

Annexure "A"

REPORT NO. 784

Increase in the rate of customs duty on newsprint, in rolls or sheets, classifiable in tariff subheading 4801.00, from free of duty to 5% *ad valorem*.

The International Trade Administration Commission of South Africa ("ITAC") herewith presents its Report No. 784: Increase in the rate of customs duty on newsprint, in rolls or sheets, classifiable in tariff subheading 4801.00, from free of duty to 5% *ad valorem*.



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Ayabonga Cawe
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 784

INCREASE IN THE RATE OF CUSTOMS DUTY ON NEWSPRINT, IN ROLLS OR SHEETS, CLASSIFIABLE IN TARIFF SUBHEADING 4801.00, FROM FREE OF DUTY TO 5% *AD VALOREM*.

Synopsis

The International Trade Administration Commission of South Africa ("ITAC" or "the Commission") received an application from Sappi Southern Africa Limited, (hereinafter referred to as "Sappi" or "the Applicant"), for an increase in the rate of duty on newsprint, in rolls or sheets, classifiable in tariff subheading 4801.00, from free of duty to 5% *ad valorem*.

The application for a tariff increase is from Sappi's Ngodwana Mill, located in Mpumalanga Province. The Ngodwana Mill is one of Sappi's largest integrated pulp and paper production facilities. It produces paper pulp, Dissolving Wood Pulp ("DWP"), kraft liner paper, packaging paper, and newsprint for both domestic and international markets.

The investigation was initiated through a publication in Government Gazette Notice No. 3831 of 2026 dated 19 March 2026.

As reasons for the application, the Applicant submitted, amongst others, the following:

- *Sustained financial losses resulting from a prolonged decline in global newsprint demand, persistent global overcapacity, and increasing volumes of low-priced imports have undermined the commercial viability of Sappi's Ngodwana Mill (PM2 machine).*
- *The tariff protection is necessary to mitigate the impact of low-priced imports, support the continued operation of PM2, safeguard employment, and preserve domestic newsprint manufacturing capacity.*
- *Without the requested tariff intervention, the continued viability of local newsprint production would be at significant risk.*

During its deliberations and in arriving at its recommendation, the Commission considered

the information at its disposal, including comments received during the investigation.

The Commission found that:

- The global newsprint market is in structural decline due to the shift from print to digital media, leading to reduced demand and lower consumption over time. Although production and capacity have been reduced, global supply still exceeds demand, resulting in persistent excess capacity in the industry.
- Imports of newsprint into South Africa increased over the period under review, indicating growing penetration of imported newsprint in the domestic market.
- Import prices exhibited an overall declining trend during the period under review, increasing the price competitiveness of imported newsprint relative to the domestic product.
- Import competition characterised by increasing volumes, declining prices and a shift toward concentrated sourcing, accelerated the decline of the domestic newsprint industry.
- Estimated SACU demand declined annually by on average by approximately 9.0%. While estimated SACU supply decreased faster than demand, decreasing by an average of 14.0% annually.
- Domestic production and sales volumes declined overall, which coincided with intensified import competition, placing additional pressure on output and market share.
- Capacity utilisation declined significantly over the period under analysis, indicating persistent under-utilisation of installed capacity.
- The domestic newsprint industry's input and operational costs showed a sustained upward trend over the period, driven by rising production-related expenses, particularly pulp and energy cost pressures.
- The Applicant's profitability declining consistently throughout the period of investigation.
- The Applicant's price position also shifted over this period, facing significant price disadvantage against similar imported newsprint.
- Information received from a one of the major known downstream newsprint users, indicated that the downstream sector remained broadly stable over the period under review. Production and sales volumes recorded modest growth over the period.
- The downstream sector remained profitable throughout the period of investigation, despite increasing production costs, as selling prices adjusted sufficiently to offset cost pressures.

- Stakeholders supporting the tariff increase submitted that the domestic pulp and paper value chain is strategically important and that protection is needed to stabilise the sole domestic newsprint producer, support employment, and address the impact of low-priced imports driven by global surplus capacity and declining demand.
- Stakeholders opposing the tariff increase submitted that a tariff increase would raise input costs for downstream printers and publishers, reducing competitiveness and potentially affecting employment and output in the printing sector.

Considering the foregoing, the Commission decided to approve the application for an increase in the rate of customs duty on newsprint, in rolls or sheets, classifiable in tariff subheading 4801.00, from free of duty to 5% *ad valorem*. The decision was based on the fact that the domestic newsprint industry has experienced a significant deterioration in operating performance, including declines in production volumes, sales volumes, capacity utilisation, and market share, driven by a substantial increase in import competition. At the same time, the industry faces significant price disadvantage, while its financial performance has weakened considerably, with profitability declining consistently over the investigation period.

