provide a copy of the public version of the Petition to each exporter named in the Petition, as provided for under 19 CFR 351.203(c)(2).

### ITC Notification

We have notified the ITC of our initiations, as required by section 702(d) of the Act.

### Preliminary Determinations by the ITC

The ITC will preliminarily determine, within 25 days after the date on which it receives notice of these initiations, whether there is a reasonable indication that imports of certain lined paper products from India and Indonesia are causing material injury, or threatening to cause material injury, to a U.S. industry. See section 703(a)(2) of the Act. A negative ITC determination will result in the investigations being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(I) of the Act.

Dated: September 29, 2005.

**Barbara E. Tillman,**

*Acting Assistant Secretary for Import Administration.*

### Appendix I

#### Scope of the Investigation

The scope of this investigation includes certain lined paper products, typically school supplies,<sup>1</sup> composed of or including paper that incorporates straight horizontal and/or vertical lines on ten or more paper sheets,<sup>2</sup> including but not limited to such products as single- and multi-subject notebooks, composition books, wireless notebooks, looseleaf or glued filler paper, graph paper, and laboratory notebooks, and with the smaller dimension of the paper measuring 6 inches to 15 inches (inclusive) and the larger dimension of the paper measuring 8-3/4 inches to 15 inches (inclusive). Page dimensions are measured size (not advertised, stated, or "tear-out" size), and are measured as

<sup>1</sup> For purposes of this scope definition, the actual use of or labeling these products as school supplies or non-school supplies is not a defining characteristic.

<sup>2</sup> There shall be no minimum page requirement for looseleaf filler paper.

they appear in the product (*i.e.*, stitched and folded pages in a notebook are measured by the size of the page as it appears in the notebook page, not the size of the unfolded paper). However, for measurement purposes, pages with tapered or rounded edges shall be measured at their longest and widest points. Subject lined paper products may be loose, packaged or bound using any binding method (other than case bound through the inclusion of binders board, a spine strip, and cover wrap). Subject merchandise may or may not contain any combination of a front cover, a rear cover, and/or backing of any composition, regardless of the inclusion of images or graphics on the cover, backing, or paper. Subject merchandise is within the scope of this petition whether or not the lined paper and/or cover are hole punched, drilled, perforated, and/or reinforced. Subject merchandise may contain accessory or informational items including but not limited to pockets, tabs, dividers, closure devices, index cards, stencils, protractors, writing implements, reference materials such as mathematical tables, or printed items such as sticker sheets or miniature calendars, if such items are physically incorporated, included with, or attached to the product, cover and/or backing thereto.

Specifically excluded from the scope of this petition are:

- unlined copy machine paper;
- writing pads with a backing (including but not limited to products commonly known as "tablets," "note pads," "legal pads," and "quadrille pads"), provided that they do not have a front cover (whether permanent or removable). This exclusion does not apply to such writing pads if they consist of hole-punched or drilled filler paper;
- three-ring or multiple-ring binders, or notebook organizers incorporating such a ring binder provided that they do not include subject paper;
- index cards;
- printed books and other books that are case bound through the inclusion of binders board, a spine strip, and cover wrap;
- newspapers;
- pictures and photographs;
- desk and wall calendars and organizers (including but not limited to such products generally known as "office planners," "time books," and "appointment books");
- telephone logs;
- address books;
- columnar pads & tablets, with or without covers, primarily suited for the recording of written numerical business data;

- lined business or office forms, including but not limited to: preprinted business forms, lined invoice pads and paper, mailing and address labels, manifests, and shipping log books;
- lined continuous computer paper;
- boxed or packaged writing stationary (including but not limited to products commonly known as "fine business paper," "parchment paper," and "letterhead"), whether or not containing a lined header or decorative lines;
- Stenographic pads ("steno pads"), Gregg ruled,<sup>3</sup> measuring 6 inches by 9 inches;

Also excluded from the scope of these investigations are the following trademarked products:

- Fly<sup>TM</sup> lined paper products: A notebook, notebook organizer, loose or glued note paper, with papers that are printed with infrared reflective inks and readable only by a Fly<sup>TM</sup> pen-top computer. The product must bear the valid trademark Fly<sup>TM</sup>.<sup>4</sup>
- Zwipes<sup>TM</sup>: A notebook or notebook organizer made with a blended polyolefin writing surface as the cover and pocket surfaces of the notebook, suitable for writing using a specially-developed permanent marker and erase system (known as a Zwipes<sup>TM</sup> pen). This system allows the marker portion to mark the writing surface with a permanent ink. The eraser portion of the marker dispenses a solvent capable of solubilizing the permanent ink allowing the ink to be removed. The product must bear the valid trademark Zwipes<sup>TM</sup>.<sup>5</sup>
- FiveStar<sup>®</sup>Advance<sup>TM</sup>: A notebook or notebook organizer bound by a continuous spiral, or helical, wire and with plastic front and rear covers made of a blended polyolefin plastic material joined by 300 denier polyester, coated on the backside with PVC (poly vinyl chloride) coating, and extending the entire length of the spiral or helical wire. The polyolefin plastic covers are of specific thickness; front cover is .019 inches (within normal manufacturing tolerances) and rear cover is .028 inches (within normal manufacturing tolerances). Integral with the stitching that attaches the polyester spine covering, is captured both ends of a 1" wide elastic fabric band. This band is located 2-3/8" from the top of the front

<sup>3</sup> "Gregg ruling" consists of single- or double-margin vertical ruling line down the center of the page. For a six-inch by nine-inch stenographic pad, the ruling would be located approximately three inches from the left of the book.

<sup>4</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>5</sup> Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

plastic cover and provides pen or pencil storage. Both ends of the spiral wire are cut and then bent backwards to overlap with the previous coil but specifically outside the coil diameter but inside the polyester covering. During construction, the polyester covering is sewn to the front and rear covers face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. The flexible polyester material forms a covering over the spiral wire to protect it and provide a comfortable grip on the product. The product must bear the valid trademarks FiveStar®Advance™.<sup>6</sup>

• FiveStar Flex™: A notebook, a notebook organizer, or binder with plastic polyolefin front and rear covers joined by 300 denier polyester spine cover extending the entire length of the spine and bound by a 3-ring plastic fixture. The polyolefin plastic covers are of a specific thickness; front cover is .019 inches (within normal manufacturing tolerances) and rear cover is .028 inches (within normal manufacturing tolerances). During construction, the polyester covering is sewn to the front cover face to face (outside to outside) so that when the book is closed, the stitching is concealed from the outside. During construction, the polyester cover is sewn to the back cover with the outside of the polyester spine cover to the inside back cover. Both free ends (the ends not sewn to the cover and back) are stitched with a turned edge construction. Each ring within the fixture is comprised of a flexible strap portion that snaps into a stationary post which forms a closed binding ring. The ring fixture is riveted with six metal rivets and sewn to the back plastic cover and is specifically positioned on the outside back cover. The product must bear the valid trademark FiveStar Flex™.<sup>7</sup>

Merchandise subject to this investigation is typically imported under headings 4820.10.2050, 4810.22.5044, 4811.90.9090 of the Harmonized Tariff Schedule of the United States (HTSUS).<sup>8</sup> The tariff classifications are provided for convenience and U.S. Customs and Border Protection purposes; however,

the written description of the scope of the investigation is dispositive.

[FR Doc. E5-5541 Filed 10-6-05; 8:45 am]

**BILLING CODE 3510-DS-S**

<sup>6</sup>Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>7</sup>Products found to be bearing an invalidly licensed or used trademark are not excluded from the scope.

<sup>8</sup>During the investigation additional HTS codes may be identified.



**APPENDIX B**  
**CONFERENCE WITNESSES**



**CALENDAR OF THE PUBLIC CONFERENCE**

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigations:

**CERTAIN LINED PAPER SCHOOL SUPPLIES  
FROM CHINA, INDIA, AND INDONESIA**

**Investigation Nos. 701-TA-442-443 and 731-TA-1095-1097 (Preliminary)**

**September 30, 2005 - 9:30 a.m.**

The conference was held in Room 111 (Courtroom B) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

**In Support of the Imposition of Antidumping and Countervailing Duties:**

Wiley Rein & Fielding LLP  
Washington, DC  
on behalf of

MeadWestvaco Corp.  
Norcom, Inc.  
Top Flight, Inc.

