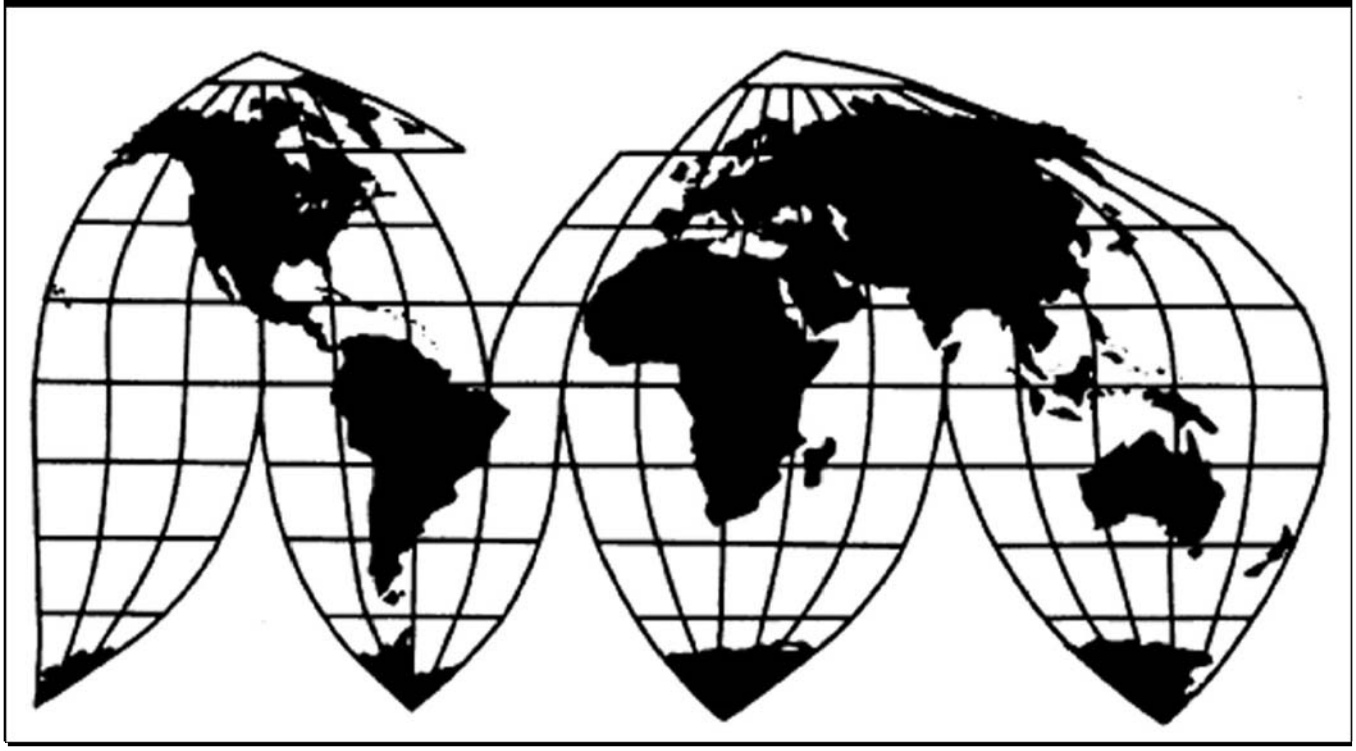
Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia

Investigation Nos. 701-TA-470-471 and 731-TA-1169-1170 (Preliminary)

Publication 4108 **November 2009**

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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-470-471 and 731-TA-1169-1170 (Preliminary)

CERTAIN COATED PAPER SUITABLE FOR HIGH-QUALITY PRINT GRAPHICS USING SHEET-FED PRESSES FROM CHINA AND INDONESIA

DETERMINATIONS

On the basis of the record[1] 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 China and Indonesia of certain coated paper suitable for high-quality print graphics using sheet-fed presses ("certain coated paper"), provided for in subheadings 4810.14.11, 4810.14.19, 4810.14.20, 4810.14.50, 4810.14.60, 4810.14.70, 4810.19.11, 4810.19.19, 4810.19.20, 4810.22.10, 4810.22.50, 4810.22.60, 4810.22.70, 4810.29.10, 4810.29.50, 4810.29.60, and 4810.29.70 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV) and subsidized by the Governments of China and Indonesia.

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) or 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) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the 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 23, 2009, a petition was filed with the Commission and Commerce by Appleton Coated, LLC, Kimberly, WI; NewPage Corp., Miamisburg, OH; Sappi Fine Paper North America, Boston, MA; and the United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW"), alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of certain coated paper from China and Indonesia. Accordingly, effective September 23, 2009, the Commission instituted countervailing duty investigation Nos. 701-TA-470-471 and antidumping duty investigation Nos. 731-TA-1169-1170 (Preliminary).

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

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 30, 2009 (74 FR 50243). The conference was held in Washington, DC, on October 14, 2009, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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 imports of certain coated paper from China that are allegedly sold in the United States at less than fair value and allegedly subsidized by the Government of China and by reason of imports of certain coated paper from Indonesia that are allegedly sold in the United States at less than fair value and allegedly subsidized by the Government of Indonesia.

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.[1] 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."[2]

II. BACKGROUND

Parties to the Proceeding. The petition in these investigations was filed on September 23, 2009, by domestic producers Appleton Coated, LLC ("Appleton"); NewPage Corporation ("NewPage"); S.D. Warren Company d/b/a Sappi Fine Paper North America ("Sappi"); and a workers union, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("collectively "Petitioners"). Petitioners appeared at the staff conference and filed a joint postconference brief.

Several respondents appeared at the preliminary staff conference and submitted a joint postconference brief. A group of importers of subject merchandise, Gold East Paper (Jiangsu) Co., Ltd; Gold Huasheng Paper Co., Ltd.; PT Pindo Deli Pump and Paper Mills' and PT Pabrick Kertas Tjimi Kimia Tbk (collectively "Respondents"), participated in the staff conference through company officials and/or counsel.

Data Coverage. The Commission received responses from six U.S. integrated producers of certain coated paper which account for virtually all U.S. production of certain coated paper in 2008. The Commission also received responses from four U.S. converters that are estimated to account for 15.1 percent of U.S. conversion activities in 2008.[3] The Commission received responses from three Chinese producers that account for approximately *** percent of production of certain coated paper in China in 2008 and the vast majority of Chinese exports of certain coated paper to the United States.[4] The Commission received responses from three producers of certain coated paper in Indonesia that account for

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[1] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); see also American 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).

[2] American Lamb Co., 785 F.2d at 1001; see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] Confidential Report ("CR") and Public Report ("PR") at III-1.

[4] CR/PR at VII-2.

approximately *** percent of production of certain coated paper in Indonesia in 2008 and all of the Indonesian exports to the United States during the period of investigation.[5]

III. DOMESTIC LIKE PRODUCT

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[6] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a {w}hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[7] In turn, the Tariff 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 ... ."[8]

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.[9] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[10] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[11] Although the Commission must accept the U.S. Department of Commerce's ("Commerce") determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value ("LTFV"),[12] the Commission determines what domestic product is like the imported articles Commerce

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[5] CR at VII-7, PR at VII-4.

[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(10).

[9] See, e.g., Cleo, Inc. v. United States, 501 F.3d 1291, 1299 (Fed. Cir. 2007); NEC Corp. v. Department of Commerce, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

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

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

[12] See, e.g., USEC, Inc. v. United States, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.3d 240 (Fed. Cir.), cert. denied, 492 U.S. 919 (1989).

has identified.[13] 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 domestic like product issues.[14]

B. Product Description

In its notices of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> Certain coated paper and paperboard in sheets suitable for high quality print graphics using sheet-fed presses; coated on one or both sides with kaolin (China or other clay), calcium carbonate, titanium dioxide, and/or other inorganic substances; with or without a binder; having a GE brightness level of 80 or higher; weighing not more than 340 grams per square meter; whether gloss grade, satin grade, matte grade, dull grade, or any other grade of finish; whether or not surface-colored, surface-decorated, printed (except as described below), embossed, or perforated; and irrespective of dimensions ("Certain Coated Paper").
>
> Certain Coated Paper includes: (a) coated free sheet paper that meets this scope definition; (b) coated groundwood paper produced from bleached chemi-thermo-mechanical pulp ("BCTMP") that meets this scope definition; and (c) any other coated paper that meets this scope definition.[15]

In general, certain coated paper is made from a coated free sheet paper which has been sheeted (cut) in certain sheet sizes from sheeter rolls by integrated paper producers or independent converters for use in sheet-fed presses.[16] Certain coated paper's high moisture content, high porosity, and mechanical properties (such as flatness) allow it to be run through a sheet fed press without curling or losing print and color fidelity.[17] Typically, certain coated paper is used for printing multi-colored graphics catalogues, books, magazines, envelopes, labels and wraps, greeting cards, and other commercial printing applications requiring high quality print graphics.[18]

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[13] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Cleo, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); Torrington, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

[14] See, e.g., Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp. 2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon, 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); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

[15] CR/PR at I-8. As of 2009, imports of the subject merchandise are provided for under the following statistical categories of the HTSUS: 4810.14.1100, 4810.14.1900, 4810.14.2010, 4810.14.2090, 4810.14.5000, 4810.14.6000, 4810.14.7000, 4810.19.1100, 4810.19.1900, 4810.19.2010, 4810.19.2090, 4810.22.1000, 4810.22.5000, 4810.22.6000, 4810.22.7000, 4810.29.1000, 4810.29.5000, 4810.29.6000, 4810.29.7000. CR at I-8.

[16] CR at I-11, I-12, PR at I-9-10.

[17] CR at I-12, PR at I-10.

[18] CR at I-8, I-11, I-12, PR at I-7, I-9, I-10.

Notably, the scope in these investigations now differs from the scope set forth in the petition. The petition had included sheeter rolls, an upstream product, within the scope. A relatively small portion of sheeter rolls is sold in the merchant market to unrelated converters who cut the rolls into sheet form.[19] In its initiation of the investigations, Commerce removed sheeter rolls from the definition of the scope.[20]

C. Prior Commission Determinations

The product at issue in these investigations is a subset of paper products examined by the Commission in Coated Free Sheet Paper From China, Indonesia, and Korea.[21] In the 2007 CFS investigations, Commerce's scope included sheets, sheeter rolls and web rolls.[22] In its determination, the Commission examined whether the domestic like product definition should include other types of graphic paper but defined the domestic like product as corresponding to the scope. In so doing, the Commission noted that no party in the investigations had advocated defining the domestic like product other than as a single like product that is coextensive with the scope. It found that clear dividing lines in terms of physical characteristics and uses, interchangeability, customer and producer perceptions, and price distinguished CFS from other forms of graphic papers.[23] The Commission reached negative determinations in the 2007 investigations, notably in part due to the attenuated competition between web rolls (which constituted most of domestic production) and sheets (which constituted most of the subject imports).

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[19] Petition at 16, Petitioners' Postconference Brief, Answer to Question 9 at 2.

[20] CR at I-8 n.13, PR at I-6 n.13.

[21] Coated Free Sheet Paper from China, Indonesia, and Korea, Inv. Nos, 701-TA-444-446 and 731-TA-1107-1109 (Final), USITC Pub. 3965 (Dec. 2007) ("2007 CFS investigations").

[22] The Commission's findings in prior investigations involving certain coated paper do not bind the Commission here, as all Commission investigations are sui generis. As intended by Congress, the Commission make its determinations based on the record of each case, including the arguments made by the parties. See Nippon Steel Corp. v. United States, 19 CIT 450, 454-55 (1995); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075,1087-88 (CIT 1988); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (1988). Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp. 2d 1353, 1379 (Ct. Int'l Trade 1999) (Commission determinations are sui generis; "'a particular circumstance in a prior investigation cannot be regarded by the Commission as dispositive of the determination in a later investigation,'" quoting Citrosuco quoting Armstrong Bros. Tool Co. v. United States, 84 Cust. Ct. 102, 115, 489 F. Supp. 269, 279 (1980); Polyethylene Retail Carrier Bags from Indonesia, Taiwan, and Vietnam, Inv. Nos. 701-TA-462 (Preliminary) and 731-TA-1156-1158 (Preliminary), USITC Pub. 4080 (May 2009) at 6 (rejecting the parties' characterization of its like production definition as a "reconsideration" of a like product definition involving the same product in an earlier determination). Id.

[23] Coated Free Sheet Paper From China, Indonesia, and Korea, Inv. Nos. 701-TA-444-446 and 731-TA-1109 (Preliminary), USITC Pub. 3900 at 6-7 (Dec. 2006).

D. Domestic Like Product Analysis

1. Domestic Like Product Issues

We consider whether the domestic like product should be broadened beyond Commerce's scope to include sheeter rolls as well as sheet, or sheeter rolls and web rolls together with sheet.[24] For the reasons discussed below, for purposes of these preliminary phase investigations, we define the domestic like product as broader than the scope to include all domestically produced coated paper sheets and sheeter rolls, but not to include web rolls.

2. Whether the domestic like product should be defined to include all coated paper sheets and sheeter rolls

Sheeter rolls are an upstream product which is slit or sheeted into various sheet sizes by integrated producers or independent converters. In addressing whether sheeter rolls should be included in the definition of the domestic like product, Petitioners contend that the Commission should use the semi-finished product analysis as sheeter rolls are a semi-finished product intended for further processing into finished sheet product. Respondents do not expressly address the discrete issue of expanding the definition of domestic like product to include sheeter rolls, although they advocate a like product definition that would include sheeter rolls as well as sheet and web rolls.

When an issue arises as to whether products at different stages of production should be included in the same domestic like product, the Commission has employed a five-factor semi-finished product analysis. In a semi-finished product analysis, the Commission currently examines the following: (1) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (2) whether there are perceived to be separate markets for the upstream and downstream articles; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in the costs or value of the vertically differentiated articles; and (5) the significance and extent of the processes used to transform the upstream into the downstream articles.[25] The Commission has used

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[24] Petitioners included both coated paper in sheet and sheeter rolls in their proposed scope language, and argued that the Commission should define the domestic like product to include coated paper sheet and sheeter rolls as one domestic like product. Commerce removed sheeter rolls from the scope. Petitioners do not object to a domestic like product that includes sheeter rolls for purposes of these preliminary investigations but stated that "they reserve the right to reconsider the issue in the final investigations given the Department's rejection of use language that previously included sheeter rolls in the scope of the investigation." Petitioners' Postconference Brief, Question 7 at 1, n.1. They do, however, object to the inclusion of web rolls (rolls of coated free sheet paper used in web roll presses) in the definition of domestic like product and argue that certain coated paper and web rolls are distinct products. Petitioners' Postconference Brief at 4-15.

Respondents argue that, although the scope differs from that of the 2007 CFS investigations, the Commission should again find a single domestic like product consisting of certain coated paper in sheet, sheeter rolls, and web roll form. Respondents' Postconference Brief at 5-10, Exhibit 1.

