



REPUBLIC OF THE PHILIPPINES
TARIFF COMMISSION

**FINAL REPORT
ON THE MONITORING OF THE DEVELOPMENTS
OF THE PHILIPPINE TESTLINER BOARD INDUSTRY PURSUANT TO
REPUBLIC ACT NO. 8800 (SAFEGUARD MEASURES ACT)**

(Investigation No. SG-2018-MR3-Testliner Board)

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Public Version

1. TERMS OF REFERENCE

On 09 November 2009, the Department of Trade and Industry (DTI) accepted a properly documented application from United Pulp and Paper Corporation (UPPC), representing the domestic testliner board (TLB) industry, for the imposition of a safeguard (SG) measure against the importations of TLB from various countries.

The Bureau of Import Services (BIS) of DTI initiated the safeguard investigation, and on the basis of its affirmative preliminary determination, the Secretary of DTI (Secretary) issued a Department Order dated 05 May 2010 for the imposition of provisional SG duty of ₱ 1,480/MT on imports of TLB for a period of two hundred (200) days. On 25 May 2010, the case was then endorsed to the Tariff Commission (TC/Commission) for formal investigation

In the conduct of its investigation to determine the merits of the safeguard measure case, TC notified all parties concerned, received representations and/or other submissions, held a public hearing, and conducted on-site investigation and data verification. Thereafter, on 24 November 2010, TC submitted its final report of findings and recommendation to the Secretary.

On the basis of TC's affirmative final determination, the Secretary on 15 July 2011 issued a Department Order dated 15 July 2011 for the imposition of a definitive SG duty on imports of TLB from various countries initially for a period of three (3) years, which subsequently was extended by another three (3) years¹, and finally by another four (4)² years for a total of ten (10) years as shown below:

Table 1. Imposition of Definitive SG Duty on TLB (P/MT)

AHTN 2017 Code	Product Description	Implementation Period		Amount (P/MT)
		Case	Year	
4805.24.00 4805.25.10 4805.25.90	Testliner Board	Original Imposition	1 st	1,342.00 ^a
			2 nd	1,274.90 ^b
			3 rd	1,211.15 ^b
		1 st Extension ^c	4 th	1,150.60
			5 th	1,093.07
			6 th	1,038.42
		Final Extension ^d	7 th	986.50
			8 th	937.17
			9 th	890.31
			10 th	845.80

Sources: ^a DTI Department Order dated 15 July 2011
^b DTI Department Order dated 27 March 2012
^c DTI Department Order dated 29 November 2013
^d DTI Department Order dated 19 August 2016

¹ Department Order dated 29 November 2013; TC Formal Investigation Report on the Extension of SG Measures on TLB submitted to the DTI Secretary on 23 May 2013.

² Department Order dated 19 August 2016; TC Formal Investigation Report on the Final Extension of SG Measures on TLB submitted to the DTI Secretary on 03 June 2016.

The effectivity period of the 4-year extension of the SG duty on TLB will end on 20 June 2020³.

2. MONITORING OF THE DOMESTIC INDUSTRY'S COMPLIANCE WITH ITS DJUSTMENT PLAN

2.1 Role of the Commission

Rule 16 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) 8800 (Safeguard Measures Act) provides the legal basis for TC to monitor the development of the domestic TLB industry. The provision states:

"Rule 16.1. So long as any action taken under Rule 13 remains in effect, the Commission shall monitor developments with respect to the domestic industry, including the progress and specific efforts made by workers and firms in the domestic industry to make positive adjustment to import competition.

Rule 16.1.a. If the initial application of action taken under Rule 13 exceeds three (3) years, or if an extension of such action exceeds three (3) years, the Commission shall submit to the Secretary, a report on the results of the monitoring, not later than the date which is the midpoint of the initial period, and of each such extension, during which the action is in effect.

Rule 16.1.b. The Commission, in the preparation of each monitoring report, shall conduct a hearing at which interested parties, including the Department of Labor and Employment, shall be given reasonable opportunity to be present, to present evidence, and to be heard."

Rule 18 of the IRR of Republic Act (RA) 8800 further states:

"Rule 18.1. Action taken under Rule 13 may be reduced, modified, or terminated by the Secretary only after:

Rule 18.1.a. Taking into account the results of the monitoring indicated in the report submitted by the Commission under Rule 16, he determines that:

- (i) No adequate efforts to make a positive adjustment to import competition have been undertaken by the domestic industry unless the domestic industry clearly proves to the Secretary that no positive adjustment can be undertaken; and*
- (ii) Changed economic circumstances have impaired the effectiveness of actions taken under Rule 13.*

x x x^a

³ Customs Memorandum Circular 125-2016 issued by the Bureau of Customs.