**George Robinson**, Vice President of Sales, Retail Division, Top Flight, Inc.  
**Harold A. Rahn**, President, Norcom, Inc.  
**Neil A. McLachlan**, President, MeadWestvaco Consumer & Office Products Division  
**Perry Smith**, Plant Manager, MeadWestvaco Corp.  
**William J. Klinefelter**, Assistant to the President, United Steel, Paper and Forestry,  
Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers  
International Union, AFL-CIO-CLC  
**Dr. Seth T. Kaplan**, Vice President Charles River Associates (Economic Consultant)

**Alan H. Price** )  
**Timothy C. Brightbill** )--OF COUNSEL  
**Daniel B. Pickard** )

**In Opposition to the Imposition of Antidumping and Countervailing Duties:**

Kaye Scholer LLP  
Washington, DC  
on behalf of

Staples, Inc.

**Susan Ciulla**, Vice President, Divisional Merchandise Manager, Staples, Inc.  
**Kelly O'Brien**, Buyer, Staples, Inc.

**Donald B. Cameron** )--OF COUNSEL  
**Julie C. Mendoza** )

Barnes, Richardson & Colburn  
Washington, DC  
on behalf of

CPP International, LLC

**Clay Presley**, President and CEO, CPP International, LLC

**Matthew T. McGrath** )--OF COUNSEL  
**Stephen W. Brophy** )

Willkie Farr & Gallagher LLP  
Washington, DC  
on behalf of

FFI International  
Naveet Publications India, Ltd.  
Sundaram Multi-Pad, Ltd.  
Arrow Exports  
Fibro Source USA, Inc.  
American Scholar

**Ranjit Singh Bindra**, Fibro Source USA, Inc.  
**Dave B. Rao**, American Scholar

**Victor Mroczka** )--OF COUNSEL

**In Opposition to the Imposition of Antidumping and Countervailing Duties:--Continued**

Grunfeld, Desiderio, Lebowitz, Silverman, Klstadt LLP  
Washington, DC  
on behalf of

Hot Rock Stationery (Shenzhen) Co., Ltd.  
Watanabe Paper Product (Shanghai) Co., Ltd.  
Watanabe Paper Product (Linqing) Co., Ltd.  
Changshu Changjiang Printing Co., Ltd.  
Anhui Light Industrial Import & Export Corp.  
Shanghai Pudong Wenbao Paper Products Factory  
Suzhou Industrial Park Asia Pacific Paper Converting Co., Ltd.  
Shanghai Lian Li Paper Products Co., Ltd.  
Fuda Stationery Factory Co. Ltd.  
Tonzex Electric Stationery Manufactory  
Shanghai Sentian Paper Products Co., Ltd.  
You-you Paper Products (Sunzhou) Co., Ltd.  
Maxleaf Stationery Co., Ltd.  
Ningbo Guangbo Plastic Products Manufacture Co., Ltd.  
Yantai License Printing & Making Co., Ltd.  
Shanghai Lansheng Stationery & Sporting Goods Imports & Exports Co., Ltd.  
Shanghai Foreign Trade Enterprises Co., Ltd.  
Jiaxing Tegaote Paper Products, Co., Ltd.  
GOALMARK International Group

**Ned H. Marshak )--OF COUNSEL**  
**Paul G. Figueroa )**



**APPENDIX C**  
**SUMMARY DATA**



*Contains Business Proprietary Information*

**Table C-1**  
**CLPSS: Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
<b>U.S. consumption quantity:</b>									
Amount	594,381	641,840	774,540	399,131	439,990	30.3	8.0	20.7	10.2
Producers' share (1)	52.0	45.2	40.9	29.4	20.8	-11.1	-6.8	-4.3	-8.6
<b>Importers' share (1):</b>									
China	26.1	29.0	28.5	35.8	50.1	2.4	2.9	-0.5	14.3
India	4.8	5.8	4.6	5.9	5.2	-0.2	1.0	-1.2	-0.7
Indonesia	5.8	6.1	4.5	6.2	5.0	-1.3	0.3	-1.6	-1.2
Subtotal	36.8	40.9	37.7	48.0	60.3	0.9	4.1	-3.2	12.3
Other sources	11.2	13.9	21.4	22.6	18.9	10.2	2.7	7.5	-3.8
Total imports	48.0	54.8	59.1	70.6	79.2	11.1	6.8	4.3	8.6
<b>U.S. consumption value:</b>									
Amount	432,612	466,758	523,365	258,817	286,860	21.0	7.9	12.1	10.8
Producers' share (1)	61.3	53.8	44.4	36.4	28.3	-16.9	-7.5	-9.4	-8.2
<b>Importers' share (1):</b>									
China	18.7	23.3	25.2	30.6	40.1	6.5	4.6	1.9	9.5
India	3.0	3.4	2.5	3.4	2.8	-0.5	0.4	-0.9	-0.5
Indonesia	4.2	3.3	2.4	3.4	3.0	-1.8	-0.9	-0.9	-0.4
Subtotal	25.9	30.0	30.1	37.4	45.9	4.2	4.1	0.1	8.5
Other sources	12.8	16.2	25.5	26.2	25.9	12.7	3.4	9.3	-0.3
Total imports	38.7	46.2	55.6	63.6	71.7	16.9	7.5	9.4	8.2
<b>U.S. imports from:</b>									
<b>China:</b>									
Quantity	155,155	186,278	220,744	143,064	220,423	42.3	20.1	18.5	54.1
Value	80,808	108,779	131,836	79,159	114,917	63.1	34.6	21.2	45.2
Unit value	\$0.52	\$0.58	\$0.60	\$0.55	\$0.52	14.7	12.1	2.3	-5.8
Ending inventory quantity	10,701	11,929	8,954	11,880	13,738	-16.3	11.5	-24.9	15.6
<b>India:</b>									
Quantity	28,730	37,226	35,991	23,501	22,722	25.3	29.6	-3.3	-3.3
Value	13,013	15,779	13,122	8,751	8,163	0.8	21.3	-16.8	-6.7
Unit value	\$0.45	\$0.42	\$0.36	\$0.37	\$0.36	-19.5	-6.4	-14.0	-3.5
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>Indonesia:</b>									
Quantity	34,606	38,998	34,985	24,924	22,183	1.1	12.7	-10.3	-11.0
Value	18,112	15,477	12,603	8,781	8,506	-30.4	-14.5	-18.6	-3.1
Unit value	\$0.52	\$0.40	\$0.36	\$0.35	\$0.38	-31.2	-24.2	-9.2	8.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>Subtotal:</b>									
Quantity	218,491	262,503	291,719	191,488	265,328	33.5	20.1	11.1	38.6
Value	111,933	140,035	157,561	96,691	131,586	40.8	25.1	12.5	36.1
Unit value	\$0.51	\$0.53	\$0.54	\$0.50	\$0.50	5.4	4.1	1.2	-1.8
Ending inventory quantity	15,876	17,298	17,962	20,150	20,957	13.1	9.0	3.8	4.0
<b>All other sources:</b>									
Quantity	66,727	89,175	165,791	90,312	82,946	148.5	33.6	85.9	-8.2
Value	55,453	75,755	133,590	67,796	74,219	140.9	36.6	76.3	9.5
Unit value	\$0.83	\$0.85	\$0.81	\$0.75	\$0.89	-3.0	2.2	-5.1	19.2
Ending inventory quantity	673	1,602	2,160	2,246	3,018	221.0	138.0	34.8	34.4
<b>All sources:</b>									
Quantity	285,218	351,678	457,509	281,800	348,274	60.4	23.3	30.1	23.6
Value	167,385	215,791	291,151	164,486	205,805	73.9	28.9	34.9	25.1
Unit value	\$0.59	\$0.61	\$0.64	\$0.58	\$0.59	8.4	4.6	3.7	1.2
Ending inventory quantity	16,549	18,900	20,122	22,396	23,975	21.6	14.2	6.5	7.0

Table continued on next page.