[25] E.g., Glycine from India, Japan, and Korea, Inv. Nos. 731-TA-1111-1113 (Preliminary), USITC Pub. 3921 (May 2007) at 7; Artists' Canvas from China, Inv. No. 731-TA-1091 (Final), USITC Pub. 3853 (May 2006) at 6; Live Swine from Canada, Inv. No. 731-TA-1076 (Final), USITC Pub. 3766 (April 2005) at 8, n.40; Certain Frozen Fish Fillets from Vietnam, Inv. No. 731-TA-1012 (Preliminary), USITC Pub. 3533 (August 2002) at 7; Low Enriched Uranium from France, Germany, the Netherlands, and the United Kingdom, Inv. Nos. 701-TA-409-412 (Preliminary) and 731-TA-909-912 (Preliminary), USITC Pub. 3388 (January 2001) at 5-6; Uranium from Kazakhstan, Inv. No. 731-TA-539-A (Final), USITC Pub. 3213 (July 1999) at 6, n.23.

these factors to consider whether to expand the like product to include an article "upstream" in the production process from the like product.[26]

Dedicated production. Sheeter rolls are an intermediate product dedicated to the production of coated paper sheets, with no other warranted uses.[27] *** reported that all sheeter rolls are dedicated to the production of the downstream product, certain coated paper.[28]

*Separate markets***.** The vast majority of sheeter rolls is converted by integrated producers into certain coated paper and only a small portion is sold in the merchant market to unrelated converters who sheet the rolls into sheet form.[29] Eight of 10 reporting U.S. producers (integrated producers and converters) and 10 of 12 U.S. importers state that the market for sheeter rolls and the market for certain coated paper are the same market.[30]

Differences in characteristics and functions. There are no significant differences in physical characteristics and functions for the upstream and downstream articles. Petitioners report that the performance characteristics of certain coated paper in sheet or sheeter roll form are established by the production of certain coated paper and remain unchanged from sheeter roll to cutting into sheets (the finished product). As such, certain coated paper, whether in sheet or sheeter roll form, possesses the same essential characteristics, including fiber content, weight, and coating.[31] Additionally, in their questionnaire responses, eight of 10 reporting U.S. producers (integrated and converters) and 11 of 12 reporting importers agreed that there were no differences in physical characteristics between the two products.[32]

Differences in costs or value. Petitioners note that while there is some difference in the prices of the two products, a large proportion of the cost of production and the value of the downstream product is already present in the semi-finished product, the sheeter roll.[33] According to questionnaire responses of three non-tolling U.S. converters, converting operations accounted for an average *** percent of the cost to produce certain coated paper, excluding selling, general, and administrative costs.[34]

Significance of transformation. The transformation of sheeter rolls into the finished product entails one additional production step, the sheeting or cutting of the sheeter roll into sheets.[35]

Conclusion. We define the domestic like product to include sheeter rolls for purposes of the preliminary phase of these investigations. Virtually all sheeter rolls are used in the production of certain coated paper, and there is at most a small market for sheeter rolls. Sheeter rolls represent a substantial proportion of the cost and value of the finished product and undergo only one other production step before transformation into certain coated paper.

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[26] See, e.g., Generic Cephalexin Capsules from Canada, Inv. No. 731-TA-423 (Final), USITC Pub. 2211 (August 1989).

[27] CR at I-18, PR at I-14. We note that Respondents provided anecdotal evidence that sheeter rolls could be used in web roll presses. Transcript at 186 (Hunley).

[28] CR at I-18, PR at I-14.

[29] Petitioners' Postconference Brief at Answer to Question 7 at 2.

[30] CR at I-18, PR at I-18.

[31] Petitioners' Postconference Brief at Answer to Question 7 at 2.

[32] CR at I-19, PR at I-15.

[33] Petition at 15.

[34] CR at I-19 n.9, VI-14, I-15.

[35] CR at I-16-I-1, PR at I-13.

3. **Whether the definition of domestic like product should be expanded beyond the scope to include web rolls**

Web rolls are rolls of coated free sheet paper intended for use in web presses, which are large printing machines designed to handle high volume printing runs at high speeds.[36] Unlike sheeter rolls, web rolls undergo no further processing prior to use in web presses.[37]

As noted above, Petitioners argue that application of the Commission's traditional six factor test shows that there is a clear dividing line between certain coated paper and web rolls. As noted above, Respondents contend that the Commission should define the domestic like product to include coated paper in sheet, sheeter roll, and web roll form. Our analysis of the six criteria is presented below. Consistent with our determination to include sheeter rolls in the definition of domestic like product, the references to "certain coated paper" include both sheet and sheeter rolls.

Physical Characteristics and Uses. Certain coated paper and web rolls are forms of coated free sheet paper and are both used in printing applications.[38] As such, they share many of the same physical characteristics. Nevertheless, the record indicates that each product is produced to meet the requirements of the particular press in which it is used.

Certain coated paper is cut into sheet for use in a sheet fed press, which prints one sheet and on one side of the sheet at a time.[39] Sheets have high moisture levels to prevent the paper from curling and to eliminate the build-up of static charges that cause paper jams in sheet fed presses.[40] Certain coated paper is less porous than web rolls to accommodate high tack inks used in sheet fed presses.[41] As Petitioners' witnesses testified, certain coated paper also must have certain mechanical properties, such as flatness (meaning no waves in the paper) and stability, which permit the optimal running of the sheet fed press.[42]

In contrast, web rolls are produced and sold in roll form, and are intended for use in web presses.[43] Web presses are large print machines designed to handle high volume print runs at high speeds.[44] Consequently, web rolls hold a substantial amount of paper; a single web roll may weigh between one and five tons.[45] Web rolls have a lower moisture content and higher porosity than certain coated paper which permit the web roll to withstand the heat setting of the web press (usually 300 degrees) and not blister.[46] Witnesses testified that certain coated paper is typically not suitable for web roll usage due to temperature requirements for heat set web printing, as the paper would blister and fail.[47] Web rolls also tend to be lighter in weight and thinner than certain coated paper and, as such, can move through the web press at high speeds.[48]

Interchangeability. There appears to be limited interchangeability between certain coated paper and web rolls. Web rolls cannot be used in sheet-fed presses, and certain coated paper (in finished sheet

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[36] CR at I-12, PR at I-10-11. Transcript at 28 (Miller).

[37] CR at I-12-13, PR at I-10-11.

[38] CR at I-11-13, PR at I-10-11.

[39] Transcript at 63 (Graff).

[40] Transcript at 16 (Dorn), 30 (Miller).

[41] Transcript at 82-83 (Graff).

[42] Transcript at 16 (Dorn).

[43] Transcript at 29-30 (Miller), 84 (Sandstrom).

[44] Transcript at 56-57 (Graff)

[45] Transcript at 28-29 (Miller).

[46] Transcript at 29-30 (Miller), 81-84 (Graff), 85 (Nelson), 186 (Hunley).

[47] Transcript at 81-84 (Graff).

[48] Transcript at 30 (Miller), 81-82 (Graff).

form) cannot be used in web presses.[49] Although certain coated paper in sheeter rolls in theory may be used in web presses, according to witness testimony, web rolls' lower moisture content and more porous surface make them more suitable for web-fed presses.[50] As sheeter rolls do not share these physical characteristics, producers will not warrant their use for web presses.[51] Although one of the Respondents testified that sheeter rolls may be substituted for web rolls in web presses, it is rarely done.[52] Indeed, Respondents also testified that for printers with dual printing capability (sheet fed and web presses), certain coated paper is used in the sheet press while web rolls are used in web presses.[53]

Common Manufacturing Facilities, Production Processes, and Production Employees. Although certain adjustments are made to the manufacturing equipment and process in order to produce the necessary physical and mechanical properties associated with each product, both certain coated paper and web rolls generally are manufactured on the same equipment, by the same processes and with some of the same employees.[54] The record also shows that certain coated paper requires an additional production step, sheeting, before it is a finished product. As such, the sheeting operations are either done on a sheeting machine at the integrated producer's mill or at the facilities of independent converters.[55]

Channels of distribution. According to questionnaire responses, five of nine U.S. producers and 11 out of 14 U.S. importers reported that the channels of distribution for the two products were the same.[56]

Price. Petitioners maintain that certain coated paper "costs more to produce, has a higher value, and carries a higher price in the market than web rolls."[57] Respondents maintain there is a minor price difference of less than $10 per ton, which is in line with the difference in production costs for web rolls and sheeter rolls.[58] In 2008, the average unit value of U.S. shipments of certain coated paper from U.S. integrated producers was $1,193 per ton, compared to $897 per ton for web rolls. [59]

Conclusion. On balance, the record supports a finding of a clear dividing line between certain coated paper and web rolls, as there are more differences than similarities. Although both products are considered to be coated free sheet paper and are used in similar printing applications, each product is produced to meet distinct requirements of particular printing presses. As result, there is at best limited interchangeability between the products. The products are reported to be sold in the same channels of distribution, and both certain coated paper and web rolls generally are manufactured on the same equipment, by the same processes and with some of the same employees. However, certain coated paper requires an additional production step of sheeting before it is a finished product. As such, the sheeter operations are either done on a sheeter at the integrated producers' mill or at the facilities of independent converters. Finally, certain coated paper is higher priced than web rolls. Taking all of these factors into account, we do not include web rolls in the definition of the domestic like product.

For the reasons discussed above**,** we define the domestic like product as certain coated paper, broader than the scope of the investigation in that it includes sheeter rolls (but does not include web rolls).

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[49] Transcript at 17 (Dorn).

[50] Transcript at 16 (Dorn), 30 (Miller), 82-83 (Graff), 85 (Nelson).

[51] Transcript at 50 (Crew).

[52] Transcript at 186 (Hunley), CR at I-22.

[53] Transcript at 188 (Hunley).

[54] CR at I-14-16, PR at I-12-I-13.

[55] CR at I-15-16, PR at I-13.

[56] CR at I-24, PR at I-18.

[57] Petitioners' Postconference Brief at 15.

[58] Respondents' Postconference Brief Ex. 1 at 25.

[59] CR at I-24, PR at I-19.

IV. DOMESTIC INDUSTRY

A. In General

The domestic industry is defined as the domestic "producers as a whole 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."[60] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. Based on our definition of the domestic like product, we define the domestic industry as all U.S. producers of certain coated paper.

There are two sets of domestic industry issues in these preliminary phase investigations. The first concerns whether converters engage in sufficient production-related activities to be considered domestic producers. The second concerns whether appropriate circumstances exist pursuant to the statutory related parties provision to exclude from the domestic industry a converter that also purchases subject merchandise.

B. Sufficient Production-Related Activities

We first consider whether converters of sheeter rolls engage in sufficient production-related activities to be considered domestic producers.[61] Converters perform the final finishing operation on sheeter rolls purchased from integrated producers. Specifically, converters cut/sheet sheeter rolls into the finished sheet product.

Petitioners argue that, although the record has not been fully developed with respect to all factors, converters should be considered part of the domestic industry.[62] Respondents have indicated that they have no objection to the inclusion of converters in the domestic industry as they "are not a big part of the market."[63] Our analysis of the six factors is presented below.

Capital Investment. Capital investment by converters is substantial, although far less than is required for integrated producers. At the conclusion of 2008, the value of assets of those converters that responded to the Commission's producer questionnaire was ***.[64] Converters' annual capital expenditures ranged from ***.[65] In response to Commission questionnaires, converters indicated that ***.[66]

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[60] 19 U.S.C. § 1677(4)(A).

[61] To determine whether a firm is engaged in sufficient production-related activities to be considered a domestic producer of the like product, the Commission generally considers six factors: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. See, e.g., Diamond Sawblades and Parts Thereof from China and Korea, Inv. Nos. 731-TA-1092-1093 (Final), USITC Pub. 3862 at 11 (July 2006); Outboard Engines from Japan, Inv. No. 731-TA-1069 (Preliminary), USITC Pub. 3673 at 10-12 (Mar. 2004).

[62] Petitioners' Postconference Brief at Answer to Staff Question 9 at 1-3.

[63] Transcript at 190 (Porter).

[64] CR/PR at Table VI-5. By contrast, the asset value of U.S. integrated producers was ***. Id.

[65] CR/PR at Table VI-5. By contrast, annual capital expenditures of U.S. integrated producers ranged from ***. Id. Although ***.

[66] ***.

Technical Expertise. There is limited information on the record regarding the technical expertise involved in conversion operations, but sheeting appears to be a relatively simple process. Sheeter rolls are processed on a sheeter, which cuts the rolls into sheets, performs a quality check of the surface of the paper, removes faulty sheets, counts and packages the sheets in ream quantities, and stacks them on pallets ready for delivery.[67]

Value Added. Data submitted in response to the questionnaire by three non-tolling U.S. converters indicate that converting operations accounted for an average *** percent of the cost to produce certain coated paper, excluding selling, general, and administrative costs.[68]

Employment Levels. Converters that responded to the Commission's questionnaire reported in the aggregate *** production and related workers (PRWs) in 2006, *** in 2007 and *** in 2008.[69]

Sourcing of Inputs. The principal input used in the conversion of coated paper is sheeter rolls. Responding converters reported that domestically sourced sheeter rolls accounted for the following percentages of total sheeter rolls used in their U.S. production: *** percent in 2006, *** percent in 2007, *** percent in 2008, and *** percent in interim 2008 and *** percent in interim 2009.[70]

Other Costs and Activities in the United States Leading to Production of the Like Product. The record has not been developed on this factor.

Conclusion. Converters' capital investment and technical expertise cannot rival that of integrated producers of certain coated paper Viewed in isolation, however, capital expenditures of converters are substantial. The value added by the conversion is modest, but converters employ a sizeable number of production-related workers. Throughout the period of investigation, between approximately *** percent of the sheeter rolls purchased by converters were sourced domestically. Although it is a close question and the record has not been fully developed as to all factors, and absent argument to the contrary, we find that converters engage in sufficient production related activities to be included in the domestic industry.

C. Related Parties

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 related to an exporter or importer of subject merchandise or which are themselves importers.[71] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[72] The Commission has also concluded that a domestic producer that does not itself import

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[67] CR at I-17, PR at I-13.

[68] CR at I-19; VI-15 n. 9, PR at I-15; VI-5, n. 9.

[69] CR/PR at Table III-10.

[70] Calculated from CR/PR at Table III-4.

[71] 19 U.S.C. § 1677(4)(B).

[72] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party are as follows: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interest of the related producer lies in domestic production or importation. These latter two considerations were cited as appropriate factors in Allied Mineral Products, Inc. v. United States, —F. Supp. 2d—, Slip Op. 04-139 (Ct. Int'l Trade November 12, 2004) at 5-6 ("The most significant factor considered by

(continued...)

subject merchandise, or does not share a corporate affiliation with an importer, may nonetheless be deemed a related party if it controls large volumes of imports. The Commission may find control to exist where the domestic producer was responsible for a predominant proportion of an importer's purchases and the importer's purchases were substantial.[73]

***, a converter, purchased subject merchandise from China and Indonesia during the period of investigation. Although its purchases appear to be small, we cannot determine whether *** was responsible for a predominant proportion of the importer's purchases because *** did not identify the importer in question. Nonetheless, we find appropriate circumstances do not exist to exclude *** data from the industry even if it were to be deemed a related party by virtue of its purchases of subject merchandise.