Furthermore, Section 27 of TC Order No. 00-02 provides:

"When the Commission during the duration of the safeguard action after investigation and Public Consultation finds that the benefiting industry has reneged on its commitment or otherwise failed to show improvements or facilitate positive adjustment to import competition within the allowable period following its committed time frame and objectively verifiable indicators, it may recommend to the Secretary the termination or phase down of the approved safeguard measure."

Thus, the present report covers the evaluation and assessment made by TC on the developments in the TLB domestic industry, particularly the progress and specific efforts made by UPPC to make positive adjustment to import competition based on its adjustment plan.

2.2 Adjustment Plan

An adjustment plan, as defined in Rule 4.1 (a) of the IRR of RA 8800, is an action plan which a domestic industry is required to submit and that describes a set of quantified goals, specific plans, and timetables that said industry commits to undertake in order to facilitate its positive adjustment to import competition.

Rule 11.4 of the IRR of RA 8800 further states:

"The adjustment plan shall provide a clear quantification of its proposed goals and detail the efforts that the domestic industry and other concerned parties will make to place the domestic industry in a more competitive position. The goals shall be presented using objectively verifiable indicators that will cover the period for which safeguard measures are sought. Measures covering more than one (1) year shall include specific efforts to be undertaken by the domestic industry for each year of progressive liberalization of the measure. It shall likewise include a time frame to enable the Commission to monitor their attainment over the specified period"

In its adjustment plan, UPPC committed to undertake the following measures:

Measures	Objectives
A. New Products/Application:	
1. Introduction of new products	• To capture a new customer segment that will help maintain or increase market share
B. Raw Material Sourcing:	
1. Putting up additional baling stations in strategic locations nationwide	• To secure competitive waste paper and generate additional tons of old corrugating cartons (OCC)
C. Installation of Machine Improvements to Optimize Production:	
1. Chemical Plant 2 (CP2) Starch Jet Cooker	• To enhance the consistency in quality of cooked cornstarch to avoid starch spoilage and reduce starch, power, and steam consumption

Measures	Objectives
2. Paper Machine 2 (PM2) Web Inspection System	<ul style="list-style-type: none"> To reduce sheet breaks and winder trouble due to stickies and reduce rejects due to poor appearance of paper
3. PM2 Hood Exhaust System	<ul style="list-style-type: none"> To improve machine speed and increase production output
4. PM2 Size Press	<ul style="list-style-type: none"> To reduce fibrous cost
5. Needle Unbleached Kraft Paper (NUKP) Line Upgrade	<ul style="list-style-type: none"> To improve capacity of Waste Paper 2 (WP2) production line and increase production output
6. Use of Filler	<ul style="list-style-type: none"> To reduce fibrous cost by using filler as partial substitute for fiber
7. Trumpjet System	<ul style="list-style-type: none"> To reduce chemical cost by 10% and improve quality of paper
8. Multichamber Vacuum Box	<ul style="list-style-type: none"> To increase drainage capacity at wire, thus increasing dryness after wire and improving formation of paper web, resulting to reduction in power consumption
9. Fast Remove High Pressure (HP) Shower for Press	<ul style="list-style-type: none"> To increase drainage capacity thus increasing dryness and improving formation of paper web
10. HP Autoflush Strainer	<ul style="list-style-type: none"> To reduce sheet breaks due to crushing
11. PM2 Fine Filtration System	<ul style="list-style-type: none"> To reduce fresh water consumption and white-water treatment cost and fiber loss in the system
12. Automatic Canvas Stretcher	<ul style="list-style-type: none"> To reduce steam consumption
13. PM2 Winder Automation	<ul style="list-style-type: none"> To reduce roll handling time and increase production output
14. Chemicals Dilution System	<ul style="list-style-type: none"> To reduce chemical rejects due to fluctuation of chemical usage
15. Fast Remove HP Shower for Wire	<ul style="list-style-type: none"> To reduce sheet breaks due to crushing to improve paper quality
16. Canvas Cleaner Rebuild	<ul style="list-style-type: none"> To improve paper quality by preventing dirt accumulation in the dryers that causes sheet breaks
17. PM2 Ceramic Foil Replacement	<ul style="list-style-type: none"> To improve dewatering at wire, resulting to improved sheet formation and profile
18. Hood and Exhaust Increase with Blowbox	<ul style="list-style-type: none"> To prevent paper wrinkle at the dryer, thus increasing machine speed and production output, and reducing steam consumption
19. Upgrade Caustic Soda Batching	<ul style="list-style-type: none"> To increase pump capacity to supply wire and press and to reduce operating downtime due to wet-end cleaning
20. Installation of Inclined Screen for Reject Screen 1 & 3	<ul style="list-style-type: none"> To improve stock cleanliness as this will reduce paper rejects and sheet breaks due to dirt
21. Adjustable Angle Foil for Middle Layer	<ul style="list-style-type: none"> To improve paper formation and paper quality and 2-sigma bone-dry profile
22. Installation of Dilution Headbox at Bottom Ply	<ul style="list-style-type: none"> To improve 2-sigma bone-dry profile that would increase paper moisture by 0.5% and reduce profile-related rejects by 40%