**Contains Business Proprietary Information**

**Table C-1--Continued**

**CLPSS: Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
U.S. producers':									
Average capacity quantity . . . .	809,039	697,907	677,722	320,508	298,663	-16.2	-13.7	-2.9	-6.8
Production quantity . . . . .	348,324	366,445	336,915	199,295	144,918	-3.3	5.2	-8.1	-27.3
Capacity utilization (1) . . . . .	42.3	51.8	49.7	62.2	48.5	7.4	9.5	-2.1	-13.7
U.S. shipments:									
Quantity . . . . .	309,163	290,162	317,031	117,331	91,716	2.5	-6.1	9.3	-21.8
Value . . . . .	265,227	250,967	232,214	94,331	81,055	-12.4	-5.4	-7.5	-14.1
Unit value . . . . .	\$0.86	\$0.86	\$0.73	\$0.80	\$0.88	-14.6	0.8	-15.3	9.9
Export shipments:									
Quantity . . . . .	***	***	***	***	***	***	***	***	***
Value . . . . .	***	***	***	***	***	***	***	***	***
Unit value . . . . .	***	***	***	***	***	***	***	***	***
Ending inventory quantity . . . . .									
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers . . . . .	947	853	795	672	550	-16.1	-9.9	-6.8	-18.2
Hours worked (1,000s) . . . . .	1,749	1,567	1,456	757	582	-16.7	-10.4	-7.1	-23.1
Wages paid (\$1,000) . . . . .	25,099	23,130	22,754	11,527	9,046	-9.3	-7.8	-1.6	-21.5
Hourly wages . . . . .	\$14.35	\$14.76	\$15.63	\$15.23	\$15.54	8.9	2.8	5.9	2.1
Productivity (units per hour) . . .	199.1	233.8	231.4	263.3	249.0	16.2	17.4	-1.0	-5.4
Unit labor costs . . . . .	\$0.07	\$0.06	\$0.07	\$0.06	\$0.06	-6.3	-12.4	7.0	7.9
Net sales:									
Quantity . . . . .	323,644	303,580	326,923	134,212	105,777	1.0	-6.2	7.7	-21.2
Value . . . . .	276,644	261,792	240,267	109,220	93,487	-13.1	-5.4	-8.2	-14.4
Unit value . . . . .	\$0.85	\$0.86	\$0.73	\$0.81	\$0.88	-14.0	0.9	-14.8	8.6
Cost of goods sold (COGS) . . . . .	214,572	205,692	202,917	87,201	79,155	-5.4	-4.1	-1.3	-9.2
Gross profit or (loss) . . . . .	62,072	56,100	37,350	22,019	14,332	-39.8	-9.6	-33.4	-34.9
SG&A expenses . . . . .	30,346	30,811	27,961	13,807	11,845	-7.9	1.5	-9.3	-14.2
Operating income or (loss) . . . . .	31,726	25,288	9,389	8,212	2,487	-70.4	-20.3	-62.9	-69.7
Capital expenditures . . . . .	2,822	653	391	109	713	-86.1	-76.9	-40.1	554.1
Unit COGS . . . . .	\$0.66	\$0.68	\$0.62	\$0.65	\$0.75	-6.4	2.2	-8.4	15.2
Unit SG&A expenses . . . . .	\$0.09	\$0.10	\$0.09	\$0.10	\$0.11	-8.8	8.2	-15.7	8.9
Unit operating income or (loss)	\$0.10	\$0.08	\$0.03	\$0.06	\$0.02	-70.7	-15.0	-65.5	-61.6
COGS/sales (1) . . . . .	77.6	78.6	84.5	79.8	84.7	6.9	1.0	5.9	4.8
Operating income or (loss)/ sales (1) . . . . .	11.5	9.7	3.9	7.5	2.7	-7.6	-1.8	-5.8	-4.9

(1) "Reported data" are in percent and "period changes" are in percentage points.

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 and from official Commerce statistics.

Table C-1A

CLPSS (excluding CPP from U.S. producers' data): Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
U.S. consumption quantity:									
Amount	594,381	641,840	774,540	399,131	439,990	30.3	8.0	20.7	10.2
Producers' share (1):									
CPP	***	***	***	***	***	***	***	***	***
All other	***	***	***	***	***	***	***	***	***
Total	52.0	45.2	40.9	29.4	20.8	-11.1	-6.8	-4.3	-8.6
Importers' share (1):									
China	26.1	29.0	28.5	35.8	50.1	2.4	2.9	-0.5	14.3
India	4.8	5.8	4.6	5.9	5.2	-0.2	1.0	-1.2	-0.7
Indonesia	5.8	6.1	4.5	6.2	5.0	-1.3	0.3	-1.6	-1.2
Subtotal	36.8	40.9	37.7	48.0	60.3	0.9	4.1	-3.2	12.3
Other sources	11.2	13.9	21.4	22.6	18.9	10.2	2.7	7.5	-3.8
Total imports	48.0	54.8	59.1	70.6	79.2	11.1	6.8	4.3	8.6
U.S. consumption value:									
Amount	432,612	466,758	523,365	258,817	286,860	21.0	7.9	12.1	10.8
Producers' share (1):									
CPP	***	***	***	***	***	***	***	***	***
All other	***	***	***	***	***	***	***	***	***
Total	61.3	53.8	44.4	36.4	28.3	-16.9	-7.5	-9.4	-8.2
Importers' share (1):									
China	18.7	23.3	25.2	30.6	40.1	6.5	4.6	1.9	9.5
India	3.0	3.4	2.5	3.4	2.8	-0.5	0.4	-0.9	-0.5
Indonesia	4.2	3.3	2.4	3.4	3.0	-1.8	-0.9	-0.9	-0.4
Subtotal	25.9	30.0	30.1	37.4	45.9	4.2	4.1	0.1	8.5
Other sources	12.8	16.2	25.5	26.2	25.9	12.7	3.4	9.3	-0.3
Total imports	38.7	46.2	55.6	63.6	71.7	16.9	7.5	9.4	8.2
U.S. imports from:									
China:									
Quantity	155,155	186,278	220,744	143,064	220,423	42.3	20.1	18.5	54.1
Value	80,808	108,779	131,836	79,159	114,917	63.1	34.6	21.2	45.2
Unit value	\$0.52	\$0.58	\$0.60	\$0.55	\$0.52	14.7	12.1	2.3	-5.8
Ending inventory quantity	10,701	11,929	8,954	11,880	13,738	-16.3	11.5	-24.9	15.6
India:									
Quantity	28,730	37,226	35,991	23,501	22,722	25.3	29.6	-3.3	-3.3
Value	13,013	15,779	13,122	8,751	8,163	0.8	21.3	-16.8	-6.7
Unit value	\$0.45	\$0.42	\$0.36	\$0.37	\$0.36	-19.5	-6.4	-14.0	-3.5
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity	34,606	38,998	34,985	24,924	22,183	1.1	12.7	-10.3	-11.0
Value	18,112	15,477	12,603	8,781	8,506	-30.4	-14.5	-18.6	-3.1
Unit value	\$0.52	\$0.40	\$0.36	\$0.35	\$0.38	-31.2	-24.2	-9.2	8.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	218,491	262,503	291,719	191,488	265,328	33.5	20.1	11.1	38.6
Value	111,933	140,035	157,561	96,691	131,586	40.8	25.1	12.5	36.1
Unit value	\$0.51	\$0.53	\$0.54	\$0.50	\$0.50	5.4	4.1	1.2	-1.8
Ending inventory quantity	15,876	17,298	17,962	20,150	20,957	13.1	9.0	3.8	4.0
All other sources:									
Quantity	66,727	89,175	165,791	90,312	82,946	148.5	33.6	85.9	-8.2
Value	55,453	75,755	133,590	67,796	74,219	140.9	36.6	76.3	9.5
Unit value	\$0.83	\$0.85	\$0.81	\$0.75	\$0.89	-3.0	2.2	-5.1	19.2
Ending inventory quantity	673	1,602	2,160	2,246	3,018	221.0	138.0	34.8	34.4
All sources:									
Quantity	285,218	351,678	457,509	281,800	348,274	60.4	23.3	30.1	23.6
Value	167,385	215,791	291,151	164,486	205,805	73.9	28.9	34.9	25.1
Unit value	\$0.59	\$0.61	\$0.64	\$0.58	\$0.59	8.4	4.6	3.7	1.2
Ending inventory quantity	16,549	18,900	20,122	22,396	23,975	21.6	14.2	6.5	7.0

Table continued on next page.