*** purchased a total of *** short tons of subject merchandise in 2006, *** short tons in 2007, and *** short tons in 2008.[74] *** purchases of subject merchandise were lower in interim 2009 (***) short tons than in interim 2008 (***).[75] As its purchases of subject imports decreased, *** ratio of its purchases of subject merchandise to its production fell from *** percent in 2006 to *** percent in 2007, and to just *** percent in 2008.[76] *** supports the petition.[77] [78] As is the case with all converters, *** total share of domestic production is ***. *** accounting for approximately *** percent of converters' reported production in 2008.[79]

Accordingly, we find that appropriate circumstances do not exist to exclude *** from the domestic industry but intend to reexamine this issue in any final phase investigations.

Conclusion. Therefore, consistent with our definition of the domestic like product, we define the domestic industry as all U.S. producers (integrated producers and converters) of certain coated paper.

V. NEGLIGIBLE IMPORTS

Pursuant to Section 771(24) of the Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise

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[72] (...continued)
the Commission in making the 'appropriate circumstances' determination is whether the domestic producer accrued a substantial benefit from its importation of the subject merchandise."); USEC, Inc. v. United States, 132 F. Supp. 2d 1, 12 (Ct. Int'l Trade 2001) ("the provision's purpose is to exclude from the industry headcount domestic producers substantially benefitting from their relationships with foreign exporters."), aff'd, Slip Op. 01-1421 (Fed. Cir. April 22, 2002); S. Rep. No. 249, 96th Cong. 1st Sess. at 83 (1979) ("where a U.S. producer is related to a foreign exporter and the foreign exporter directs his exports to the United States so as not to compete with his related U.S. producer, this should be a case where the ITC would not consider the related U.S. producer to be a part of the domestic industry").

[73] See, e.g., Electrolytic Manganese Dioxide from Australia and China, Inv. Nos. 731-TA-1124-1125 (Final), USITC Pub. 4036 (September 2008) at 6, n.26 (finding the firm's purchases not to be sufficient for it to be considered a related party); Foundry Coke from China, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 (September 2001) at 8-9; Certain Cut-to-Length Steel Plate from the Czech Republic, France, India, Indonesia, Italy, Japan, Korea, and Macedonia, Inv. Nos. 701-TA-387-392 and 731-TA-815-822 (Preliminary), USITC Pub. 3181 at 12 (April 1999); Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 10 n.50 (April 1997). See also SAA at 858.

[74] CR/PR at Table III-8.

[75] CR/PR at Table III-8.

[76] CR/PR at Table III-8.

[77] CR/PR at Table III-1.

[78] We note that *** failed to provide financial data to the Commission, which makes it difficult to discern whether *** benefitted from its purchases.

[79] CR/PR at Table III-1.

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.[80] Imports that are individually negligible may not be negligible if the aggregate volumes of imports from several countries with negligible imports exceeds 7 percent of all such merchandise imported into the United States in the statutory period for assessing negligibility referenced above.[81] In countervailing duty investigations involving developing countries, the statute further provides that the negligibility thresholds are 4 percent and 9 percent, rather than 3 percent and 7 percent.[82] The statute defines "developing country" as any country so designated by the U.S. Trade Representative ("USTR"). USTR has designated Indonesia as a developing country.[83]

By operation of law, a finding of negligibility terminates the Commission's investigation with respect to such imports.[84] The Commission is authorized to make "reasonable estimates on the basis of available statistics" of pertinent import levels for purposes of deciding negligibility.[85]

The parties agree that the imports from China far exceed the negligibility threshold.[86] The only issue with respect to negligibility in these investigations concerns imports from Indonesia. Because USTR has designated Indonesia as a developing country, the applicable negligibility threshold for the countervailing duty investigation is 4 percent.

Official import data statistics show that imports from Indonesia during the applicable period exceeded the 4 percent threshold.[87] Official import statistics, however, include product outside the scope of subject imports as defined by Commerce. As a result, official import statistics may overstate both imports from Indonesia and total imports from all countries. In addition, Respondents argue that official import statistics overcount subject imports from Indonesia because a multi-ply board product has been misclassified as being within the scope.[88] Conversely, Petitioners claim that importer questionnaire data show that official import statistics may actually ***.[89] Both Petitioners and Respondents have presented multiple methodologies for the adjustment of official import statistics.[90] Given that there is some degree

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[80] 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i).

[81] 19 U.S.C. § 1677(24)(A)(i)-(ii).

[82] 19 U.S.C. § 1677(24)(B).

[83] 15 C.F.R. § 2013.1 (2009).

[84] 19 U.S.C. §§ 1671b(a)(1), 1673b(a)(1).

[85] 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").

[86] CR at IV-8, PR at IV-6.

[87] CR/PR at Table IV-3.

[88] Respondents' Postconference Brief at Exhibit 3.

[89] Petitioners' Postconference Brief at 28.

[90] We note that one of the Respondents' methodologies computes the denominator as total U.S. imports of all products in Respondents' preferred domestic like product definition, which would include sheets, sheeter rolls, and web rolls. Respondents' Postconference Brief at Exhibit 3. In their exhibit presented at the conference, Respondents state that "[u]nder the statute, the denominator must include the entire like product . . . ."

The Commission has found previously that, if the domestic like product is defined to be broader than the scope, the statutory negligibility provision does not permit products outside the scope, corresponding to the broader like product, to be included in "total imports." Specifically, In Certain Wax and Wax/Resin Thermal Transfer Ribbons from France and Japan, Inv. Nos. 731-TA-1039-1040 (Final), USITC Pub. 3683 (April 2004), the Commission found as follows:

> We interpret the statute to require us to calculate negligibility by dividing the volume of subject imports from each of the subject countries by the volume of all imports of merchandise defined by the scope (not the domestic like product).

(continued...)

of uncertainty regarding the accuracy of official imports statistics, the Commission generally would consider data collected from importers to perform its negligibility analysis. The import data from importers, however, did not cover the full twelve months preceding the filing of the petition.

In light of the questions regarding the import data from Indonesia, and the fact that official import data show subject imports exceed the 4 percent threshold for countervailing duty investigations, we do not find that imports from Indonesia are negligible for purposes of the present material injury investigations. We will reexamine this issue and seek to clarify the subject import data from Indonesia in any final phase investigations.

Accordingly, we determine that subject imports from China and Indonesia are not negligible for purposes of these preliminary investigations.

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 the domestic like product in the U.S. market.[91] In assessing whether subject imports compete with each other and with the domestic like product, the Commission has generally considered four factors:

(1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including by reference to specific customer requirements and other quality-related questions;
(2) the presence of sales or offers to sell subject imports from different countries and the domestic like product in the same geographic markets;
(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 and domestic like product are simultaneously present in the market.[92]

Although no single factor is necessarily determinative, and the list of factors is not exhaustive, these factors are intended to provide the Commission with a framework for determining whether the

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[90] (...continued)

Id. at 16. Consequently, although we have expanded the definition of the domestic like product beyond the scope to include sheeter rolls, we compute the denominator as total imports of subject merchandise.

[91] 19 U.S.C. § 1677(7)(G)(i).

[92] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. 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).

subject imports compete with each other and with the domestic like product.[93] [94] Only a "reasonable overlap" of competition is required.[95]

B. Analysis

In these investigations, the threshold criterion is satisfied because the antidumping duty petition with respect to subject imports from both China and Indonesia was filed on the same day. Given our negligibility determination with respect to subject imports from Indonesia, none of the exceptions to cumulation applies.[96] Subject imports from China and Indonesia are thus eligible for cumulation. We consequently examine whether there is a reasonable overlap of competition between subject imports from China and Indonesia, as well as between subject imports and the domestic like product.

Petitioners contend that the Commission should cumulate subject imports from China and Indonesia as there is a reasonable overlap of competition between the domestic like product and subject imports and between subject imports.[97] Respondents did not address cumulation at the conference or in their postconference brief.

Fungibility. There appears to be a high degree of fungibility among the subject imports from each country and the domestic like product. The questionnaire responses indicate that most market participants perceive domestic certain coated paper and the subject imports to be "always" or "frequently" used interchangeably. Four of six U.S. integrated producers and three of the four responding converters reported that they are always or frequently interchangeable. At the same time, a majority of importers reported that they are always or frequently interchangeable.[98]

Geographic Overlap. *** of the integrated producers reported that they serve a nationwide market. *** of the converters reported that they serve a nationwide market, while *** reported sales only to certain geographic regions of the United States.[99] Official import statistics show that U.S. imports from China and Indonesia entered the United States through geographically dispersed U.S. ports of entry.[100]

Channels of Distribution. The vast majority of U.S. producers' shipments of certain coated paper and the *** of importers' shipments of subject imports were to merchant/distributors.[101]

Simultaneous Presence. Official import statistics show imports from each country have been present in the U.S. market in each year of the period of investigation and in interim 2009.[102]

Conclusion. For all of the above reasons, we conclude that there is a reasonable overlap of

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[93] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[94] Commissioner Lane notes that, with respect to fungibility, her analysis does not require such similarity of products that a perfectly symmetrical fungibility is required and that this factor would be better described as an analysis of whether subject imports from each country and the domestic like product could be substituted for each other. See Separate Views of Commissioner Charlotte R. Lane, Certain Lightweight Thermal Paper from China, Germany, and Korea, Inv. Nos. 701-TA-451 and 731-TA-1126-1128 (Preliminary), USITC Pub. 3964 (Nov. 2007).

[95] The SAA 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); Goss Graphic Systems, 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, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[96] See 19 U.S.C. § 1677(7)(G)(ii).

[97] Petitioners' Postconference Brief at 19.

[98] CR/PR at Table II-2.

[99] CR/PR at II-1.

[100] CR at IV-7, PR at IV-5.

[101] CR at II-2, PR at II-1.

[102] CR at IV-7, PR at IV-5; Petitioners' Postconference Brief at 18

competition between subject imports from China and Indonesia and between subject imports from both countries and the domestic like product. We therefore cumulatively assess the volume and effects of subject imports for purposes of determining whether there is a reasonable indication of material injury to the domestic industry by reason of subject imports.

VII. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF CUMULATED IMPORTS OF SUBJECT MERCHANDISE FROM CHINA 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 or threatened with material injury by reason of the imports under investigation.[103] 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.[104] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[105] 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.[106] 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."[107]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[108] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[109] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[110]

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[103] 19 U.S.C. §§ 1671b(a), 1673b(a).

[104] 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).

[105] 19 U.S.C. § 1677(7)(A).

[106] 19 U.S.C. § 1677(7)(C)(iii).

[107] 19 U.S.C. § 1677(7)(C)(iii).

[108] 19 U.S.C. §§ 1671b(a), 1673b(a).

[109] Angus Chemical Co. v. United States, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), aff'g 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[110] The Federal Circuit, in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." Nippon Steel Corp. v. USITC, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in Mittal Steel Point Lisas Ltd. v. United States, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" See also Nippon Steel Corp. v. United States, 458 F.3d 1345, 1357 (Fed. Cir. 2006); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[111] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[112] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[113] It is clear that the existence of injury caused by other factors does not compel a negative determination.[114]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission

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[111] Statement of Administrative Action ("SAA") on Uruguay Round Agreements Act ("URAA"), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); accord Mittal Steel, 542 F.3d at 877.

[112] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001) ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); Asociacion de Productores de Salmon y Trucha de Chile AG v. United States, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); see also Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), citing Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[113] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[114] See Nippon Steel Corp., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

"ensure{s} that it is not attributing injury from other sources to the subject imports."[115] [116] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[117]

The Federal Circuit's decisions in Gerald Metals, Bratsk, and Mittal Steel all involved cases where the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in Bratsk as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[118] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago determination that underlies the Mittal Steel litigation.

Mittal Steel clarifies that the Commission's interpretation of Bratsk was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[119] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to Bratsk.

The progression of Gerald Metals, Bratsk, and Mittal Steel clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S.

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[115] Mittal Steel, 542 F.3d at 877-78; see also id. at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... . {and has} broad discretion with respect to its choice of methodology.") citing United States Steel Group v. United States, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

[116] Commissioner Pinkert does not join this paragraph or the following four paragraphs. He points out that the Federal Circuit, in Bratsk, 444 F.3d 1369, and Mittal, held that the Commission is required, when considering present material injury in certain circumstances, to undertake a particular kind of analysis of nonsubject imports. Mittal explains as follows:

> What Bratsk held is that "where commodity products are at issue and fairly traded, price-competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[117] Nucor Corp. v. United States, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also Mittal Steel, 542 F.3d at 879 ("Bratsk did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[118] Mittal Steel, 542 F.3d at 875-79.

[119] Mittal Steel, 542 F.3d at 873 (quoting from Gerald Metals, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of Bratsk as a reminder to conduct a non-attribution analysis).

market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[120] [121]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard. Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[122] [123]

For the reasons stated below, we find that there is a reasonable indication that the domestic industry producing certain coated paper is materially injured by reason of cumulated subject imports from China and Indonesia that are allegedly sold at less than fair value and allegedly subsidized by their respective governments.

A. Conditions of Competition

The following conditions of competition inform our analysis in the preliminary phase of these investigations.

1. Demand Conditions

Certain coated paper is used in printed material requiring high-gloss sheets, including annual company reports, high end brochures, catalogues, magazines, direct mail advertisements, and labels.[124] As such, the demand for certain coated paper is largely determined by the overall economy and demand for high-end commercially printed advertisements, reports, and brochures.[125]

Apparent U.S. consumption of certain coated paper sheets and sheeter rolls by quantity decreased by 17.7 percent from 2006 to 2008 overall; decreasing by 5.6 percent from 2006 to 2007 and by 12.8 percent from 2007 to 2008.[126] Apparent U.S. consumption in interim 2009 was 16.4 percent lower than apparent U.S. consumption in interim 2008.[127] Market participants noted that demand for certain coated paper decreased or fluctuated over the period of investigation, and they generally named the recession in the U.S. economy as well as other competing forms of advertising as the reasons for the decline. When

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[120] Commissioner Lane also refers to her dissenting views in Polyethylene Terephthalate Film, Sheet, and Strip from Brazil, China, Thailand, and the United Arab Emirates, Inv. Nos. 731-TA-1131-1134 (Final), USITC Pub. 4040 (Oct. 2008), for further discussion of Mittal Steel.

[121] To that end, after the Federal Circuit issued its decision in Bratsk, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

[122] Mittal Steel, 542 F.3d at 873; Nippon Steel Corp., 458 F.3d at 1350, citing U.S. Steel Group, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[123] We provide in the discussion of impact in section VII.D. below an analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[124] CR/PR at II-1, CR/PR at Table C-1.

[125] CR at II-9, PR at II-6.

[126] CR/PR at Table C-1. Apparent U.S. consumption decreased from 2.1 million short tons in 2006 to 2.0 million short tons in 2007, and then decreased to 1.8 million short tons in 2008. CR/PR at Table C-1.