Measures	Objectives
23. PM2 Consistency Control	<ul style="list-style-type: none"> To help minimize roll rejects due to start up, minimize over/under weight, and reduce maintenance cost of old consistency transmitters
24. Color Control System Duplicate Set-up at PM2	<ul style="list-style-type: none"> To reduce roll rejects due to color off specs
25. New suction box of suction transfer roll at PM2	<ul style="list-style-type: none"> To reduce scheduled shutdown duration (currently every six (6) months) using time-based replacement
26. PM2 Renovate Quality Control System (QCS)	<ul style="list-style-type: none"> To increase QCS reliability and reduce rejects from startup loss, over/under weight and color off-specs
27. WP2 and Stock Preparation Increased Capacity	<ul style="list-style-type: none"> To aid in debottlenecking the waste plant and the stock preparation area
28. Paper Machine Increased Capacity	<ul style="list-style-type: none"> To increase drainage capacity at wire section and steam flow at dryer section
29. Direct Current (DC) to Alternating Current (AC) Drive Project (Phase 4)	<ul style="list-style-type: none"> To lessen cost on DC motor rewinding and DC drive spare parts and reduce downtime related to DC drives

3. THE COMMISSION'S MONITORING PROCEDURE

3.1 Notification

The Commission, in the course of its monitoring, informed Philippine Paper Manufacturers Association Inc. (PPMAI) and UPPC through letters dated 04 April 2018 about the conduct of monitoring on the development in the domestic TLB industry, particularly positive adjustments made to import competition, and requested them to submit the required information indicated in TC Form 5 on or before 13 April 2018.

Thereafter, the Commission issued a Notice of Public Hearing which was published in *The Manila Times* and *Manila Standard* on 07 April 2018 and posted at the Commission's website <http://www.tariffcommission.gov.ph>. Individual notices were also sent to all known interested parties.

3.2 Period of Review

The period under review for this monitoring covers the three (3) full years from 2015 to 2017 as well as the interim period of January to March 2018 for which data is available. For purposes of comparison, information was also collected for the period January to March 2017.

3.3 Public Hearing

The public hearing was held on 20 April 2018 at the Tariff Commission to determine the compliance by the domestic TLB industry, particularly UPPC, with its adjustment plan and to determine the positive effects to import competition as a result of the implementation of said adjustment plan.

In attendance were representatives from: i) PPMAI; ii) UPPC and its counsel Rivera, Santos & Maranan Law Offices; iii) Paperland, Inc. iv) Batangas Paper Corporation (Batangas Paper); v) First Interscrap Trading Corporation; vi) Embassy of Viet Nam; vii) Department of Labor and Employment - Institute for Labor Studies (DOLE-ILS); viii) DTI-BIS; and ix) Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB).

During the hearing, UPPC made a presentation on the status of projects committed under the Adjustment Plan for the period 2016 to 2020. UPPC identified the projects that were completed; deferred implementation; and those that were replaced and/or cancelled.

Batangas Paper, manufacturer of corrugated medium (CM), posited that imposition of SG on TLB may no longer be necessary for the reason that UPPC is already profitable. Thus, there is a need to carefully evaluate the implementation of the adjustment plan.

The Embassy of Vietnam conveyed its request for the Commission to objectively determine compliance of the domestic industry with its adjustment plan as well as the progress and specific efforts the domestic industry has taken to make a positive adjustment to import competition. Further, it requested the exclusion of Vietnam from the scope of the measure in the event that its import volume meets the *de minimis* threshold.

Finally, the Commission requested all interested parties to submit their respective position papers on or before 04 May 2018.

3.4 Ocular Inspection and Data Verification

Ocular inspection of UPPC's plant facilities and verification of its data and/or replies to the questionnaire (TC Form 5) were conducted on 16 April, 16 May, and 26 July 2018 in Calumpit, Bulacan.

Moreover, UPPC's newly installed baling stations, its top-ranked baling stations in terms of volume of recycled baled paper, and the lone source of local double liner kraft (LDLK) in Davao City were subjected to ocular inspection on the following dates:

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