The Commission further decided that the customs duty structure should be reviewed three years after the date of implementation, or such other period as decided by the Commission, to assess the effectiveness of the measure and its impact on the domestic industry, downstream users, and the broader value chain, particularly in light of the ongoing structural decline in global and domestic newsprint demand.

1. APPLICATION AND TARIFF POSITION

- 1.1. ITAC Commission received an application from Sappi, for an increase in the rate of duty on newsprint, in rolls or sheets, classifiable in tariff subheading 4801.00, from free of duty to 5% *ad valorem*.
- 1.2. Sappi is a domestic producer of pulp, paper, packaging, and dissolving wood pulp products. Its product range includes newsprint, graphic papers, packaging papers, containerboard. Sappi operates several mills, including the Tugela Mill, Ngodwana Mill, Saiccor Mill, and Stanger Mill.
- 1.3. The application for a tariff increase was received from Sappi's Ngodwana Mill which

is located in Mpumalanga Province. The Ngodwana Mill is one of Sappi's largest integrated pulp and paper production facilities. It produces paper pulp, DWP, kraft liner paper, packaging paper, and newsprint for both domestic and international markets.

1.4. The investigation was initiated through a publication in Government Gazette Notice No. 3831 of 2026 dated 19 March 2026.

1.5. As reasons for the application, the Applicant submitted, amongst others, the following:

- *Sustained financial losses resulting from a prolonged decline in global newsprint demand, persistent global overcapacity, and increasing volumes of low-priced imports have undermined the commercial viability of Sappi's Ngodwana Mill (PM2 machine).*
- *The tariff protection is necessary to mitigate the impact of low-priced imports, support the continued operation of PM2, safeguard employment, and preserve domestic newsprint manufacturing capacity.*
- *Without the requested tariff intervention, the continued viability of local newsprint production would be at significant risk.*

Tariff Position

1.6. The current tariff structure of the subject product is given in Table 1 below and shows that the subject product is classifiable under tariff subheading 4801.00 and is currently free of duty when imported under General, the European Union/United Kingdom ("EU/UK"), European Free Trade Association ("EFTA"), the Southern African Development Community ("SADC"), MERCOSUR and the African Continental Free Trade Agreement ("AfCFTA") countries.

Table 1: Current tariff position

Heading/ Subheading	Description	Statistical Unit	Rate of duty					
			General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
4801.00	Newsprint, in rolls or sheets	kg	free	free	free	free	free	Free

Source: SARS

1.7. The applicable World Trade Organisation (“WTO”) bound rate is 5% *ad valorem*.

Requested tariff position

1.8. The Applicant’s requested tariff position is shown in Table 2 below:

Table 2: Requested tariff position

Heading/ Subheading	Description	Statistical Unit	Rate of duty					
			General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
4801.00	Newsprint, in rolls or sheets	kg	5%	free	free	free	5%	free

Source: SARS

1.9. The Applicant requested an increase in the general rate of customs duty from free of duty to 5% *ad valorem* on the subject product.

2. DISCUSSION

International Market

- 2.1. The global newsprint market remains in a state of structural decline, primarily driven by the ongoing shift from print media to digital platforms, which has significantly reduced demand for traditional newspapers and other printed publications. The structural shift has resulted in global newsprint consumption decline over the period under review.
- 2.2. Global production and production capacity declined over the review period as producers adjusted to weaker demand. However, these adjustments were not sufficient to eliminate the gap between available capacity and actual consumption, with production continuing to exceed demand. As a result, the global newsprint industry continues to operate with significant excess capacity.
- 2.3. The Asia-Pacific region accounts for a significant share of global production and consumption, supported by large printing industries in countries such as China and India and relatively competitive production costs. Europe also remains an important producer and exporter of newsprint, with countries such as Germany, Sweden, Finland, and Norway playing significant roles in regional production and trade.

Similarly, North America, particularly Canada, continues to play a significant role in global newsprint trade, supported by its abundant forestry resources and well-established pulp and paper industry.

SACU Market

- 2.4. Sappi is the only known domestic manufacturer of the subject product. According to information at the Commission's disposal, this position arose following Mondi's exit from South African newsprint production.

Newsprint Import Analysis

- 2.5. During the period under review, imports of newsprint into South Africa showed a volatile but overall increasing trend between 2021/22 and 2024/25. Import volumes increased on average by 13% over the period. Canada emerged as the leading source of imports at 47.2% in 2024/25, followed by Brazil at 19.8% and Norway at 18.3%.
- 2.6. Import prices generally declined over this period, reflecting continued global oversupply conditions and sustained competitive pressure in international markets.