[127] CR/PR at Table C-1. Apparent U.S. consumption was lower in interim 2009 at 719,500 short tons compared to 860,691 short tons in interim 2008. CR/PR at Table C-1.

asked how demand for certain coated paper had changed since January 2006, all six responding U.S. integrated producers and thirteen of 14 importers reported that demand had decreased or fluctuated, and two of the four converters reported that demand had decreased.[128] There is some evidence that the increasing popularity of on-line media or electronic copy may partly account for the decline in apparent U.S. consumption of certain coated paper during the period of investigation.[129]

2. Supply Conditions

During the period of investigation, the domestic industry accounted for the largest share of apparent U.S. consumption. From 2006 to 2008, the domestic industry's market share based on quantity remained steady, ranging from 46.2 percent in 2006 to 46.6 percent in 2008. In interim 2008, the domestic industry's market share was 47.1 percent, and it was 47.0 percent in interim 2009.[130]

The next largest share of the U.S. market was supplied by producers in nonsubject countries, whose market share decreased from 38.5 percent in 2006 to 34.7 percent in 2008. Nonsubject imports' market share was lower, at 27.3 percent, in interim 2009 than in interim 2008, at 37.7 percent.[131]

The remaining share of apparent U.S. consumption was supplied by subject imports which, unlike the shares held by the domestic industry and nonsubject imports, increased throughout the period of investigation. Subject imports' market share increased by 3.3 percentage points from 15.3 percent in 2006 to 18.6 percent in 2008. In interim 2009, subject import market share was notably higher, at 25.7 percent, than in interim 2008, at 15.3 percent.[132]

In 2008, five integrated producers accounted for most of U.S. production. The *** integrated producers, ***, accounted for over *** of U.S. production of certain coated paper.[133] U.S. converters, who convert sheeter rolls purchased from integrated producers, account for the remainder of U.S. production of certain coated paper.[134] Many of the production facilities of U.S. integrated producers produce certain coated paper in one continuous operation from the harvested log to the intermediate product (pulp) to the final product.[135] NewPage, Sappi, and MeadWestvaco are fully integrated producers.[136] A few of the smaller integrated producers purchase the pulp input from other sources.[137]

During the period of investigation, there were a number of changes in the domestic industry's organization and production operations, including a significant amount of restructuring. This included an acquisition of Stora Enso North America by NewPage and the shutdown of several plants.[138] Respondents indicate that the plant shutdowns reported by NewPage in these investigations reflect a

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[128] CR at II-9; PR at II-6.

[129] Respondents state that most of the decline in demand for certain coated paper in 2008 and interim 2009 is permanent, due to a structural shift of printed materials to on-line content. Respondents' Postconference Brief at 14-15. Three importers and one converter reported that this shift has occurred. CR at II-10; PR at II-6. At the conference, Petitioners testified that the coated paper sheet market is not as vulnerable as the web roll market to a shift from printing materials to online content given that "it is a shorter run business segment that allows you to tailor and have more variable data" and that digital presses, which are sheet presses, are an alternative to the internet media. Transcript at 123-124 (Miller).

[130] CR/PR at Table C-1.

[131] CR/PR at Table C-1.

[132] CR/PR at Table C-1.

[133] CR/PR at Table III-1.

[134] CR/PR at Table III-1.

[135] CR at I-15, VI-2, PR at I-12-13, PR at VI-1.

[136] CR at VI-2, PR at VI-1.

[137] CR at VI-2-3, PR at VI-1-2.

[138] CR at III-3, PR at III-3.

consolidation/rationalization as a result of its acquisition of Stora Enso's U.S. plants in 2007, while Petitioners attribute the shutdown to subject imports.[139]

The vast majority of the U.S. integrated producers' U.S. shipments of certain coated paper and *** of importers' shipments of subject imports were made to merchant/distributors. *** of U.S. converters' U.S. shipments were made to merchants/distributors.[140] Two U.S. integrated producers reported that they consider a variety of factors in selecting their distributors, including financial stability, strength of sales force, level of commitment in terms of inventory, and relative performance in the market.[141] Petitioners also stated that they may choose to limit the number of distributors they supply in a particular region in order to limit regional competition among distributors, stating that they "try to make that balance between making sure we have sufficient distribution footprint and protecting those folks with responsible distribution."[142] We intend to examine the selection of distributorships in any final phase investigations.

During the period of investigation, the vast majority of subject merchandise was exported by Chinese and Indonesian producers under the corporate umbrella of Asia Pulp & Paper Co., Ltd ("APP").[143] In 2009, APP began to establish an e-commerce U.S. distribution network for its products, called Eagle Ridge Paper.[144] Petitioners claim that this distributorship is fully operational and is currently underselling the domestic like product by wide margins.[145] Respondents claim that Eagle Ridge Paper is in the early stages of development and that it will take years before Eagle Ridge Paper is able to supply large volumes of subject merchandise.[146]

3. Substitutability and Other Considerations

The record indicates that the domestic like product and subject imports are highly interchangeable regardless of their country of origin. Most responding U.S. producers (integrated producers and converters) and importers reported that the domestic like product, subject imports and nonsubject imports were "always" or "frequently" interchangeable.[147]

According to market participants, price is an important consideration, though not necessarily the most important consideration, in purchasing decisions.[148] Non-price factors cited by market participants as important to purchasing decisions included quality, shorter lead times, distribution network, and product range.[149]

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[139] Respondents' Postconference Brief at 33-34.

[140] CR/PR at Table II-1.

[141] Transcript at 119 (Nelson).

[142] Transcript at 120 (Dorn, Nelson).

[143] CR at VII-2, VII-7, PR at VII-2, VII-4.

[144] CR at IV-4, PR at IV-2.

[145] Petitioners' Postconference Brief at 47.

[146] In any final phase investigations, we will examine the role of the Eagle Ridge distribution network. In order to determine whether the domestic industry is materially injured or threatened with material injury, we will also examine whether Chinese producers recently have added or will add production capacity. The current record contains conflicting evidence on this issue. See e.g., CR at VII-4 n.5 and VII-5 n.7, PR at VII-3 n.5 and n.7.

[147] CR/PR at Table II-2.

[148] CR/Table II-3.

[149] CR at II-13-15; PR at II-9-10. Responses are mixed on this issue. One half of responding integrated producers and three of four responding converters reported that differences other than price were "frequently" or "sometimes" a factor in purchasing decisions, while the other half of integrated producers reported that they were never a significant factor. A majority of importers reported that differences other than price were "always" or

(continued...)

In determining prices for sales of certain coated paper, *** the U.S. integrated producers reported the use of price lists, *** reported ***, and *** reported also using transaction-by-transaction negotiations. Converters reported the use of ***. Importers of subject imports reported that *** for certain coated paper, as determined by ***, as well as ***.[150]

U.S. integrated producers of certain coated paper reported that pulp, chemicals and dyes, coating additives, and packaging are the principal raw materials used in producing certain coated paper. *** of the responding integrated producers reported that pulp accounts for between *** percent and *** percent of the total cost of production and that chemicals and dyes account for between *** percent and *** percent.[151] Most of the integrated producers reported that the cost of pulp has increased by *** to *** percent since 2006 and that the costs of chemicals and dyes have increased by *** to *** percent. [152]

In early 2009, U.S. paper mills began applying for and receiving an alternative fuel tax credit pursuant to Section 642 of the Internal Revenue Code. This tax credit went into effect in late 2007 and reportedly expires at the end of 2009. The tax credit allows producers to receive $0.50 per gallon of kraft pulp by-product (or "black liquor") that they produce. Such kraft pulp by-product results from the production of certain coated paper and other papers, including other coated free sheet papers and coated groundwood paper.[153]

B. Volume of Subject Imports

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."[154]

The volume of subject imports increased from 327,421 short tons in 2006 to 355,399 short tons in 2007 and then decreased to 328,470 short tons in 2008.[155] The volume of subject imports, however, was 40.7 percent higher in interim 2009 at 184,712 short tons than in interim 2008, at 131,263 short tons.[156]

As noted above, apparent U.S. consumption declined from 2006 to 2008. Subject imports' market share, however, increased from 15.3 percent in 2006 to 17.6 percent in 2007, and then to 18.6 percent in 2008. In interim 2009, apparent U.S. consumption was 10.4 percent lower than in interim 2008. Notably, subject imports' market share, however, was higher in interim 2009 at 25.7 percent, than in interim 2008, at 15.3 percent.[157]

In contrast to subject imports' increase in market share throughout the period of investigation and, in particular, between the interim periods, the domestic industry's market share remained relatively steady. The domestic industry's market share ranged from 46.2 percent in 2006 to 46.6 percent in 2008. In interim 2009, the domestic industry's market share was lower, at 47.0 percent, than in interim 2008, at 47.1 percent. The market share of nonsubject imports decreased from 38.5 percent in 2006 to 36.0

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[149] (...continued)
"frequently" a significant factor in purchasing decisions. CR at II-13-15; PR at II-9-10.

[150] CR/PR at V-2.

[151] *** integrated producers, ***, reported that pulp accounts for between *** and *** percent and *** reported that chemicals and dyes account for *** percent of the total cost of production. CR/PR at V-1.

[152] CR/PR at V-1.

[153] CR/PR at V-1 n.2 , VI-16, PR at VI-16. In interim 2009, NewPage and Sappi reported as "other income" a combined allocated amount of $*** pursuant to the black-liquor tax credit.

[154] 19 U.S.C. § 1677(7)(C)(i).

[155] CR/PR at Table C-1.

[156] CR/PR at Table C-1.

[157] CR/PR at Table C-1.

percent in 2007, and then to 34.7 percent in 2008.[158] In interim 2008, nonsubject imports' market share was 37.7 percent, and it was 27.3 percent in interim 2009.[159]

Respondents argue that the significance of subject import volume in interim 2009 is less than it appears for several reasons. First, they claim that the higher volume in interim 2009 than in interim 2008 was because the interim 2008 volume was suppressed by the 2007 CFS investigations that concluded at the end of 2007, and that the apparent "increase" in subject imports in 2009 simply reflected subject imports recovering to historical levels.[160] We find this argument unpersuasive. In interim 2009 subject imports from China, as well as cumulated subject imports, were at their highest absolute levels (annualized) of the entire period examined. These import volumes were well in excess of "historical levels."[161]

Second, respondents claim that, because there is a delay of several months between the time U.S. orders for subject imports are placed and the date that the imports arrive in the country, the higher import volumes in interim 2009 merely reflected orders placed by U.S. customers in late 2008, prior to when the economic crisis began in the United States.[162] Although some imports in interim 2009 were likely based on 2008 orders, we do not find that this mitigates the importance or the effects of the interim 2009 volumes, which, as noted above, were at their highest annualized level of the period in interim 2009.

Third, Respondents point out that subject imports took market share only from non-subject imports and not from domestic producers. Respondents are correct that subject imports gained share only from non-subject imports. As discussed further infra, however, it appears that domestic producers lowered prices to maintain share in the face of low-priced subject imports, particularly in interim 2009.[163]

In sum, we do not find respondents' assertions concerning the lack of significance of subject imports to be persuasive on the current record. In any final phase of the investigations, we will closely examine the circumstances relating to the trends of subject imports in the U.S. market.

Accordingly, for purposes of the preliminary phase of these investigations, we find that subject import volume relative to consumption, in particular the higher volumes and market share in interim 2009 compared with interim 2008, to be significant.[164] [165]

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[158] CR/PR at Table C-1.

[159] The ratio of subject imports to U.S. production increased from 28.6 percent in 2006 to 31.8 percent in 2007 to 33.5 percent in 2008. The ratio of subject imports to U.S. production was higher in interim 2009 at 42.3 percent compared to 27.2 percent in interim 2008. CR/PR at Table IV-6.

[160] Respondents Postconference Brief at 23.

[161] Moreover, if interim 2008 was affected by the ongoing 2007 CFS investigations, then subject import volume for full year 2007 should presumably have been distorted as well. Yet subject import volume in 2007 increased from 2006, reaching its highest full-year level in the period of investigation even as consumption declined.

[162] Respondents Postconference Brief at 23-24.

[163] Commissioner Pinkert observes that decreased demand due to recessionary conditions is the best explanation for the reduction in prices between the interim periods.

[164] The record indicates that purchasers Unisource and *** shifted away from subject imports to other sources of supply very late in the period of investigation. CR at IV-3. While these changes may have an impact on the volume of subject imports in the future, the most recent available quantitative data on the record demonstrates that the volume of subject imports is significant. We will examine these shifts and any impact on the volume of subject imports in any final phase investigations.

[165] Commissioner Pinkert observes that the increase in subject import market share between the interim periods was similar to the increases in subject import market share from 2006 to 2008 in that it (1) came almost entirely at the expense of nonsubject import market share and (2) served to make the market more price competitive.

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.[166]

As addressed in conditions of competition, the record indicates that subject imports and the domestic like product are highly substitutable and that price is an important consideration in purchasing decisions.[167]

In these investigations, the Commission collected pricing data for five pricing products. The data show that prices of cumulated imports undersold the domestic like product in 59 of 71 quarterly comparisons by margins ranging from 0.9 percent to 29.9 percent.[168] Given the degree of substitutability between the subject and domestic product, the importance of price in purchasing decisions, and the prevalence of underselling in quarterly price comparisons, we find that there has been significant price underselling by the subject imports.

We have considered movements in the prices of certain coated paper over the period of investigation. Although we collected prices for five products, we rely principally on reported prices for Product 1 given that Product 1 accounted for nearly *** percent of domestic producers' total sales of the five pricing products, *** percent of importers' reported U.S. sales of the five pricing products from China and *** percent of importers' U.S. sales of all pricing products from Indonesia.[169]

Prices for domestically produced Product 1 increased from the first quarter of 2006 to the fourth quarter of 2008 but then decreased by *** percent through the second quarter of 2009. At the same time, prices for the Chinese product increased overall from the first quarter of 2006 to the second quarter of 2008, but then decreased by *** percent thereafter. Prices for the Indonesian product generally increased from the first quarter of 2006 to the third quarter of 2008 but then decreased by *** percent.[170]

Given that domestic prices for Product 1 increased from 2006 to 2008, there is no evidence that the underselling of the domestic like product by subject imports resulted in price depression during that three year period. Conditions appear to have changed, however, since the end of 2008. The large increase in the supply of low-priced subject imports in the first half of 2009 was accompanied by a decline in prices for the domestic product in the first half of 2009. Moreover, the record shows that the domestic industry faced increasing pressure to lower prices or lose market share, particularly in the first half of 2009 as a result of the pervasive underselling by subject imports.[171] *** confirmed lost sales

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[166] 19 U.S.C. § 1677(7)(C)(ii).

[167] See CR/PR at Tables II-2 and II-3.

[168] CR/PR at Table V-7.

[169] CR at V-5-V-6; PR at V-4

[170] CR at V-5-V-6, PR at V-4.