*Contains Business Proprietary Information*

**Table C-1A--Continued**

**CLPSS (excluding CPP from U.S. producers' data): Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
U.S. producers' (2):									
Average capacity quantity . . . .	***	***	677,722	320,508	298,663	***	***	***	-6.8
Production quantity . . . . .	***	***	336,915	199,295	144,918	***	***	***	-27.3
Capacity utilization (1) . . . . .	***	***	49.7	62.2	48.5	***	***	***	-13.7
U.S. shipments:									
Quantity . . . . .	***	***	317,031	117,331	91,716	***	***	***	-21.8
Value . . . . .	***	***	232,214	94,331	81,055	***	***	***	-14.1
Unit value . . . . .	***	***	\$0.73	\$0.80	\$0.88	***	***	***	9.9
Export shipments:									
Quantity . . . . .	***	***	***	***	***	***	***	***	***
Value . . . . .	***	***	***	***	***	***	***	***	***
Unit value . . . . .	***	***	***	***	***	***	***	***	***
Ending inventory quantity . . . .	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers . . . . .	***	***	795	672	550	***	***	***	-18.2
Hours worked (1,000s) . . . . .	***	***	1,456	757	582	***	***	***	-23.1
Wages paid (\$1,000) . . . . .	***	***	22,754	11,527	9,046	***	***	***	-21.5
Hourly wages . . . . .	***	***	\$15.63	\$15.23	\$15.54	***	***	***	2.1
Productivity (units per hour) . .	***	***	231.4	263.3	249.0	***	***	***	-5.4
Unit labor costs . . . . .	***	***	\$0.07	\$0.06	\$0.06	***	***	***	7.9
Net sales:									
Quantity . . . . .	***	***	326,923	134,212	105,777	***	***	***	-21.2
Value . . . . .	***	***	240,267	109,220	93,487	***	***	***	-14.4
Unit value . . . . .	***	***	\$0.73	\$0.81	\$0.88	***	***	***	8.6
Cost of goods sold (COGS) . .	***	***	202,917	87,201	79,155	***	***	***	-9.2
Gross profit or (loss) . . . . .	***	***	37,350	22,019	14,332	***	***	***	-34.9
SG&A expenses . . . . .	***	***	27,961	13,807	11,845	***	***	***	-14.2
Operating income or (loss) . . .	***	***	9,389	8,212	2,487	***	***	***	-69.7
Capital expenditures . . . . .	***	***	391	109	713	***	***	***	554.1
Unit COGS . . . . .	***	***	\$0.62	\$0.65	\$0.75	***	***	***	15.2
Unit SG&A expenses . . . . .	***	***	\$0.09	\$0.10	\$0.11	***	***	***	8.9
Unit operating income or (loss)	***	***	\$0.03	\$0.06	\$0.02	***	***	***	-61.6
COGS/sales (1) . . . . .	***	***	84.5	79.8	84.7	***	***	***	4.8
Operating income or (loss)/ sales (1) . . . . .	***	***	3.9	7.5	2.7	***	***	***	-4.9
CPP:									
U.S. shipments:									
Quantity . . . . .	***	***	***	***	***	***	***	***	***
Value . . . . .	***	***	***	***	***	***	***	***	***
Unit value . . . . .	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Excluding CPP.

(3) 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 and from official Commerce statistics.

**Contains Business Proprietary Information**

**Table C-2**

**Other lined paper products: Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
<b>U.S. consumption quantity:</b>									
Amount	265,190	335,352	335,964	158,537	171,755	26.7	26.5	0.2	8.3
Producers' share (1)	20.0	17.7	15.7	18.4	16.5	-4.3	-2.3	-2.0	-1.9
<b>Importers' share (1):</b>									
China	42.5	44.7	50.7	48.6	50.8	8.2	2.2	5.9	2.2
India	1.5	1.4	1.2	1.2	0.9	-0.3	-0.1	-0.2	-0.4
Indonesia	9.8	13.9	12.9	11.6	16.3	3.1	4.1	-1.0	4.8
Subtotal	53.9	60.0	64.8	61.3	68.0	10.9	6.1	4.8	6.6
Other sources	26.1	22.3	19.5	20.2	15.5	-6.6	-3.8	-2.8	-4.7
Total imports	80.0	82.3	84.3	81.6	83.5	4.3	2.3	2.0	1.9
<b>U.S. consumption value:</b>									
Amount	153,528	160,092	176,939	85,951	109,073	15.2	4.3	10.5	26.9
Producers' share (1)	27.6	19.5	16.3	20.7	18.2	-11.3	-8.1	-3.2	-2.6
<b>Importers' share (1):</b>									
China	41.7	49.1	54.5	50.3	62.2	12.7	7.4	5.3	11.9
India	0.9	1.5	1.2	1.2	0.8	0.3	0.5	-0.3	-0.4
Indonesia	4.9	7.4	5.4	5.0	5.4	0.4	2.5	-2.0	0.4
Subtotal	47.6	58.0	61.0	56.4	68.4	13.4	10.4	3.0	11.9
Other sources	24.8	22.4	22.7	22.9	13.5	-2.1	-2.3	0.3	-9.4
Total imports	72.4	80.5	83.7	79.3	81.8	11.3	8.1	3.2	2.6
<b>U.S. imports (3) from:</b>									
<b>China:</b>									
Quantity	112,768	150,057	170,280	76,985	87,196	51.0	33.1	13.5	13.3
Value	64,081	78,674	96,361	43,200	67,800	50.4	22.8	22.5	56.9
Unit value	\$0.57	\$0.52	\$0.57	\$0.56	\$0.78	-0.4	-7.7	7.9	38.6
Ending inventory quantity	2,540	7,032	7,449	7,544	7,370	193.3	176.9	5.9	-2.3
<b>India:</b>									
Quantity	3,981	4,585	3,892	1,939	1,496	-2.3	15.2	-15.1	-22.9
Value	1,450	2,390	2,126	1,021	881	46.6	64.9	-11.1	-13.7
Unit value	\$0.36	\$0.52	\$0.55	\$0.53	\$0.59	50.0	43.2	4.8	11.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>Indonesia:</b>									
Quantity	26,057	46,558	43,391	18,327	28,078	66.5	78.7	-6.8	53.2
Value	7,595	11,852	9,476	4,266	5,880	24.8	56.0	-20.0	37.8
Unit value	\$0.29	\$0.25	\$0.22	\$0.23	\$0.21	-25.1	-12.7	-14.2	-10.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>Subtotal:</b>									
Quantity	142,807	201,200	217,562	97,251	116,769	52.3	40.9	8.1	20.1
Value	73,126	92,916	107,963	48,486	74,560	47.6	27.1	16.2	53.8
Unit value	\$0.51	\$0.46	\$0.50	\$0.50	\$0.64	-3.1	-9.8	7.5	28.1
Ending inventory quantity	3,669	8,605	8,151	8,519	8,009	122.2	134.5	-5.3	-6.0
<b>All other sources:</b>									
Quantity	69,261	74,825	65,639	32,089	26,665	-5.2	8.0	-12.3	-16.9
Value	38,015	35,935	40,161	19,652	14,695	5.6	-5.5	11.8	-25.2
Unit value	\$0.55	\$0.48	\$0.61	\$0.61	\$0.55	11.5	-12.5	27.4	-10.0
Ending inventory quantity	102	682	153	653	601	(2)	(2)	(2)	(2)
<b>All sources:</b>									
Quantity	212,068	276,025	283,201	129,340	143,434	33.5	30.2	2.6	10.9
Value	111,141	128,851	148,124	68,139	89,255	33.3	15.9	15.0	31.0
Unit value	\$0.52	\$0.47	\$0.52	\$0.53	\$0.62	-0.2	-10.9	12.0	18.1
Ending inventory quantity	3,771	9,287	8,304	9,172	8,610	120.2	146.3	-10.6	-6.1

Table continued on next page.