Domestic Newsprint Market, Industry Performance and Competitiveness

- 2.7. SACU domestic demand declined by 9% over the investigation period, indicating a contraction in market demand. In contrast, domestic supply declined more sharply, reflecting reduced production.
- 2.8. The domestic industry's production decreased by approximately 11.7% over the period, while the capacity utilisation declined from 68.5% in 2021/22 to 46.1% in 2024/25, reflecting sustained under-utilisation of installed capacity.
- 2.9. The domestic industry's market share for the domestic producer declined from 60.8% in 2021/22 to 51.1% in 2024/25, indicating a significant increase in import penetration and substitution of domestic output.
- 2.10. A significant price disadvantage emerged in the domestic newsprint relative to comparable imported newsprint, reflecting intensified import competition and declining

import prices.

- 2.11. Overall, the data showed that between 2021/22 and 2024/25, relatively stable and moderately declining demand was accompanied by a substantial increase in imports, declining domestic production and sales, reduced capacity utilisation, and erosion of market share, indicating that imports played an increasing role in shaping domestic market outcomes.

Downstream Newsprint Sector Performance and Competitiveness

- 2.12. The downstream newsprint sector, based on data submitted by a major user of newsprint, shows a mixed but broadly positive performance over the period under review. Production and sales volumes increased moderately, indicating stable underlying demand, although revenue performance was more volatile.
- 2.13. Capacity in the sector declined over time, but utilisation improved, suggesting more efficient use of available production capability. Investment levels increased modestly, with continued focus on core production assets.
- 2.14. Despite rising costs across most categories, the downstream sector remained consistently profitable throughout the period. Selling and ex-factory prices increased sufficiently to offset cost pressures, ensuring sustained positive margins, although profitability fluctuated year to year.

3. COMMENTS

- 3.1. A total of thirteen (13) comments were received from industry associations, domestic manufacturers, and downstream users. Of these, seven (7) stakeholders supported the proposed increase in the customs duty on newsprint, while six (6) stakeholders opposed it.
- 3.2. Stakeholders in support of the proposed 5% increase in customs duty indicated that the domestic pulp and paper industry is a strategically important, integrated value chain that supports GDP, rural employment, and downstream timber markets. Protecting the sole domestic newsprint producer, Sappi Southern Africa Limited, is necessary to counteract low-priced global surplus exports driven by structural declines in newsprint demand. The tariff would stabilise local production, safeguard jobs in

forestry-dependent regions, and reduce long-term exposure to global supply disruptions, with additional policy support such as procurement measures seen as reinforcing sustainability.

- 3.3. Stakeholders objecting to the application argued that the tariff would raise input costs for already struggling downstream printers and publishers, reducing competitiveness and potentially causing job losses and reduced print output. They highlighted concerns about reliance on a single local supplier, citing supply reliability issues and limited product range, which makes imports necessary for continuity. Critics also contended there is no strong evidence of import-driven harm, and that structural shifts in domestic production priorities have constrained supply.

4. FINDINGS

- 4.1. During its deliberations and in arriving at its recommendation, the Commission considered the information at its disposal, including comments received during the investigation. The Commission found that:

- The global newsprint market is in structural decline due to the shift from print to digital media, leading to reduced demand and lower consumption over time. Although production and capacity have been reduced, global supply still exceeds demand, resulting in persistent excess capacity in the industry.
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- The domestic newsprint industry's input and operational costs showed a sustained upward trend over the period, driven by rising production-related expenses, particularly pulp and energy cost pressures.
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- Stakeholders opposing the tariff increase submitted that a tariff increase would raise input costs for downstream printers and publishers, reducing competitiveness and potentially affecting employment and output in the printing sector.

5. RECOMMENDATION

- 5.1. In light of the foregoing, the Commission decided to approve the application for an increase in the rate of customs duty on newsprint, in rolls or sheets, classifiable in tariff

subheading 4801.00, from free of duty to 5% *ad valorem*.

- 5.2. The decision was based on the fact that the domestic newsprint industry has experienced a significant deterioration in operating performance, including declines in production volumes, sales volumes, capacity utilisation, and market share, driven by a substantial increase in import competition. At the same time, the industry faces significant price disadvantage against similar imported newsprint, while its financial performance has weakened considerably, with profitability declining consistently over the investigation period.
- 5.3. The Commission further decided that the customs duty structure should be reviewed three years after the date of implementation, or such other period as decided by the Commission, to assess the effectiveness of the measure and its impact on the domestic industry, downstream users, and the broader value chain, particularly in light of the ongoing structural decline in global and domestic newsprint demand.