[171] Commissioners Lane and Pinkert's analyses differ from those of their colleagues in that they find evidence of downward pressure on prices from the subject imports throughout the period under examination

They find that lower-priced subject imports are taking sales from the domestic industry for price reasons and that a sizeable number of purchasers stated that U.S. producers had reduced prices to compete with subject imports. They note that *** of the *** in confirmed lost sales were from 2006 to 2008. *** of the *** confirmed lost revenues *** were ***. Moreover, *** was named in a lost sales allegation in which it did not respond with respect to the specific value cited but stated that it reduced its purchases from U.S. producers by ***. Staff estimates

(continued...)

allegations totaling $*** and *** purchasers confirmed lost revenues allegations totaling $*** million.[172] Several of the confirmed lost sales and lost revenue allegations occurred in 2009. Additionally, a sizeable number of the purchasers that responded to lost sales and lost revenues allegations stated that U.S. producers have reduced their prices to compete with subject imports.[173] Finally, the pricing pressure as a result of the low-priced subject imports is indicated by the decreasing market share of nonsubject imports. Nonsubject imports average unit values remained steady and above those for subject imports, as they had throughout the period of investigation, but their market share was 10.4 percentage points lower in interim 2009 than in interim 2008.[174] In contrast, domestic producers fought to maintain market share between the interim periods by decreasing domestic prices.[175]

As discussed above, Respondents argue that the decline in prices in the first half of 2009 is due to the declining consumption of certain coated paper. Although lower consumption would be expected to place downward pressure on prices, the record indicates that the decline in domestic prices in the first half of 2009 was due in part to low-priced subject imports.[176] Despite the substantial decline in apparent U.S. consumption from 2006 to 2008, and especially from 2007 to 2008, prices for both domestic and subject import product increased. Thus on the current record, it appears that declining consumption in this market does not necessarily result in falling prices.[177] It was only when subject import volume and market share grew substantially in interim 2009, to reach levels well above the levels of interim 2008, and (on an annualized basis) above any of the full years we have examined, and the prices of subject imports declined ***, that prices for the domestic like product decreased. As a result of the higher volume of low-priced subject imports in interim 2009, domestic producers were forced to reduce their prices in order to maintain market share.[178]

As discussed in the conditions of competition section, Respondents also contend that domestic producers are responsible for the price decline rather than subject imports because, they assert, the alternative tax credit (the so-called black liquor subsidy) allowed integrated producers to lower their

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[171] (...continued)
that the loss of the *** short tons would mean a monetary lost sale of *** and that the loss of the *** tons would mean a loss of ***, in the 2007 to 2008 period. CR/PR at V-20-V-25, Table V-8 and n.9.

Commissioners Lane and Pinkert find that lower-priced subject imports have taken market share from nonsubject imports, which has made the market more price competitive and put downward pricing pressure on domestic prices. This happened from 2006 to 2008, as well as in interim 2009. Subject AUVs were lower than nonsubject AUVs throughout the period under examination, and nonsubject imports steadily lost market share to subject imports. From 2006 to 2008, nonsubject imports lost *** percentage points of market share while subject imports gained *** percentage points of market share.

[172] CR at V-19-20, PR at V-10-11, CR/PR at Tables V-8.

[173] CR at V-20-V-25, PR at V-11. See responses of ***.

[174] Although we are aware that nonsubject AUVs may present product mix issues, we rely on nonsubject AUVs rather than the nonsubject pricing data to compare nonsubjects against subject and domestic product, because the nonsubject pricing data we collected offer very limited coverage of nonsubject imports. CR at Appendix D.

[175] CR/PR at Table C-1.

[176] Commissioner Pinkert does not join in this paragraph, noting once again that decreased demand due to recessionary conditions is the best explanation for the reduction in prices between the interim periods – he points out in this regard that apparent U.S. consumption was 16.4 percent lower in interim 2009 than in interim 2008, a much more precipitous fall-off than that which occurred in 2006 or 2007. Although he thus discounts the probative value of the *trend* in the interim price data, he finds that the downward pressure on prices that was exerted by the subject imports from 2006 to 2008 continued into interim 2009.

[177] In any final phase investigations, we will further examine the effects of the declining consumption of certain coated paper on prices in the U.S. market.

[178] CR/PR at Table C-1.

prices in 2009. Petitioners have stated, however, that they ***.[179] The record, moreover, indicates that any tax credit received by U.S. integrated producers had little or no effect on falling domestic prices in the first half of 2009 given that the tax credits mostly were applied for and received by U.S. producers late in or after the first half of 2009.[180] We intend, however, to examine this issue further in any final phase investigations.

Accordingly, the record in these preliminary investigations indicates significant underselling and suggests that this underselling led to price depression during the first half of 2009.[181]

D. Impact of the Subject Imports[182]

Section 771(7)(C)(iii) of the Act 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."[183] 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 relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[184]

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[179] Petitioners' Postconference Brief at Answer to Question 6.

[180] Respondents' Postconference Brief at Exhibit 4. Additionally, the record indicates that the direct benefit of the black liquor subsidies only accrues to producers of pulp who generate black liquor as a by-product. Accordingly, NewPage, Sappi, and MeadWestvaco are the only integrated producers who can receive it. The payments, however, ***. CR at VI-16, PR at V-8. Although tax credits are awarded only to integrated producers, the program has indirectly benefitted non-integrated producers as well. The program induced integrated producers to increase pulp production which led to lower prices for pulp, which is purchased by non-integrated producers. CR at VI-16-17, PR at V-8.

[181] We intend to examine the price effects of subject imports based on the record in any final phase investigations, including information of what, if any, changes resulted from the switch of purchasers Unisource and *** away from subject imports to other sources of supply.

[182] Commerce initiated the investigations based upon estimated dumping margins for subject imports from China that range from 33 to 41 percent and dumping margins for subject imports from Indonesia that range from 25.7 to 135.8 percent. 74 Fed. Reg. 53710 (Oct. 20, 2009).

In its notice of initiation in the countervailing duty investigation of imports from China, Commerce indicated that it would investigate numerous programs alleged in the petition to have provided countervailable subsidies to producers of certain coated paper in China. The programs to be investigated are the following: (A) two preferential lending programs (B) twelve income tax programs; (C) three indirect tax and import tariff programs; (D) seven grant programs; (E) three provisions of goods or services for less than adequate remuneration; and (F) four economic development zone programs. 74 Fed. Reg. 53703 (Oct. 20, 2009).

In its notice of initiation in the countervailing duty investigation of imports from Indonesia, Commerce indicated that it would investigate numerous programs alleged in the petition to have provided countervailable subsidies to producers of certain coated paper in Indonesia. The programs to be investigated are the following: (A) one provision of standing timber for less than adequate remuneration program; (B) government prohibition of log exports; (C) three debt forgiveness programs; and (D)) four tax incentive programs. 74 Fed. Reg. 53707 (Oct. 20, 2009).

[183] 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.")

[184] 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 (Prelim.), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

Many of the domestic industry's performance based indicators declined from 2006 to 2008, by amounts largely commensurate with declines in apparent U.S. consumption over the period of investigation. The domestic industry's average capacity fluctuated but decreased by 3.9 percent from 2006 to 2008, increasing from 2.86 million short tons in 2006 to 2.94 million short tons in 2007, and then decreasing to 2.82 million short tons in 2008.[185] The domestic industry's production declined by 14.4 percent from 2006 to 2008, from 1.14 million short tons in 2006 to 1.11 million short tons in 2007 and to 980,751 short tons in 2008.[186] The domestic industry's declining production resulted in deceasing capacity utilization rates, which fell from an already low 39.4 percent in 2006 to 37.4 percent in 2007 and to 34.1 percent in 2008.[187] The domestic industry's U.S. shipments by quantity declined by 16.8 percent from 2006 to 2008, from 987,704 short tons in 2006 to 937,430 short tons in 2007, and to 821,708 short tons in 2008.[188]

As the domestic industry's production decreased, so did the number of production related workers ("PRWs"), hours worked, and wages paid. Between 2006 and 2008, the number of PRWs declined by 21.2 percent, from 2,301 PRWs in 2006 to 2,192 PRWs in 2007 and 1,814 PRWs in 2008, while hours worked declined by 18.8 percent, and wages paid declined by 12.2 percent.[189] Productivity, however, increased as the domestic industry became more efficient due to restructuring. Productivity (tons/per hour)increased by 5.9 percent, from 258.9 short tons/per 1,000 hours in 2006 to 269.0 in 2007, and to 274.1 in 2008.[190]

Although the domestic industry's volume-based indicators declined from 2006 to 2008, consistent with declining consumption, the domestic industry's financial indicators were more positive and the industry was profitable.[191] This was due in large measure to reductions in the industry's costs during the period as a result of the restructuring of the industry. Although the domestic industry's net sales volume declined by 12.8 percent, decreasing from 1.1 million short tons in 2006 to 953,567 short tons in 2008, the domestic industry's net sales values fell at a lesser rate (10.1 percent) from $1.2 billion in 2006 to $1.1 billion in 2008. COGS as a ratio of net sales decreased from 87.2 percent in 2006 to 86.1 percent in 2007, and to 85.7 percent in 2008. The domestic industry's average unit values fluctuated,

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[185] CR/PR at Table C-1.

[186] CR/PR at Table C-1.

[187] CR/PR at Table C-1. The aggregate capacity utilization figures were driven in large part by ***, whose reported capacity was so large as to produce a company capacity utilization rate that was less than half the rate of any other producer for every period except interim 2009. CR/PR at Table III-2. We intend to examine the allocations of productive capacity in any final phase investigations.

[188] CR/PR at Table C-1.

[189] CR/PR at Table C-1. Hours worked (1,000) declined from 4,513 in 2006 to 4258 in 2007, and to 3,664 in 2008. Wages paid decreased from $122 million in 2006 to $119 million 2007, and then to $107 million in 2008. CR/PR at Table C-1.

[190] CR/PR at Table C-1.

[191] Commissioners Lane and Pinkert do not join in this paragraph. They find there is a reasonable indication that subject imports had a negative effect on domestic industry performance during the period under examination, including from 2006 to 2008 – to wit, in an increasingly price competitive U.S. market, in which subject imports represented from 15.3 to 18.6 percent of apparent consumption and were sold at prices substantially below those obtained by domestic producers, the domestic industry experienced closures, decreases in production and capacity utilization, a reduction in PRWs, negative trends with respect to the volume of shipments and sales, and lackluster profitability. Although they observe that restructuring appears to have enabled the domestic industry to improve productivity, they aver that, as a result of the impact of the subject imports, the domestic industry was unable to enjoy the intended benefits of such improvement.

In any final phase investigation, Commissioners Lane and Pinkert intend to examine closely the relationship between restructuring and domestic industry performance.

increasing overall and remained higher than unit COGS and SG&A expenses.[192] As a result, the domestic industry's operating income fluctuated but increased overall from $69 million in 2006 to $82 million in 2007 and to $70 million in 2008. The domestic industry's profit margin followed suit, increasing from 5.6 percent in 2006 to 6.9 percent in 2007 and then decreasing to 6.3 percent in 2008.[193] Capital expenditures fluctuated but increased by 3.2 percent overall.[194]

As discussed above, although apparent U.S. consumption was lower in interim 2009 than in interim 2008, subject imports were substantially higher in both absolute volume and market share in interim 2009 than in interim 2008, as a result of aggressive pricing in interim 2009. As in the 2006 to 2008 period, the domestic industry's production, shipments, and employment indicators fell by amounts relatively commensurate with the decline in consumption. In interim 2009, the domestic industry's production was 9.5 percent lower at 436,262 short tons than in interim 2008 at 481,873 short tons. Although production capacity was steady between the interim periods, the domestic industry's capacity utilization rate was lower at 30.6 percent in interim 2009 than in interim 2008 at 33.6 percent. The domestic industry's U.S. shipments were also lower in interim 2009 than in interim 2008 at 338,276 short tons and 405,170 short tons, respectively.[195]

The number of PRWs, hours worked, and wages were also lower in interim 2009 than in interim 2008. The number of PRWs was 12.2 percent lower at 1,705 in interim 2009 than in interim 2008 at 1,950. Hours worked were 3.9 percent lower and wages paid were 7.4 percent lower in interim 2009 than in interim 2008.[196] Productivity (tons/per hour) was 5.9 percent lower in interim 2009 than in interim 2008.[197]

Although the industry's lower production, shipment and employment indicators in interim 2009 as compared to interim 2008 reflected lower consumption in the same manner as these indicators did between 2006 to 2008, the industry was not able to maintain positive financial performance in interim 2009 due to lower market prices. The domestic industry's financial condition deteriorated in interim 2009 as the industry was forced to reduce prices in order to compete with substantially increasing subject imports.[198] The domestic industry's net sales volume was 19.4 percent lower in interim 2009 than in interim 2008 but the industry's net sales value was 30.4 percent lower in interim 2009 than in interim 2008.[199] The industry's average unit sales values were 13.7 percent lower in interim 2009 at $1,022 than in interim 2008 at $1,184.[200] In line with the domestic industry's movement in sales values and costs, the

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[192] CR/PR at Table C-1. Average unit values were $1,119 in 2006, $1,104 in 2007, and $1,153 in 2008. Unit COGs were $975 in 2006, $951 in 2007, and $989 in 2008 and SG&A expenses were $81 in 2006, $77 in 2007, and $91 in 2008. CR/PR at Table C-1.

[193] CR/PR at Table C-1.

[194] CR/PR at Table C-1. Capital expenditures were $41 million in 2006, $35 million in 2007, and $43 million in 2008, CR/PR at Table C-1.

[195] CR/PR at Table C-1.

[196] CR/PR at Table C-1. Hours worked (1,000) were 1,622 in interim 2009 and 1,688 in interim 2008. Wages paid was $45 million in interim 2009 and $48.4 million in interim 2008. CR/PR at Table C-1.

[197] CR/PR at Table C-1.

[198] Commissioner Pinkert does not join in this paragraph. He agrees with his colleagues that the domestic industry experienced lower prices, production, shipments, and employment in interim 2009 than in interim 2008. He finds, however, that tumbling apparent U.S. consumption due to recessionary conditions is the best explanation for domestic industry deterioration between the interim periods. Although he thus discounts the probative value of the trends from interim 2008 to interim 2009, he determines that the pressure on prices and performance that was exerted by the subject imports from 2006 to 2008 continued into interim 2009.

[199] CR/PR at Table C-1.

[200] CR/PR at Table C-1. COGS as a ratio of net sales was higher in interim 2009 at 95.3 percent than in interim 2008 at 83.9 percent. Unit COGs and SG&A expenses were lower in interim 2009 than in interim 2008; however,

(continued...)

domestic industry reported an operating loss of $17.2 million in interim 2009 compared with operating income of $44.3 million in interim 2008. The domestic industry's operating margin was a positive 7.9 percent in interim 2008 and a negative 4.4 percent in interim 2009.[201]

We have considered whether there are other factors that have had an impact on the domestic industry. We recognize that apparent U.S. consumption was 16.4 percent lower in interim 2009 than in interim 2008, and this may well have contributed to the domestic industry's deteriorating performance when comparing the interim periods. As discussed earlier, the parties dispute whether demand declined due to a permanent shift from certain coated paper to online media and whether such a decline was responsible for injury to the domestic industry in interim 2009. We intend to further examine the impact of the recession and the effect of online media in any final phase of these investigations to ensure that we do not attribute to subject imports the effects of any adverse demand conditions.

We also have considered the role of the nonsubject imports during the period of investigation. Although nonsubject imports were a substantial presence in terms of volume and market share throughout the period, they declined in volume and market share, and were consistently priced higher than subject imports. In the first half of 2009, nonsubject import volume was 39.3 percent lower and market share was 10.4 percentage points lower than in interim 2008. Thus, we do not find that the effects of cumulated subject imports described above can be attributed in any significant way to nonsubject imports.[202]

Accordingly, the record in the preliminary phase of these investigations indicates an apparent causal nexus between cumulated subject imports and the adverse condition of the domestic industry, thus demonstrating a reasonable indication of material injury by reason of subject imports.[203]

Conclusion

For the reasons discussed above, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain coated paper from China that are allegedly sold in the United States at less than fair value and allegedly subsidized by the Government of China and by reason of imports of certain coated paper from Indonesia that are allegedly sold in the United States at less than fair value and allegedly subsidized by the Government of Indonesia.