**Contains Business Proprietary Information**

**Table C-2--Continued**

**Other lined paper products: Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
<b>U.S. producers':</b>									
Average capacity quantity . . . .	85,546	78,418	77,252	35,771	34,511	-9.7	-8.3	-1.5	-3.5
Production quantity . . . . .	55,015	67,688	52,507	31,720	27,705	-4.6	23.0	-22.4	-12.7
Capacity utilization (1) . . . . .	62.0	84.5	68.0	88.7	80.3	5.9	22.5	-16.6	-8.4
<b>U.S. shipments:</b>									
Quantity . . . . .	53,122	59,327	52,762	29,197	28,322	-0.7	11.7	-11.1	-3.0
Value . . . . .	42,387	31,241	28,815	17,812	19,818	-32.0	-26.3	-7.8	11.3
Unit value . . . . .	\$0.80	\$0.53	\$0.55	\$0.61	\$0.70	-31.6	-34.0	3.7	14.7
<b>Export shipments:</b>									
Quantity . . . . .	***	***	***	***	***	***	***	***	***
Value . . . . .	***	***	***	***	***	***	***	***	***
Unit value . . . . .	***	***	***	***	***	***	***	***	***
Ending inventory quantity . . . .	10,292	13,178	8,857	12,171	8,658	-13.9	28.0	-32.8	-28.9
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers . . . . .	88	85	75	62	54	-14.8	-3.4	-11.8	-12.9
Hours worked (1,000s) . . . . .	166	158	141	73	63	-15.4	-5.1	-10.8	-13.7
Wages paid (\$1,000) . . . . .	2,486	2,399	2,215	1,142	998	-10.9	-3.5	-7.7	-12.6
Hourly wages . . . . .	\$14.95	\$15.21	\$15.75	\$15.64	\$15.84	5.3	1.7	3.5	1.3
Productivity (units per hour) . . .	330.9	429.2	373.4	434.5	439.8	12.8	29.7	-13.0	1.2
Unit labor costs . . . . .	\$0.05	\$0.04	\$0.04	\$0.04	\$0.04	-6.7	-21.6	19.0	0.1
<b>Net sales:</b>									
Quantity . . . . .	57,932	64,833	57,257	34,564	33,437	-1.2	11.9	-11.7	-3.3
Value . . . . .	45,388	33,954	30,943	20,631	22,381	-31.8	-25.2	-8.9	8.5
Unit value . . . . .	\$0.78	\$0.52	\$0.54	\$0.60	\$0.67	-31.0	-33.2	3.2	12.1
Cost of goods sold (COGS) . . . .	37,369	26,400	24,908	16,195	18,713	-33.3	-29.4	-5.7	15.5
Gross profit or (loss) . . . . .	8,019	7,554	6,035	4,436	3,668	-24.7	-5.8	-20.1	-17.3
SG&A expenses . . . . .	5,232	4,189	3,645	2,417	2,294	-30.3	-19.9	-13.0	-5.1
Operating income or (loss) . . . .	2,787	3,365	2,390	2,019	1,374	-14.2	20.7	-29.0	-31.9
Capital expenditures . . . . .	36	21	21	3	19	-41.7	-41.7	0.0	533.3
Unit COGS . . . . .	\$0.65	\$0.41	\$0.44	\$0.47	\$0.56	-32.6	-36.9	6.8	19.4
Unit SG&A expenses . . . . .	\$0.09	\$0.06	\$0.06	\$0.07	\$0.07	-29.5	-28.5	-1.5	-1.9
Unit operating income or (loss)	\$0.05	\$0.05	\$0.04	\$0.06	\$0.04	-13.2	7.9	-19.6	-29.7
COGS/sales (1) . . . . .	82.3	77.8	80.5	78.5	83.6	-1.8	-4.6	2.7	5.1
Operating income or (loss)/ sales (1) . . . . .	6.1	9.9	7.7	9.8	6.1	1.6	3.8	-2.2	-3.6

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

(3) Import data for other lined paper products are based on official Commerce statistics for HTS statistical reporting number 4820.10.2020 (see table I-2).

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 and from official Commerce statistics.

**Table C-3**  
**All lined paper products: Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
U.S. consumption quantity:									
Amount	859,571	977,191	1,110,504	557,668	611,745	29.2	13.7	13.6	9.7
Producers' share (1)	42.1	35.8	33.3	26.3	19.6	-8.8	-6.4	-2.5	-6.7
Share (1) of imports of lined paper school supplies from:									
China	18.1	19.1	19.9	25.7	36.0	1.8	1.0	0.8	10.4
India	3.3	3.8	3.2	4.2	3.7	-0.1	0.5	-0.6	-0.5
Indonesia	4.0	4.0	3.2	4.5	3.6	-0.9	-0.0	-0.8	-0.8
Subtotal	25.4	26.9	26.3	34.3	43.4	0.9	1.4	-0.6	9.0
Other sources	7.8	9.1	14.9	16.2	13.6	7.2	1.4	5.8	-2.6
All sources	33.2	36.0	41.2	50.5	56.9	8.0	2.8	5.2	6.4
Share (1) of imports of other lined paper products (2) from all sources	24.7	28.2	25.5	23.2	23.4	0.8	3.6	-2.7	0.3
U.S. consumption value:									
Amount	586,140	626,850	700,304	344,768	395,933	19.5	6.9	11.7	14.8
Producers' share (1)	52.5	45.0	37.3	32.5	25.5	-15.2	-7.5	-7.7	-7.0
Share (1) of imports of lined paper school supplies from:									
China	13.8	17.4	18.8	23.0	29.0	5.0	3.6	1.5	6.1
India	2.2	2.5	1.9	2.5	2.1	-0.3	0.3	-0.6	-0.5
Indonesia	3.1	2.5	1.8	2.5	2.1	-1.3	-0.6	-0.7	-0.4
Subtotal	19.1	22.3	22.5	28.0	33.2	3.4	3.2	0.2	5.2
Other sources	9.5	12.1	19.1	19.7	18.7	9.6	2.6	7.0	-0.9
All sources	28.6	34.4	41.6	47.7	52.0	13.0	5.9	7.2	4.3
Share (1) of imports of other lined paper products (2) from all sources	19.0	20.6	21.2	19.8	22.5	2.2	1.6	0.6	2.8
U.S. imports of lined paper school supplies from:									
China:									
Quantity	155,155	186,278	220,744	143,064	220,423	42.3	20.1	18.5	54.1
Value	80,808	108,779	131,836	79,159	114,917	63.1	34.6	21.2	45.2
Unit value	\$0.52	\$0.58	\$0.60	\$0.55	\$0.52	14.7	12.1	2.3	-5.8
Ending inventory quantity	10,701	11,929	8,954	11,880	13,738	-16.3	11.5	-24.9	15.6
India:									
Quantity	28,730	37,226	35,991	23,501	22,722	25.3	29.6	-3.3	-3.3
Value	13,013	15,779	13,122	8,751	8,163	0.8	21.3	-16.8	-6.7
Unit value	\$0.45	\$0.42	\$0.36	\$0.37	\$0.36	-19.5	-6.4	-14.0	-3.5
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity	34,606	38,998	34,985	24,924	22,183	1.1	12.7	-10.3	-11.0
Value	18,112	15,477	12,603	8,781	8,506	-30.4	-14.5	-18.6	-3.1
Unit value	\$0.52	\$0.40	\$0.36	\$0.35	\$0.38	-31.2	-24.2	-9.2	8.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	218,491	262,503	291,719	191,488	265,328	33.5	20.1	11.1	38.6
Value	111,933	140,035	157,561	96,691	131,586	40.8	25.1	12.5	36.1
Unit value	\$0.51	\$0.53	\$0.54	\$0.50	\$0.50	5.4	4.1	1.2	-1.8
Ending inventory quantity	15,876	17,298	17,962	20,150	20,957	13.1	9.0	3.8	4.0
All other sources:									
Quantity	66,727	89,175	165,791	90,312	82,946	148.5	33.6	85.9	-8.2
Value	55,453	75,755	133,590	67,796	74,219	140.9	36.6	76.3	9.5
Unit value	\$0.83	\$0.85	\$0.81	\$0.75	\$0.89	-3.0	2.2	-5.1	19.2
Ending inventory quantity	673	1,602	2,160	2,246	3,018	221.0	138.0	34.8	34.4
All sources:									
Quantity	285,218	351,678	457,509	281,800	348,274	60.4	23.3	30.1	23.6
Value	167,385	215,791	291,151	164,486	205,805	73.9	28.9	34.9	25.1
Unit value	\$0.59	\$0.61	\$0.64	\$0.58	\$0.59	8.4	4.6	3.7	1.2
Ending inventory quantity	16,549	18,900	20,122	22,396	23,975	21.6	14.2	6.5	7.0

Table continued on next page.