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[200] (...continued)
these expenses collectively were greater than average unit sales value and the domestic industry therefore was no longer able to recoup costs. Average unit values were $1,022 in interim, while unit COGS were $973 and unit SG&A were $94 (a total of $1067).

[201] CR/PR at Table C-1. The domestic industry's capital expenditures, however, were higher in interim 2009 at $14 million compared to $11. 2 million in interim 2008.

[202] Based on the record evidence in the preliminary phase of these investigations, Commissioner Pinkert finds that subject certain coated paper is essentially a commodity product for purposes of his Bratsk analysis, and that price competitive, non-subject imports were a significant factor in the U.S. market during the period of investigation. He further finds, however, that non-subject imports would not have replaced subject imports during the period of investigation without benefit to the domestic industry. Non-subject imports held a greater share of the U.S. market than subject imports throughout the period of investigation and could have replaced the subject imports. CR/PR at Table C-1. Even if they had done so, the record indicates that antidumping relief would nevertheless have benefitted the domestic industry through higher prices. The average unit values of nonsubject imports were higher than those of the subject imports throughout the period of investigation. CR/PR at Table C-1.

[203] We have found that the domestic industry is experiencing material injury as of the date of our vote. In considering the adverse impact of subject imports in any final phase investigations, we will examine further the significance of the fact that purchasers Unisource and *** shifted away from subject imports to other sources of supply in 2009.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on September 23, 2009, by Appleton Coated, LLC ("Appleton"), NewPage Corp. ("NewPage"), Sappi Fine Paper North America ("Sappi"), and the United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW"), alleging that an industry in the United States is materially injured or is threatened with material injury, by reason of imports from China and Indonesia of certain coated paper suitable for high-quality print graphics using sheet-fed presses ("certain coated paper")[1] that are allegedly sold in the United States at less-than-fair-value ("LTFV") and subsidized by the governments of China and Indonesia. Information relating to the background of these investigations is provided below.[2]

Effective date	Action
September 23, 2009	Petition filed with Commerce and the Commission; Commission institutes investigation (74 FR 50243, September 30, 2009)
October 14, 2009	Commission's conference[1]
October 20, 2009	Initiation of countervailing duty investigation on China by Commerce (74 FR 53703)
October 20, 2009	Initiation of countervailing duty investigation on Indonesia by Commerce (74 FR 53707)
October 20, 2009	Initiation of antidumping investigations by Commerce (74 FR 53710)
November 6, 2009	Commission's vote
November 9, 2009	Commission's determinations transmitted to Commerce
November 17, 2009	Commission's views transmitted to Commerce

[1] A list of witnesses that appeared at the conference is presented in app. B.

ORGANIZATION OF REPORT

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, 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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[1] A complete description of the imported product subject to these investigations is presented in *The Subject Product* section located in Part I of this report.

[2] *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)(i)(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 declines 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 margins of dumping and subsidies, 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 of imports of the subject merchandise is presented in *Part IV* and pricing of domestic and imported products is presented in *Part V*. *Part VI* presents information on the financial experience of U.S. producers. Information obtained for use in the Commission's consideration of the question of threat of material injury is presented in *Part VII*.

U.S. MARKET SUMMARY

The U.S. market for certain coated paper totaled approximately $1.95 billion and 1.76 million short tons in 2008. Currently, six integrated firms[3] produce certain coated paper in the United States, Appleton, MeadWestvaco Corp. ("MeadWestvaco"), Mohawk Fine Papers, Inc. ("Mohawk"), NewPage, Sappi, and Smart Papers, Inc. ("Smart"), which accounted for virtually all U.S. production of certain coated paper in 2008. At least four firms have reported importing certain coated paper from subject

[3] These "integrated" firms produce all of the domestically-produced sheeter rolls, which is an upstream product that is converted into a sheeted product. The scope of these investigations includes only sheeted product. Although the U.S. integrated producers convert or "sheet" the vast majority of their own sheeter rolls, there are a number of U.S. converters in the marketplace that sheet these rolls either on a toll basis or through arms length purchases of sheeter rolls.

countries since 2006. One firm, Global Paper Solutions, Inc. ("GPS"), accounted for the majority of reported imports from China. One firm, PaperMax Ltd. ("PaperMax") accounted for the vast majority of imports from Indonesia during the period of investigation.

U.S. producers' U.S. shipments of certain coated paper totaled 821,708 short tons valued at $980.4 million in 2008, and accounted for 46.6 percent of apparent U.S. consumption by quantity (50.3 percent by value). U.S. imports from China totaled 275,532 short tons in 2008, and accounted for 15.6 percent of apparent U.S. consumption by quantity (13.8 percent by value), while U.S. imports from Indonesia totaled 52,938 short tons, and accounted for 3.0 percent of apparent consumption by quantity (2.5 percent by value). U.S. imports from all other sources combined totaled 611,626 short tons, and accounted for 34.7 percent of apparent consumption by quantity (33.4 percent by value). Certain coated paper is generally used for printing multi-colored graphics for catalogues, books, magazines, envelopes, labels and wraps, greeting cards, and other commercial printing applications requiring high quality print graphics.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. U.S. industry data are based on questionnaire responses of six U.S. integrated producers[4] and four U.S. converters that accounted for virtually all of U.S. production of certain coated paper during the period of investigation. Data for U.S. imports from China, Indonesia, and nonsubject countries are based on adjusted Commerce statistics.[5] Foreign industry data are based on responses to the Commission's U.S. foreign producer's questionnaires. Appendix C, table C-2 presents data submitted by U.S. integrated producers regarding their web roll operations. Appendix C, table C-3 presents combined data for U.S. certain coated paper operations and web roll operations (see *Domestic Like Product Issues* below). Finally, Appendix C, table C-4 presents U.S. apparent consumption and U.S. market shares using data based on U.S. importers' questionnaire responses concerning U.S. imports from Indonesia.

PREVIOUS AND RELATED INVESTIGATIONS

Certain coated paper, as defined in the scope of these investigations, is a subset of the paper products investigated by the Commission in its 2007 investigations on *Coated Free Sheet from China, Indonesia, and Korea*.[6] In the 2007 investigation, the scope definition included sheets, sheeter rolls, and web rolls. In contrast, the current investigations' scope definition includes only sheeted product. The Commission in *Coated Free Sheet* determined that the U.S. industry was not materially injured or threatened with material injury by reason of U.S. imports from China, Indonesia, and Korea.[7]

In 1991, the Commission conducted antidumping duty investigations on *Coated Groundwood Paper from Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Sweden, and the United*

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[4] The term "integrated" producers is used to distinguish those producers who produce sheeter rolls from U.S. converters, which process sheeter rolls into sheet, and is not used to indicate the level of vertical integration of those producers.

[5] Adjustments to Commerce statistics are based on assumptions made by the petitioners, which they have set forth in their postconference brief. *See* Petitioners' postconference brief, "Answers to Questions from Staff," exh. 1 at exh. Q1-1.

[6] *Coated Free Sheet Paper from China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007.

[7] Ibid. at pp. 42-43.

Kingdom (Inv. Nos. 731-TA-486-494). The Commission determined that the subject imports did not injure the domestic coated groundwood paper industry.[8] [9]

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

On October 20, 2009, Commerce published a notice in the *Federal Register* of the initiation of its antidumping investigation on certain coated paper from China and Indonesia.[10] The alleged estimated weighted-average dumping margins (in percent *ad valorem*), as reported by Commerce are summarized in the tabulation below:

Country	Estimated dumping margin (*percent ad valorem*)
China	33.0 to 41.0
Indonesia	25.7 to 135.8
Source: *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia and the People's Republic of China: Initiation of Antidumping Duty Investigations;* 74 FR 53710, October 20, 2009, p. 53714.	

NATURE OF ALLEGED COUNTERVAILABLE SUBSIDIES

China

On October 20, 2009, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on certain coated paper from China. In its notice, Commerce listed the following programs alleged in the petition to have provided countervailable subsidies to producers of certain coated paper in China:[11]

A. Preferential Lending to the Coated Paper Industry

1. Policy Loans from State-Owned Commercial Banks and Government Policy Banks
2. Fast-Growth High-Yield Forestry Program Loans

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[8] The product subject to investigation was defined by Commerce as "paper coated on both sides with kaolin (China clay) or other inorganic substances (e.g., calcium carbonate), of which more than ten percent by weight of the total fiber content consists of fibers obtained by mechanical process, regardless of (1) basis weight (e.g., pounds per ream or grams per one square meter sheet); (2) GE brightness; or (3) the form in which it is sold (*e.g.*, reels, sheets, or other forms)." Paperboard was excluded from the scope of investigation. *See Notice of Final Determination of Sales at Less Than Fair Value: Coated Groundwood Paper from Germany*, 56 FR 56385, November 4, 1991.

[9] *Coated Groundwood Paper from Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Sweden, and the United Kingdom*, Inv. Nos. 731-TA-486-494 (Preliminary), USITC Publication 2359, February 1991, p. 3; and *Coated Groundwood Paper from Belgium, Finland, France, Germany, and the United Kingdom*, Inv. Nos. 731-TA-487-490 and 494 (Final), USITC Publication 2467, December 1991, p. 3.

[10] *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia and the People's Republic of China: Initiation of Antidumping Duty Investigations;* 74 FR 53710, October 20, 2009.

[11] *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Initiation of Countervailing Duty Investigation;* 74 FR 53703, October 20, 2009.

B. Income Tax Programs

1. Income Tax Exemption/Reduction under "Two-Free/Three Half" Program
2. Local Income Tax Exemption and Reductions for "Productive" Foreign-Invested Enterprises ("FIEs")
3. Income Tax Reduction for FIEs Purchasing Domestically-Produced Equipment
4. Tax Subsidies to FIEs Based on Geographic Location
5. Preferential Tax Policies for Technology or Knowledge-Intensive FIEs
6. Tax Programs for FIEs that are High or New Technology Enterprises
7. Income Tax Reductions for High-Technology Industries in Guangdong Province
8. Preferential Tax Policies for Research and Development at FIEs
9. Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment
10. Income Tax Exemption Program for Export-Oriented FIEs
11. Corporate Income Tax Refund Program for Reinvestment of FIE profits in Export-Oriented Enterprises
12. Exemption from City Maintenance and Construction Taxes and Education Surcharges for FIEs

C. Indirect Tax and Import Tariff Programs

1. Value Added Tax ("VAT") and Tariff Exemptions on Imported Equipment
2. VAT Rebates on Domestically Produced Equipment
3. Domestic VAT Refunds for Companies Located in the Hainan Economic Development Zone

D. Grant Programs

1. Funds for Forestry Plantation Construction and Management
2. The State Key Technologies Renovation Project Fund
3. Loan Interest Subsidies for Major Industrial Technology Reform Projects in Wuhan
4. Funds for Water Treatment Improvement Projects in the Songhuajiang Basin
5. Special Fund for Energy Saving Technology Reform in Wuhan and Shouguang Municipality
6. Clean Production Technology Fund
7. Famous Brands Awards

E. Provision of Goods or Services for Less Than Adequate Remuneration ("LTAR")

1. Papermaking Chemicals
2. Electricity
3. Land-Use Rights to State Owned Enterprises

F. Economic Development Zone ("EDZ") Programs

1. Subsidies in the Nanchang EDZ
2. Subsidies in the Wuhan EDZ
3. Subsidies in the Yangpu EDZ
4. Subsidies in the Zhenjiang EDZ

Indonesia

On October 20, 2009, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on certain coated paper from Indonesia. In its notice, Commerce listed the following programs alleged in the petition to have provided countervailable subsidies to producers of certain coated paper in Indonesia:[12]

1. Provision of Standing Timber for Less Than Adequate Remuneration
2. Government Prohibition of Log Exports
3. Government Provision of Interest-Free Reforestation Loans
4. Debt Forgiveness through the Indonesian Government's Acceptance of Financial Instruments with No Market Value
5. Debt Forgiveness through APP/SMG's Buyback of its Own Debt from the Indonesian Government
6. Government Forgiveness of Stumpage Obligations
7. Tax Incentives for Investment in Priority Business Lines and Designated Regions
   a. Corporate Income Tax Deduction
   b. Accelerated Depreciation and Amortization
   c. Extension of Loss Carryforward
   d. Reduced Withholding Tax on Dividends

THE SUBJECT PRODUCT

Commerce's Scope

Commerce has defined the scope of these investigations as follows:[13]

> Certain coated paper and paperboard in sheets suitable for high quality print graphics using sheet-fed presses; coated on one or both sides with kaolin (China or other clay), calcium carbonate, titanium dioxide, and/or other inorganic substances; with or without a binder; having a GE brightness level of 80 or higher; weighing not more than 340 grams per square meter; whether gloss grade, satin grade, matte grade, dull grade, or any other grade of finish; whether or not surface-colored, surface-decorated, printed (except as described below), embossed, or perforated; and irrespective of dimensions ("Certain Coated Paper").
>
> Certain Coated Paper includes: (a) coated free sheet paper that meets this scope definition; (b) coated groundwood paper produced from bleached chemi-thermo-mechanical pulp ("BCTMP") that meets this scope definition; and (c) any other coated paper that meets this scope definition.

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[12] *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Initiation of Countervailing Duty Investigation;* 74 FR 53707, October 20, 2009.

[13] The original definition of the scope of these investigations, as set forth in the petition, included sheeter rolls. After consultations with Commerce, petitioners removed sheeter rolls from the definition of the scope. *See* Petitioners' October 9, 2009 submission to Commerce. The altered scope language dropped references to unfinished product and rolls as well as the corresponding HTS numbers that reference rolls.

Certain Coated Paper is typically (but not exclusively) used for printing multi-colored graphics for catalogues, books, magazines, envelopes, labels and wraps, greeting cards, and other commercial printing applications requiring high quality print graphics.

Specifically excluded from the scope are imports of paper or paperboard printed with final content printed text or graphics.

As of 2009, imports of the subject merchandise are provided for under the following statistical categories of the HTSUS: 4810.14.1100, 4810.14.1900, 4810.14.2010, 4810.14.2090, 4810.14.5000, 4810.14.6000, 4810.14.7000, 4810.19.1100, 4810.19.1900, 4810.19.2010, 4810.19.2090, 4810.22.1000, 4810.22.5000, 4810.22.6000, 4810.22.7000, 4810.29.1000, 4810.29.5000, 4810.29.6000, 4810.29.7000.

While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

Tariff Treatment

Certain coated paper is generally imported under the Harmonized Tariff Schedule of the United States ("HTS") statistical reporting numbers 4810.14.1100, 4810.14.1900, 4810.14.2010, 4810.14.2090, 4810.14.5000, 4810.14.6000, 4810.14.7000, 4810.19.1100, 4810.19.1900, 4810.19.2010, 4810.19.2090, 4810.22.1000, 4810.22.5000, 4810.22.6000, 4810.22.7000, 4810.29.1000, 4810.29.5000, 4810.29.6000, 4810.29.7000, and is free of duty under the general duty rate.[14] Table I-1 shows selected provisions of the HTS that itemize the classification of certain coated paper.

[14] Subsequent to petitioners alternation of the scope language on October 9, 2009, the following HTS statistical reporting numbers were removed from the original scope: 4810.13.1100, 4810.13.1900, 4810.13.2010, 4810.13.2090, 4810.13.5000, 4810.13.6000, 4810.13.7000. These statistical reporting numbers reference coated paper in roll form.

Table I-1
Certain coated paper: Tariff rates, 2009

Selected HTS provisions	Article description	Col. 1 General[1]	Col. 2 Special	Col. 2[2]
		Rates *(percent ad valorem)*		
4810	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, not containing fibers obtained by a mechanical or chemi-mechanical process or of which not more than 10 percent by weight of the total fiber content consists of such fibers:			
4810.14	In sheets with one side not exceeding 435 mm and the other side not exceeding 297 mm in the unfolded state:			
	With one side exceeding 360 mm and the other side exceeding 150 mm in the unfolded state:			
	Weighing not more than 150 g/m^2			
	Basic paper to be sensitized for use in photography			
	Other			
4810.14.11		Free		5%
	Weighing more than 150 g/m^2			
4810.14.19	Coated on one side only. . . .	Free		37%
4810.14.20	Other			42%
4810.14.2010	Other	Free		
4810.14.2090	Printed, embossed or perforated . . .	Free		
	Other			
4810.14.50	Basic paper to be sensitized for use in photography	Free		30%
4810.14.60	Other	Free		5%
4810.14.70		Free		30%
4810.19	Other:			
	Weighing not more than 150 g/m^2:			
4810.19.11	Basic paper to be sensitized for use in photography	Free		5%
4810.19.1900	Other	Free		37%
4810.19.20	Weighing more than 150 g/m^2			42%
4810.19.2010	Coated on one side only	Free		
4810.19.2090	Other	Free		
4810.22	Light-weight coated paper:			
4810.22.10	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	Free		37%
	Other			
4810.22.50	Printed, embossed or perforated	Free		30%
	Other			
4810.22.60	Basic paper to be sensitized for use in photography	Free		5%
4810.22.70	Other	Free		30%
4810.29	Other			
4810.29.10	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	Free		37%
	Other			
4810.29.50	Printed, embossed or perforated	Free		30%
	Other			
4810.29.60	Basic paper to be sensitized for use in photography	Free		5%
4810.29.70	Other	Free		30%

[1] Normal trade relations.
[2] Applies to imports from a small number of countries that do not enjoy normal trade relations duty status.

Source: Harmonized Tariff Schedule of the United States (2009).

Physical Characteristics and Uses

The imported merchandise included in the scope of these investigations consists of certain coated paper and paperboard in sheets suitable for high quality print graphics using sheet-fed presses. Certain coated paper includes coated free sheet paper and coated groundwood paper produced from bleached chemi-thermo-mechanical pulp.[15] According to the Commission's recent report for investigations on coated free sheet paper, the paper industry recognizes five broad grades of graphic papers, differentiated by the surface characteristics of the paper and the processes by which their wood fibers are obtained.[16] These five grades, ranked in descending order by overall quality and price, are described below:

> Coated free sheet– clay coated paper predominately composed of chemically obtained fibers (90 percent or more by weight), used primarily for permanent and higher priced publications such as premium magazines, gift books, and art reproductions.
>
> Uncoated free sheet– similar in composition to coated free sheet but without coating and used primarily for xerographic paper, printing, drawing, and writing paper (e.g., letterhead, stationery).
>
> Coated groundwood– clay coated paper made with substantial proportions of mechanically derived pulp, generally used for multi-colored publications that remain in use from several days to a month–primarily magazines, merchandising catalogues, and better quality newspaper inserts.[17]
>
> Uncoated groundwood– similar in composition to coated groundwood but without the coating, used primarily for directory stock, lesser quality drawing and writing paper, black and white publications, and relatively short-lived color publications, such as newspaper inserts.
>
> Newsprint– a low quality uncoated groundwood paper designed exclusively for newspapers and similar publications commonly disposed of within a day.

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[15] *Certain Coated Paper From Indonesia: Initiation of Countervailing Duty Investigation*, 74 FR 53707, October 20, 2009. Bleached chemi-thermo-mechanical pulp is a type of mechanical pulp produced by chemicals, heat, pressure, and grinding techniques, after which the pulp is bleached. According to petitioners, coated paper containing more than 10 percent bleached chemi-thermo-mechanical pulp has all the quality attributes of coated free sheet and consequently can be sold as such in the market. Conference transcript, p. 38 (Savage).

[16] *Coated Free Sheet Paper From China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 (Final) and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007, pp. I-12-I-13.

[17] Coated groundwood paper contains more than 10 percent mechanical pulp by weight.

Table I-2 presents data for U.S. shipments of these five grades during 2006-2008.

Table I-2
Graphic papers: U.S. shipments by grade, 2006-08

Item	2006	2007	2008
	Shipments (1,000 short tons)		
Coated free sheet	4,968	4,997	4,439
Uncoated free sheet	12,304	11,935	10,946
Coated groundwood	4,517	4,663	4,151
Uncoated groundwood	1,916	2,092	2,282
Newsprint	5,225	4,921	4,623
Source: 2008 Statistical Summary for Paper, Paperboard and Pulp, American Forest & Paper Association.			

Coated free sheet paper is made and sold by U.S. producers in three forms – sheets, sheeter rolls, and web rolls[18] – as discussed below:

> Sheets– coated free sheet paper that has been sheeted (cut) into certain sheet sizes from sheeter rolls by paper producers or by independent converters for use in sheet-fed presses. These presses generally print only one side of the sheet at a time and tend to have smaller print runs. According to petitioners, sheets differ in certain physical characteristics from web rolls. Sheets have higher moisture levels and different mechanical properties that allow them to run through a sheet-fed press without curling or losing print and color fidelity. Sheets also tend to be thicker than web rolls.[19] Respondents state that sheets have a higher moisture content and slightly different coating formulations and porosity than web rolls.[20]
>
> Sheeter rolls– rolls of coated free sheet paper intended to be sheeted into various sheet sizes by paper producers or independent converters. Sheeter rolls and sheets are identical in physical characteristics but for the sheeting process. Petitioners note that certain physical characteristics of sheeter rolls make them unsuitable for use in web presses.[21] Respondents state that sheeter rolls can run successfully on older web presses that do not run as fast or as hot as new web presses. Sheeter rolls run on new web presses, however, would fail.[22]
>
> Web rolls– rolls of coated free sheet paper intended for use in web presses. These presses run faster than sheet-fed presses and print both sides of the paper at once, and thus are used for high volume print runs. According to petitioners, web rolls, compared

[18] Sheets are subject merchandise. Sheeter rolls and web rolls fall outside the scope of these investigations.
[19] Conference transcript, pp. 27-31 (Miller) and pp. 51-54 (Graff).
[20] Conference transcript, pp. 130-131and 186 (Hunley).
[21] Conference transcript, pp. 81-84 (Graff).
[22] Conference transcript, p. 186 (Hunley). Sheeter rolls are an intermediate product that requires further processing into a final sheet product either by the U.S. integrated producers or a U.S. converter. (See *Intermediate Products*)

with sheets, have a lower moisture content, higher porosity, generally weigh less, and tend to be thinner. These characteristics allow the web roll to withstand the heat setting of the ink in the web press and avoid "blistering" of the paper. But these same characteristics would make web rolls that have been sheeted unsuitable for sheet-fed presses.[23] Respondents note that web rolls can be sheeted and used in sheet-fed presses, but this does not happen very often.[24] They also indicate that web rolls are designed to withstand the greater heat generated by the web printing presses. Printers that have dual printing capacity (have both sheet-fed printing presses and web roll printing presses) will use sheet in sheet-fed presses and web rolls in their web presses.[25]

Certain coated paper is coated on one or both sides with kaolin (China or other clay), calcium carbonate, titanium dioxide, and/or other inorganic substances.[26] Paper coated with these substances has a better printing surface than uncoated paper.

Other important physical characteristics of certain coated paper include brightness, basis weight, finish, opacity, and smoothness. Brightness is a measure of the paper's ability to reflect light. The higher the brightness, the greater the contrast between the paper and the colors printed upon it. Brightness ranges from 1, a totally black grade, to 100, the brightest measured grade.[27] U.S. producers typically sell certain coated paper in one of three grades, with Grade No. 1 having the highest brightness levels, Grade No. 2 having the next highest brightness levels, and Grade No. 3 having the lowest brightness levels.[28] One U.S. producer of certain coated paper sells Premium No. 1 grades with a brightness level of 96, number 2 grades with brightness levels of 89 or 90, and number 3 grades with brightness levels of 87.[29] The brightness levels of certain coated papers and their classification into a particular grade, however, can vary by producer.[30]

Basis weight, a traditional unit of measurement for the paper industry in the United States, is the weight in pounds of a ream of paper (500 sheets of paper) of a given size (the basis).[31] The basis for cover grades of certain coated paper is 20" x 26", and the basis for text grades of certain coated paper is 25" x 38".[32] Cover grades typically weigh from 65 pounds to 130 pounds, while text grades weigh from 60 pounds to 100 pounds.[33] The finish of a sheet of paper refers to the characteristics of the surface of the sheet. For certain coated paper, the most common finishes are gloss, dull, and matte. Paper with a gloss finish has a very hard and smooth surface, which results in a printed image that is lustrous and shiny in

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[23] Conference transcript, pp. 27-31 (Miller), p. 50 (Crew), and pp. 51-54 (Graff).

[24] Conference transcript, p. 176 (Hunley). In fact, manufactures will not guarantee their web rolls to be used in sheet-fed presses. In the 2007 *Coated Free Sheet Paper* investigation, the Commission noted that this lack of warranty coverage by the paper manufacturers was further evidence of the limited competition between web rolls and sheet. *Coated Free Sheet Paper from China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007, p. 13.

[25] Conference transcript, pp. 132 and 186 (Hunley).

[26] *Certain Coated Paper From Indonesia: Initiation of Countervailing Duty Investigation*, 74 FR 53707, October 20, 2009.

[27] Petition, p. 7.

[28] Ibid., p. 25.

[29] Product brochure for coated papers, NewPage.

[30] Petition, p. 25.

[31] On a metric basis, the weight of paper is measured in grams per square meter.

[32] Sappi Limited Web site. http://www.sappi.com/SappiWeb/Tools+and+resources/Paper_Print+information/Standard+weights+and... (accessed October 7, 2009).

[33] NewPage Corporation Web site. Product specifications for coated papers found at http://www.newpagecorp.com (accessed October 7, 2009).

appearance. Paper with a dull finish has a smooth surface but lacks luster or gloss; paper with a matte finish also has a smooth surface but lacks gloss.[34] Opacity is a measure of the ability of a sheet of paper to have a printed image on one side without the image showing through to the other side.[35] Finally, smoothness is the even and consistent continuity of the surface of the sheet of paper. Paper with a gloss finish has the smoothest surface.[36]

Certain coated paper is generally used for printing multi-colored graphics for books, catalogues, magazines, envelopes, greeting cards, labels and wraps, and any other commercial printing applications requiring high quality print graphics.[37]

Manufacturing Processes

Many of the production facilities of U.S. producers of certain coated paper are integrated operations, producing certain coated paper (as well as sheeter rolls and web rolls) in one continuous operation from the harvested log to the intermediate product (pulp) to the final paper product.[38] The manufacturing process begins with the removal of the bark from the rough hardwood and softwood logs in a debarking machine. The logs are then chipped into small uniformly sized chips in a chipper. The wood chips next undergo a chemical pulping process whereby they are cooked under pressure with water and chemicals in a digester cooking vessel to separate the cellulose fibers from the lignin, the glue that holds the fibers together, and other impurities. The resulting wood pulp is washed and bleached to attain a level of whiteness and brightness required for the grade of paper being produced and then refined to enable the wood fibers to mesh together and to increase their bonding properties. (The paper is made from both hardwood pulp and softwood pulp, with hardwood pulp predominating. The short hardwood fibers help to provide a good printing surface for the paper, while the longer softwood fibers provide strength to the paper sheet.) Different materials are added to the pulp, including kaolin clay and calcium carbonate for brightness, opacity, and smoothness, dyes for shade control, optical brighteners for whiteness, and sizing agents for moisture control. The exact proportions of these materials are determined by the specifications for the particular type of coated paper that is being produced. A large volume of water is also added.[39]

At this stage of the manufacturing process, the pulp mixture is 99.5 percent water and it is ready to be run continuously through a paper machine. A paper machine has three major parts–the base sheet forming section, the press section, and the dryer section. The mixture is pumped out onto a continuously moving wire web that is usually oriented horizontally and which loops around rollers at both ends. As the wire web moves along, water drains through it, the fibers begin to bond, and a sheet (web) of paper begins to form on the wire. The web at this point has an 80 percent water content. The web of paper

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[34] Product brochure for coated papers, NewPage Corporation; Smook, Gary. *2nd Edition Handbook of Pulp & Paper Terminology*. Bellingham, Washington: Angus Wilde Publications Inc., 2001.

[35] Sappi Limited Web site. http://www.sappi.com/SappiWeb/Tools+and+resources/Paper_Print+information/Specifying+paper/Paper+checklist.htm (accessed October 7, 2009).

[36] Ibid.; Product brochure for coated papers, NewPage Corporation.

[37] *Certain Coated Paper From Indonesia: Initiation of Countervailing Duty Investigation*, 74 FR 53707, October 20, 2009.

[38] Some U.S. producers also repulp recycled paper and use this pulp with virgin pulp in the production of some of their certain coated papers; they may also purchase chemical pulp (described infra) or bleached chemi-thermo-mechanical pulp on the open market to supplement their own pulp production.

[39] Petition, Volume II-a, pp. 4-7; *Coated Free Sheet Paper From China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 (Final) and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007, pp. I-15-I-17; Sappi Limited Web site. http://www.sappi.com/SappiWeb/Tools+and+resources/How+paper+is+made/Papermaking.htm (accessed October 8, 2009).

leaves the moving wire and enters the press section, where a set of steel rollers squeezes more water out of the web, reducing its water content to about 65 percent. The web then proceeds into the dryer section and passes over and under successive steam-heated drying cylinders. This drying process removes most of the remaining water from the web of paper.[40]

At this point, the web is now ready for coating and also, if need be, calendering. Coating equipment is either integrated in line with the paper machine (on-line coating) or separate from the paper machine (off-line coating). For on-line coating, the paper enters the coating equipment after leaving the dryer section. If the coating is to occur off-line, the paper is wound onto large reels after the drying process and transported over to the off-line coating equipment. In either case, the coating and calendering processes are the same. The coating to be applied to the paper consists of a variety of chemicals and other materials mixed together in certain proportions according to the requirements of the paper being produced. These chemicals and other materials may include kaolin clay, other types of clay, calcium carbonate, titanium dioxide, latex, starches, dyes, lubricants, thickeners, plastic pigments, optical brighteners, and biocides. These various items, among other things, brighten the paper, increase its opacity and gloss, help bind the coating to the paper, and control the buildup of fungus and mold.[41]

When the paper web enters the coating equipment, a thin coat is applied evenly to one side, which is then dried, followed by the coating and drying of the other side of the web. One method of applying the coating to the paper involves a blade coating process, whereby extra coating is applied to the paper and then scraped off by a steel blade. The pressure of the steel blade against the surface results in a more uniform surface. After the coating process, the paper is rewound onto large reels, in preparation for the calendering process. A calendar is a set of steel rolls, stacked one on top of the other, through which the paper web is passed. The rolls apply heat and pressure to the paper, increasing the smoothness and gloss of the surface. Paper with a gloss or dull finish is typically calendered, while paper with a matte finish is not. After calendering, the paper is rewound again onto large reels.[42]

The large reels of paper (jumbo rolls) are transported to the finishing department where a slitter/rewinder unwinds and slits them into smaller width rolls and rewinds them onto narrower reels. The various widths of these narrower rolls are dictated by the width of the presses for which they are intended. At this point in the production process, web rolls and sheeter rolls (to be sheeted by independent converters) are wrapped and labeled for delivery to customers. U.S. producers sell certain coated paper in the form of sheets. So the remaining sheeter rolls are processed on a sheeter, which cuts the rolls into sheets, performs a quality check of the surface of the paper, removes faulty sheets, counts and packages the sheets in ream quantities, and stacks them on pallets ready for delivery. Until the sheets, sheeter rolls, and web rolls actually leave the paper mill for the customer, they are kept in climate-controlled areas and monitored carefully via inventory control software.[43]

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[40] Ibid.
[41] Ibid.
[42] Ibid.
[43] Ibid.