**Contains Business Proprietary Information**

**Table C-3--Continued**

**All lined paper products: Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
U.S. imports of other lined paper products (2) from all sources:									
Quantity .....	212,068	276,025	283,201	129,340	143,434	33.5	30.2	2.6	10.9
Value .....	111,141	128,851	148,124	68,139	89,255	33.3	15.9	15.0	31.0
Unit value .....	\$0.52	\$0.47	\$0.52	\$0.53	\$0.62	-0.2	-10.9	12.0	18.1
Ending inventory quantity .....	3,771	9,287	8,304	9,172	8,610	120.2	146.3	-10.6	-6.1
U.S. producers':									
Average capacity quantity .....	894,585	776,326	754,974	356,279	333,174	-15.6	-13.2	-2.8	-6.5
Production quantity .....	403,338	434,133	389,423	231,015	172,623	-3.5	7.6	-10.3	-25.3
Capacity utilization (1) .....	44.2	55.1	51.6	64.8	51.8	7.4	10.9	-3.6	-13.0
U.S. shipments:									
Quantity .....	362,285	349,489	369,793	146,529	120,037	2.1	-3.5	5.8	-18.1
Value .....	307,614	282,208	261,029	112,143	100,873	-15.1	-8.3	-7.5	-10.0
Unit value .....	\$0.85	\$0.81	\$0.71	\$0.77	\$0.84	-16.9	-4.9	-12.6	9.8
Export shipments:									
Quantity .....	***	***	***	***	***	***	***	***	***
Value .....	***	***	***	***	***	***	***	***	***
Unit value .....	***	***	***	***	***	***	***	***	***
Ending inventory quantity .....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1) .....	***	***	***	***	***	***	***	***	***
Production workers .....	1,035	938	870	734	604	-15.9	-9.4	-7.2	-17.7
Hours worked (1,000s) .....	1,915	1,725	1,597	830	645	-16.6	-9.9	-7.4	-22.3
Wages paid (\$1,000) .....	27,585	25,529	24,969	12,669	10,044	-9.5	-7.5	-2.2	-20.7
Hourly wages .....	\$14.40	\$14.80	\$15.64	\$15.26	\$15.57	8.6	2.8	5.7	2.0
Productivity (units per hour) .....	210.6	251.7	243.9	278.3	267.6	15.8	19.5	-3.1	-3.8
Unit labor costs .....	\$0.07	\$0.06	\$0.06	\$0.05	\$0.06	-6.3	-14.0	9.0	6.1
Net sales:									
Quantity .....	381,576	368,413	384,180	168,776	139,214	0.7	-3.4	4.3	-17.5
Value .....	322,032	295,746	271,210	129,851	115,868	-15.8	-8.2	-8.3	-10.8
Unit value .....	\$0.84	\$0.80	\$0.71	\$0.77	\$0.83	-16.4	-4.9	-12.1	8.2
Cost of goods sold (COGS) .....	251,941	232,092	227,825	103,396	97,868	-9.6	-7.9	-1.8	-5.3
Gross profit or (loss) .....	70,091	63,654	43,385	26,455	18,000	-38.1	-9.2	-31.8	-32.0
SG&A expenses .....	35,578	35,000	31,606	16,224	14,139	-11.2	-1.6	-9.7	-12.9
Operating income or (loss) .....	34,513	28,653	11,779	10,231	3,861	-65.9	-17.0	-58.9	-62.3
Capital expenditures .....	2,858	674	412	112	732	-85.6	-76.4	-38.9	553.6
Unit COGS .....	\$0.66	\$0.63	\$0.59	\$0.61	\$0.70	-10.2	-4.6	-5.9	14.8
Unit SG&A expenses .....	\$0.09	\$0.10	\$0.08	\$0.10	\$0.10	-11.8	1.9	-13.4	5.7
Unit operating income or (loss) .....	\$0.09	\$0.08	\$0.03	\$0.06	\$0.03	-66.1	-14.0	-60.6	-54.3
COGS/sales (1) .....	78.2	78.5	84.0	79.6	84.5	5.8	0.2	5.5	4.8
Operating income or (loss)/ sales (1) .....	10.7	9.7	4.3	7.9	3.3	-6.4	-1.0	-5.3	-4.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Import data for other lined paper products are based on official Commerce statistics for HTS statistical reporting number 4820.10.2020 (see table I-2).

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 and from official Commerce statistics.

Table C-3A

All lined paper products (excluding CPP from U.S. producers' data): Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
U.S. consumption quantity:									
Amount	859,571	977,191	1,110,504	557,668	611,745	29.2	13.7	13.6	9.7
Producers' share (1):									
CPP	***	***	***	***	***	***	***	***	***
All other	***	***	***	***	***	***	***	***	***
Total	42.1	35.8	33.3	26.3	19.6	-8.8	-6.4	-2.5	-6.7
Share (1) of CLPSS imports from:									
China	18.1	19.1	19.9	25.7	36.0	1.8	1.0	0.8	10.4
India	3.3	3.8	3.2	4.2	3.7	-0.1	0.5	-0.6	-0.5
Indonesia	4.0	4.0	3.2	4.5	3.6	-0.9	-0.0	-0.8	-0.8
Subtotal	25.4	26.9	26.3	34.3	43.4	0.9	1.4	-0.6	9.0
Other sources	7.8	9.1	14.9	16.2	13.6	7.2	1.4	5.8	-2.6
All sources	33.2	36.0	41.2	50.5	56.9	8.0	2.8	5.2	6.4
Share (1) of imports of other lined paper products from all sources									
	24.7	28.2	25.5	23.2	23.4	0.8	3.6	-2.7	0.3
U.S. consumption value:									
Amount	586,140	626,850	700,304	344,768	395,933	19.5	6.9	11.7	14.8
Producers' share (1):									
CPP	***	***	***	***	***	***	***	***	***
All other	***	***	***	***	***	***	***	***	***
Total	52.5	45.0	37.3	32.5	25.5	-15.2	-7.5	-7.7	-7.0
Share (1) of CLPSS imports from:									
China	13.8	17.4	18.8	23.0	29.0	5.0	3.6	1.5	6.1
India	2.2	2.5	1.9	2.5	2.1	-0.3	0.3	-0.6	-0.5
Indonesia	3.1	2.5	1.8	2.5	2.1	-1.3	-0.6	-0.7	-0.4
Subtotal	19.1	22.3	22.5	28.0	33.2	3.4	3.2	0.2	5.2
Other sources	9.5	12.1	19.1	19.7	18.7	9.6	2.6	7.0	-0.9
All sources	28.6	34.4	41.6	47.7	52.0	13.0	5.9	7.2	4.3
Share (1) of imports of other lined paper products (4) from all sources									
	19.0	20.6	21.2	19.8	22.5	2.2	1.6	0.6	2.8
U.S. imports of CLPSS from :									
China:									
Quantity	155,155	186,278	220,744	143,064	220,423	42.3	20.1	18.5	54.1
Value	80,808	108,779	131,836	79,159	114,917	63.1	34.6	21.2	45.2
Unit value	\$0.52	\$0.58	\$0.60	\$0.55	\$0.52	14.7	12.1	2.3	-5.8
Ending inventory quantity	10,701	11,929	8,954	11,880	13,738	-16.3	11.5	-24.9	15.6
India:									
Quantity	28,730	37,226	35,991	23,501	22,722	25.3	29.6	-3.3	-3.3
Value	13,013	15,779	13,122	8,751	8,163	0.8	21.3	-16.8	-6.7
Unit value	\$0.45	\$0.42	\$0.36	\$0.37	\$0.36	-19.5	-6.4	-14.0	-3.5
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity	34,606	38,998	34,985	24,924	22,183	1.1	12.7	-10.3	-11.0
Value	18,112	15,477	12,603	8,781	8,506	-30.4	-14.5	-18.6	-3.1
Unit value	\$0.52	\$0.40	\$0.36	\$0.35	\$0.38	-31.2	-24.2	-9.2	8.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	218,491	262,503	291,719	191,488	265,328	33.5	20.1	11.1	38.6
Value	111,933	140,035	157,561	96,691	131,586	40.8	25.1	12.5	36.1
Unit value	\$0.51	\$0.53	\$0.54	\$0.50	\$0.50	5.4	4.1	1.2	-1.8
Ending inventory quantity	15,876	17,298	17,962	20,150	20,957	13.1	9.0	3.8	4.0
All other sources:									
Quantity	66,727	89,175	165,791	90,312	82,946	148.5	33.6	85.9	-8.2
Value	55,453	75,755	133,590	67,796	74,219	140.9	36.6	76.3	9.5
Unit value	\$0.83	\$0.85	\$0.81	\$0.75	\$0.89	-3.0	2.2	-5.1	19.2
Ending inventory quantity	673	1,602	2,160	2,246	3,018	221.0	138.0	34.8	34.4
All sources:									
Quantity	285,218	351,678	457,509	281,800	348,274	60.4	23.3	30.1	23.6
Value	167,385	215,791	291,151	164,486	205,805	73.9	28.9	34.9	25.1
Unit value	\$0.59	\$0.61	\$0.64	\$0.58	\$0.59	8.4	4.6	3.7	1.2
Ending inventory quantity	16,549	18,900	20,122	22,396	23,975	21.6	14.2	6.5	7.0

Table continued on next page.

**Contains Business Proprietary Information**

**Table C-3A--Continued**

**All lined paper products (excluding CPP from U.S. producers' data): Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2002	2003	2004	January-June		2002-04	2002-03	2003-04	Jan.-June 2004-05
				2004	2005				
<b>U.S. imports of other lined paper products (4) from all sources:</b>									
Quantity . . . . .	212,068	276,025	283,201	129,340	143,434	33.5	30.2	2.6	10.9
Value . . . . .	111,141	128,851	148,124	68,139	89,255	33.3	15.9	15.0	31.0
Unit value . . . . .	\$0.52	\$0.47	\$0.52	\$0.53	\$0.62	-0.2	-10.9	12.0	18.1
Ending inventory quantity . . . . .	3,771	9,287	8,304	9,172	8,610	120.2	146.3	-10.6	-6.1
<b>U.S. producers' (2):</b>									
Average capacity quantity . . . . .	***	***	754,974	356,279	333,174	***	***	***	-6.5
Production quantity . . . . .	***	***	389,423	231,015	172,623	***	***	***	-25.3
Capacity utilization (1) . . . . .	***	***	51.6	64.8	51.8	***	***	***	-13.0
<b>U.S. shipments:</b>									
Quantity . . . . .	***	***	369,793	146,529	120,037	***	***	***	-18.1
Value . . . . .	***	***	261,029	112,143	100,873	***	***	***	-10.0
Unit value . . . . .	***	***	\$0.71	\$0.77	\$0.84	***	***	***	9.8
<b>Export shipments:</b>									
Quantity . . . . .	***	***	***	***	***	***	***	***	***
Value . . . . .	***	***	***	***	***	***	***	***	***
Unit value . . . . .	***	***	***	***	***	***	***	***	***
Ending inventory quantity . . . . .	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1) . . . . .	***	***	***	***	***	***	***	***	***
Production workers . . . . .	***	***	870	734	604	***	***	***	-17.7
Hours worked (1,000s) . . . . .	***	***	1,597	830	645	***	***	***	-22.3
Wages paid (\$1,000) . . . . .	***	***	24,969	12,669	10,044	***	***	***	-20.7
Hourly wages . . . . .	***	***	\$15.64	\$15.26	\$15.57	***	***	***	2.0
Productivity (units per hour) . . . . .	***	***	243.9	278.3	267.6	***	***	***	-3.8
Unit labor costs . . . . .	***	***	\$0.06	\$0.05	\$0.06	***	***	***	6.1
<b>Net sales:</b>									
Quantity . . . . .	***	***	384,180	168,776	139,214	***	***	***	-17.5
Value . . . . .	***	***	271,210	129,851	115,868	***	***	***	-10.8
Unit value . . . . .	***	***	\$0.71	\$0.77	\$0.83	***	***	***	8.2
Cost of goods sold (COGS) . . . . .	***	***	227,825	103,396	97,868	***	***	***	-5.3
Gross profit or (loss) . . . . .	***	***	43,385	26,455	18,000	***	***	***	-32.0
SG&A expenses . . . . .	***	***	31,606	16,224	14,139	***	***	***	-12.9
Operating income or (loss) . . . . .	***	***	11,779	10,231	3,861	***	***	***	-62.3
Capital expenditures . . . . .	***	***	412	112	732	***	***	***	553.6
Unit COGS . . . . .	***	***	\$0.59	\$0.61	\$0.70	***	***	***	14.8
Unit SG&A expenses . . . . .	***	***	\$0.08	\$0.10	\$0.10	***	***	***	5.7
Unit operating income or (loss) . . . . .	***	***	\$0.03	\$0.06	\$0.03	***	***	***	-54.3
COGS/sales (1) . . . . .	***	***	84.0	79.6	84.5	***	***	***	4.8
Operating income or (loss)/ sales (1) . . . . .	***	***	4.3	7.9	3.3	***	***	***	-4.5
<b>CPP:</b>									
<b>U.S. shipments:</b>									
Quantity . . . . .	***	***	0	0	0	***	***	***	(3)
Value . . . . .	***	***	0	0	0	***	***	***	(3)
Unit value . . . . .	***	***	(3)	(3)	(3)	***	***	***	(3)

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Excluding CPP.

(3) Not applicable.

(4) Import data for other lined paper products are based on official Commerce statistics for HTS statistical reporting number 4820.10.2020 (see table I-2).

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 and from official Commerce statistics.

**APPENDIX D**

**WEIGHTED-AVERAGE *DELIVERED PURCHASE* PRICES AND QUANTITIES OF  
DOMESTIC AND IMPORTED PRODUCTS 1-6  
AND  
WEIGHTED-AVERAGE *DELIVERED PURCHASE* PRICES AND QUANTITIES OF  
IMPORTS FROM CHINA AND BRAZIL, ARRANGED BY U.S. PRODUCERS AND  
REPORTED AS DIRECT IMPORTS BY PURCHASERS**



Table D-1

CLPSS: Weighted-average *delivered purchase* prices and quantities of domestic and imported product 1, by quarters, January 2002-June 2005

\* \* \* \* \*

Table D-2

CLPSS: Weighted-average *delivered purchase* prices and quantities of domestic and imported product 2, by quarters, January 2002-June 2005

\* \* \* \* \*

Table D-3

CLPSS: Weighted-average *delivered purchase* prices and quantities of domestic and imported product 3, by quarters, January 2002-June 2005

\* \* \* \* \*

Table D-4

CLPSS: Weighted-average *delivered purchase* prices and quantities of domestic and imported product 4, by quarters, January 2002-June 2005

\* \* \* \* \*

Table D-5

CLPSS: Weighted-average *delivered purchase* prices and quantities of domestic and imported product 5, by quarters, January 2002-June 2005

\* \* \* \* \*

Table D-6

Other lined paper product: Weighted-average *delivered purchase* prices and quantities of domestic and imported product 6, by quarters, January 2002-June 2005

\* \* \* \* \*

Table D-7

CLPSS: Weighted-average *delivered purchase* prices and quantities of products 1, 2, 4, and 5, imported from Brazil, by quarters, January 2002-June 2005

\* \* \* \* \*

Table D-8

CLPSS: Delivered purchase prices and quantities of imports from China and Brazil, arranged by U.S. producers and reported as direct imports by purchasers, by year, 2002-05

\* \* \* \* \*



**APPENDIX E**

**WEIGHTED-AVERAGE PRICES AND QUANTITIES OF PRODUCTS 1-6, PRODUCED  
AND IMPORTED BY *DOMESTIC PRODUCERS ONLY*, AND  
WEIGHTED-AVERAGE PRICES AND QUANTITIES OF PRODUCTS 1, 2, 3, AND 5,  
IMPORTED BY *NON-PRODUCER IMPORTERS ONLY*, AND MARGINS OF  
UNDERSELLING/(OVERSELLING)**



**Table E-1**

**CLPSS: Weighted-average prices and quantities of product 1, produced and imported by *domestic producers only*, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-2**

**CLPSS: Weighted-average prices and quantities of product 2, produced and imported by *domestic producers only*, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-3**

**CLPSS: Weighted-average prices and quantities of product 3, produced and imported by *domestic producers only*, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-4**

**CLPSS: Weighted-average prices and quantities of product 4, produced and imported by *domestic producers only*, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-5**

**CLPSS: Weighted-average prices and quantities of product 5, produced and imported by *domestic producers only*, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-6**

**Other lined paper product: Weighted-average prices and quantities of product 6, produced and imported by *domestic producers only*, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-7**

**Lined paper products: Instances of underselling/overselling and the range and average of margins for products 1-6, produced and imported by domestic producers only, January 2002-June 2005**

	Underselling			Overselling		
	Number of instances	Range (percent)	Average margin (percent)	Number of instances	Range (percent)	Average margin (percent)
Product 1	20	1.0 to 38.8	13.8	4	3.7 to 11.9	6.3
Product 2	13	1.6 to 18.0	11.4	5	2.0 to 16.2	7.3
Product 3	10	6.2 to 39.2	26.0	3	7.3 to 32.1	17.5
Product 4	(1)	(1)	(1)	1	16.8	16.8
Product 5	25	0.9 to 54.9	15.9	10	1.8 to 31.8	11.5
<b>Total<sup>2</sup></b>	<b>68</b>	<b>0.9 to 54.9</b>	<b>15.9</b>	<b>23</b>	<b>1.8 to 32.1</b>	<b>9.5</b>
Product 6	10	47.6 to 79.8	65.3	0	(1)	(1)

<sup>1</sup> Not applicable.  
<sup>2</sup> Total number of instances for all cited products, range of margins for all cited products, and average margin for all cited products.

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

**Table E-8**

**CLPSS: Weighted-average prices and quantities of product 1, both domestic sales and imports imported by non-producer importers only, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-9**

**CLPSS: Weighted-average prices and quantities of product 2, both domestic sales and imports imported by non-producer importers only, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

**Table E-10**

**CLPSS: Weighted-average prices and quantities of product 3, both domestic sales and imports imported by non-producer importers only, and margins of underselling/(overselling), by quarters, January 2002-June 2005**

\* \* \* \* \*

Table E-11

CLPSS: Weighted-average prices and quantities of product 5, both domestic sales and imports imported by *non-producer importers only*, and margins of underselling/(overselling), by quarters, January 2002-June 2005

\* \* \* \* \*

Table E-12

Lined paper products: Instances of underselling/overselling and the range and average of margins for products 1-6, imported by *non-producer importers only*, January 2002-June 2005

	Underselling			Overselling		
	Number of instances	Range (percent)	Average margin (percent)	Number of instances	Range (percent)	Average margin (percent)
Product 1	12	2.9 to 19.0	11.5	2	1.7 to 2.3	2.0
Product 2	15	0.8 to 22.3	12.4	13	1.4 to 72.7	15.2
Product 3	9	0.5 to 14.2	7.8	5	0.4 to 58.6	14.3
Product 4	(1)	(1)	(1)	(1)	(1)	(1)
Product 5	14	20.6 to 55.0	36.4	1	14.2	14.2
<b>Total<sup>2</sup></b>	<b>50</b>	<b>0.8 to 55.0</b>	<b>18.1</b>	<b>21</b>	<b>0.4 to 72.7</b>	<b>13.7</b>
Product 6	(1)	(1)	(1)	(1)	(1)	(1)

<sup>1</sup> Not applicable.

<sup>2</sup> Total number of instances for all cited products, range of margins for all cited products, and average margin for all cited products.

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



**APPENDIX F**

**ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. PRODUCERS'  
EXISTING DEVELOPMENT AND PRODUCTION EFFORTS,  
GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL**



**The Commission requested U.S. producers to describe any actual or potential negative effects since January 1, 2002, on their return on investment, growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of certain lined paper school supplies from China, India, and Indonesia. Their responses are as follows:**

### **Actual Negative Effects**

- \*\*\* “Yes. Cancellation, postponement, or rejection of expansion projects, denial or rejection of investment proposal, reduction in the size of capital investments, lowering of credit rating. \*\*\*.”
- \*\*\* “No.”
- \*\*\* “No.”
- \*\*\* “No.”
- \*\*\* “Yes. Cancellation, postponement, or rejection of expansion projects, reduction in the size of capital investment, rejection of bank loans, lowering of credit rating. \*\*\*.”
- \*\*\* “Yes. Cancellation, postponement, or rejection of expansion projects, reduction in the size of capital investments. \*\*\*. With drop-off in sales volumes due to imports, we have scaled this back. \*\*\*. Was engineered, but we cancelled it due to import competition. Trying to cut costs to stay competitive, but it wouldn’t have been enough. \*\*\*. All canceled in 2004 due to imports. Did not want to make expenditures in this area. \*\*\*.”
- \*\*\* “Yes. Rejection of bank loans, lowering of credit rating.”
- \*\*\* “Yes. Cancellation, postponement, or rejection of expansion projects, reduction in the size of capital investments. \*\*\*. Around 2001, it became clear to \*\*\* management that the foreign producers in Indonesia, China, and later India would import products into the USA at extremely low prices with no regard for standard costing or return on investment. At this time \*\*\* made a conscious yet painful decision to support growth with foreign products in order to maintain market share. Therefore, since 2001 \*\*\*.”
- \*\*\* “Yes. Reduction in the size of capital investments.”

### **Anticipated Negative Effects**

- \*\*\* “Yes. Continued reduction in U.S. production and employment, continued deterioration of financial performance, potential closure of remaining facilities.”
- \*\*\* “No.”
- \*\*\* “Yes. It is just plain impossible to compete! \*\*\*.”

\*\*\* “No.”

\*\*\* “Yes. Imports from named countries have resulted in lower prices, lower gross margins, and reduced employment, and they threaten more of the same. Import pricing no longer has any relation to the cost of products. We anticipate that imports from China, India, and Indonesia will greatly expand their direct sales to retailers at lower and lower prices.”

\*\*\* “No.”

\*\*\* “Yes. Continued loss of business from existing customers and an inability to grow our business (gain new customers) because we cannot profitably compete with pricing from China, India, and Indonesia on certain lined paper school supplies, \*\*\*. \*\*\*. We would expect an ongoing decline in domestic production, therefore reducing further our purchases of domestic raw materials, services, and labor. This is problematic in that lower volumes translate into reduced discounts and reduced efficiencies. Cessation of capital expenditures in this industry. \*\*\*. This project is on-hold pending the outcome of the antidumping action. It is highly likely that some or all of our U.S. capacity will be phased out within the next 2-3 years unless relief is granted in this investigation. \*\*\*. This project is on-hold pending the outcome of antidumping action. \*\*\*.”

\*\*\* “Yes. If the price remains below cost our largest customers will import direct which will cause us to lose sales and manufacturing jobs. \*\*\*.”

\*\*\* “Yes. Inability to raise selling prices in order to compensate for increases in raw materials, labor, utilities and transportation costs.”