INTERMEDIATE PRODUCTS

Sheeter Rolls vs. Sheets

When an issue arises as to whether products at different stages of production should be included in the same domestic like product, the Commission has employed a five-factor "semifinished/finished products" analysis. In these investigations, certain coated paper (which as defined by the scope is in sheet form) are downstream products of sheeter rolls (sheets in roll form), which are the upstream or intermediate product. The issue then is whether sheeter rolls, although not in the definition of the scope of these investigations, should be included in the definition of the domestic like product.[44]

The five factors that the Commission has considered in analyzing semifinished products include: (1) uses (is the upstream product dedicated to the production of the downstream product or does it have independent uses?); (2) markets (are there separate markets for the upstream and downstream products?); (3) characteristics and functions (are there differences in the physical characteristics and functions of the upstream and downstream products?); (4) value (are there differences in the production costs and/or sales values (transfer values or market prices as appropriate) of the upstream and downstream products?); and (5) transformation processes (what is the significance and extent of the processes used to transform the upstream product into the downstream product?). At this preliminary phase of these investigations, both petitioners and respondents argued that sheeter rolls should be included into the Commission's definition of the domestic like product.[45]

Whether the Upstream Product is Dedicated to the Production of the Downstream Product

Petitioners argue that sheeter rolls are not sold or warranted for use on web roll presses and are produced for the sole purpose of being converted into sheet (certain coated paper).[46] Market participants agreed that sheeter rolls have no use but in the production of certain coated paper. *** reported that all sheeter rolls are dedicated to the downstream sheeted product.[47] Twelve out of 13 responding U.S. importers stated that they believed 100 percent of imported sheeter rolls are dedicated to production of the downstream product.[48]

Whether There are Separate Markets for the Upstream and Downstream Products

Petitioners argue that the market for sheeter rolls is limited as the vast majority of sheeter rolls are converted by the integrated producers and only a small portion of sheeter rolls are sold in the merchant market to unrelated converters.[49] Petitioners also state that the vast majority of U.S. imports are also in sheet form and thus competition between domestic product and imported product occurs in the sheet

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[44] The original definition of the scope of these investigations, as set forth in the petition, included sheeter rolls. After consultations with Commerce, petitioners removed sheeter rolls from the definition of the scope. *See* Petitioners' October 9, 2009 submission to Commerce. Subsequent to the alteration of the scope language, petitioners now argue that sheeter rolls should be included in the domestic like product by way of the Commission's semifinished product analysis. Ibid.

[45] Petitioners' postconference brief, "Answers to Questions from Staff," exh. 7. Petitioners have reserved the right to reconsider their position on this issue in any final phase investigation. Ibid., at fn. 1; Respondents' postconference brief, exh. 1, p. 20. Respondents did not include a specific "semifinished analysis" in their brief, however, argued for a definition of the domestic like product that included sheets, sheeter rolls, and web rolls.

[46] Petitioners' postconference brief, "Answers to Questions from Staff," exh. 7, p. 2.

[47] U.S. producer's questionnaire, responses to question II-12.

[48] U.S. importer's questionnaire, responses to question II-7.

[49] Petitioners' postconference brief, "Answers to Questions from Staff," exh. 7, p. 2.

market and not in a sheeter roll market.[50] Eight of 10 reporting U.S. producers (integrated producers and converters) and 10 out of 12 U.S. importers stated that they perceived the market for sheeter rolls and the market for certain coated paper to be the same market.[51]

Whether There are Differences in the Physical Characteristics and Functions of the Upstream and Downstream Products

Petitioners argue that there are no differences in physical characteristics between the sheeter roll and certain coated paper (sheets). They maintain that the essential physical characteristics, such as moisture content, fiber, weight, and coating remain unchanged from sheeter roll until finished sheet product.[52] Eight out of 10 reporting U.S. producers (integrated producers and converters) and 11 out of 12 reporting U.S. importers concurred and stated they believed that there are no differences in the physical characteristics of the two products.[53]

Value Added by U.S. Converters

The Commission requested information from U.S. converters on the value added of their U.S. converting operations. Data submitted in response to the questionnaire by four U.S. converters indicates that converting operations accounted for an average *** percent of the cost to produce certain coated paper excluding selling, general, and administrative costs (*see Part VI*, p. VI-14 fn. 9).[54]

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[50] Ibid.

[51] U.S. producer's questionnaire, responses to question II-12; U.S. importer's questionnaire, responses to question II-7.

[52] Petitioners' postconference brief, "Answers to Questions from Staff," exh. 7, p. 2.

[53] U.S. producer's questionnaire, responses to question II-12; U.S. importer's questionnaire, responses to question II-7.

[54] In 2008, the average unit value of U.S. shipments of sheeter rolls to converters was $*** while the average unit value of U.S. shipments of sheeted product by U.S. converters was $***, or a premium of *** percent. Value added computed in this manner also reflects the profit margins of U.S. converters.

DOMESTIC LIKE PRODUCT ISSUES

Certain Coated Paper vs. Web Rolls

The petitioners contend that the Commission should find one domestic like product that includes the scope of the investigations as identified by Commerce plus the addition of sheeter rolls (see *Intermediate Products* section above).[55] Respondents argue that the Commission should find one domestic like product that includes sheet (certain coated paper), sheeter rolls, and web rolls.[56] This section will discuss the factors pertaining to whether web rolls are appropriately included in the domestic like product.

The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities, production processes, and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price.

Physical Characteristics and Uses

Petitioners argue that certain coated paper and web rolls have very different physical characteristics and end uses. They state the following differences between the two products: (1) ceratin coated paper is in sheet form and web rolls are in roll form; (2) certain coated paper is used in sheet-fed presses and web rolls are used in web roll presses; (3) certain coated paper is typically sold in smaller quantities for smaller printing jobs (the thousands of pounds) whereas web rolls are typically sold in the thousands of tons and used for larger printing jobs; (4) web rolls have a lower moisture content and different coating formulas to withstand the greater heat generated in the web roll printing process; (5) the speed of the web roll presses requires that a more solvent based, quicker drying, ink be used whereas certain coated paper may use a more viscous ink; and (6) the range of the basis weights between the two products does not completely overlap, meaning that in some higher basis weights web rolls are not available whereas at some lower basis weights certain coated paper is not available.[57]

Respondents observe that all coated paper products start off as rolls and end up as sheets. They argue that the sole difference in the physical characteristics of certain coated paper and web rolls is the 2 percent disparity in the moisture level between the two products (4.5 percent for web rolls and 6.5 for sheeter rolls). Respondents contend that this minor physical difference does not constitute a "clear dividing line" between sheeter rolls and web rolls.[58]

Market participants reported that they did not believe that web rolls and certain coated paper shared the same physical characteristics and end uses. Eight out of 9 reporting U.S. producers (integrated and converters) stated that they did not believe that the two products shared the same physical

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[55] Petitioners' postconference brief, "Answers to Questions from Staff," exh. 7.

[56] Respondents' postconference brief, pp. 5-10 and exh. 1. Respondents have urged the Commission to define the domestic like product in these investigations as it did in *Coated Free Sheet Paper*, and include sheets, sheeter rolls, and web rolls. In that investigation, no domestic like product issues were advanced by any party and the scope included all of those products. *Coated Free Sheet Paper from China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007, pp. 3-5. Respondents argue that because there have been no factual changes in the last two years, the Commission should use its prior domestic like product definition in a subsequent investigation on a similar product.

[57] Petitioners' postconference brief, pp. 4-8.

[58] Respondents' postconference brief, exh. 1, pp. 20-21 (Respondents argue that petitioners have conceded that there is not a clear dividing line between sheet and rolls by petitioners advocating that sheeter rolls should be included in the domestic like product. Therefore, respondents frame their domestic like product arguments as whether web rolls should be included into a domestic like product definition that includes sheets and sheeter rolls).

characteristics and end uses.[59] U.S. importer responses were mixed with 7 out of 13 importers reporting that they believed that web rolls and certain coated paper did share the same physical characteristics.[60]

Common Manufacturing Facilities, Production Processes, and Production Employees

Petitioners state that certain coated paper and web rolls can be produced on the same manufacturing equipment; however, in practice, many producers dedicate production equipment to one product or another to maintain consistency of specifications. Even if the same equipment is used to produce both products, petitioners maintain that the production process still differs as evidenced by different fiber content, moisture content, porosity of paper, and coating formulations between certain coated paper and web rolls. Petitioners also argue that the manufacturing processes differ between the two products as web roll production does not involve any sheeting operations.[61]

Respondents state that sheeter rolls and web rolls are all produced on the same manufacturing equipment, namely a pulp mill, paper machine, and coating machines.[62] A witness testified at the conference that coating machines in China and Indonesia may be adjusted to switch between the production of sheeter rolls and web rolls "in a matter of minutes."[63] Respondents state that sheeting operations are a minor operation accounting for no more than 5 percent of the total personnel, equipment, and materials need to produce certain coated paper.[64]

Market participants were mixed regarding whether web rolls and certain coated paper shared common manufacturing facilities, processes, and employees. Five out of 9 reporting U.S. producers (integrated and converters) and 9 out of 11 U.S. importers reported that they believe these products do share common manufacturing facilities, processes, and employees.[65]

Interchangeability

Petitioners state that certain coated paper and web rolls are not interchangeable because certain coated paper is used solely on sheet-fed presses and web rolls are used solely on web roll presses and that the distinct physical characteristics of the products such as moisture content and form (sheet vs. roll) disallow the interchangeability of the products. The issue of whether web rolls could be sheeted and then used in a sheet-fed press was raised at the Staff Conference. Petitioners and respondents appeared to agree that although it may be physically possible to convert web rolls into sheet, in practice, it rarely occurs in the marketplace.[66] Petitioners also contend that the vast majority of end users (printers) do not employ both printing processes and therefore do not have the dual capability of printing on both certain coated paper and web rolls.[67]

Respondents argue that the end product, namely coated paper printed with high quality graphics, produced using either certain coated paper or web rolls is interchangeable.[68]

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[59] U.S. producer's questionnaire, responses to question II-13.

[60] U.S. importer's questionnaire, responses to question II-8.

[61] Petitioners' postconference brief, pp. 11-12.

[62] Respondents' postconference brief, exh. 1, pp. 24-25.

[63] Conference transcript, p. 174 (Hunley) (describing the respondent technology as "state of the art production capability").

[64] Respondents' postconference brief, p. 9.

[65] U.S. producer's questionnaire, responses to question II-13.

[66] Petitioners' postconference brief, p. 11.

[67] Petitioners' postconference brief, p. 8 (Petitioner Sappi estimated that less than 8 percent of commercial printers have dual web and sheet capability).

[68] Respondents' postconference brief, exh. 1, pp. 21-22.

Market participants generally agreed that web rolls and certain coated paper are not interchangeable. Nine out of 9 reporting U.S. producers (integrated and converters) and 10 out of 13 U.S. importers reported that they believed that these two products were not interchangeable.[69]

Customer and Producer Perceptions

Petitioners state that customers and producers perceived certain coated paper and web rolls differently because certain coated paper is used solely on sheet-fed presses and web rolls are used solely on web roll presses.[70]

Respondents maintain that customers and producers view the paper market as a hierarchy of products from high quality to low quality with coated freesheet at the top of this hierarchy. Respondents state that certain coated paper and web rolls are perceived by customers and producers as coated freesheet paper and that with changing technology and manufacturing techniques the form of this coated paper, whether in roll or sheet, is less significant.[71]

Market participants were mixed in their perceptions of whether web rolls and certain coated paper were similar or distinctive products. Six out of 9 reporting U.S. producers (integrated and converters) stated that their perception was that the products are distinct, while 7 out of 12 U.S. importers reported that they perceive the products to be similar.[72]

Channels of Distribution

Petitioners argue that the channels of distribution differ for certain coated paper and web rolls. They stated that certain coated paper is generally sold to distributors (what the industry calls "paper merchants") and end users (printers) purchase from the merchants. Web rolls, on the other hand, are generally sold directly from the U.S. producers to large printers and publishers.[73]

Respondents agreed that the channels of distribution consist of shipments to large distributors or directly to large printers. Respondents, unlike petitioners however, argue that both certain coated paper and web rolls go through *both* of these channels with only minor variations.[74]

Market participants generally reported that the channels of distribution for web rolls and certain coated paper were similar. Five out of 9 U.S. producers (integrated and converters) and 11 out of 14 U.S. importers reported that they believed that the channels of distribution for the two products were the same.[75]

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[69] U.S. producer's questionnaire, responses to question II-13; U.S. importer's questionnaire, responses to question II-8.

[70] Petitioners' postconference brief, p. 14.

[71] Respondents' postconference brief, exh. 1, pp. 23-24 (the product quality hierarchy cited by respondents included: (1) coated freesheet, (2) uncoated freesheet, (3) coated groundwood, (4) uncoated groundwood, and (5) newsprint).

[72] U.S. producer's questionnaire, responses to question II-13; U.S. importer's questionnaire, responses to question II-8.

[73] Petitioners' postconference brief, pp. 12-13.

[74] Respondents' postconference brief, exh. 1, pp. 22-23.

[75] U.S. producer's questionnaire, responses to question II-13; U.S. importer's questionnaire, responses to question II-8.

Price

Petitioners maintain that certain coated paper costs more to produce, has more value, and is generally higher in price than web rolls.[76] In 2008, the average unit value of U.S. shipments of certain coated paper from U.S. integrated producers was $1,193 per short ton compared to $897 per short ton for web rolls.

Respondents argue that the difference between the pricing of sheeter roll and web roll is minor and is in line with the minor variation in the production cost between the two products. Respondents stated that the difference between production costs of web roll and sheeter roll are less than $10/ton.[77]

All reporting market participants agreed that generally the prices of web rolls are lower than that for certain coated paper.[78]

U.S. shipment data for sheet, sheeter rolls, and web rolls

Table I-3 shows U.S. domestic shipments as well as U.S. shipments of imports from China, Indonesia, and nonsubject countries categorized by sheet, sheeter roll, and web roll. In 2008, U.S. domestic shipment of web rolls accounted for 80.6 percent of total shipments by the U.S. industry whereas U.S. shipments of sheet accounted for 15.5 percent and U.S. shipments of sheeter rolls accounted for 3.9 percent. In contrast, U.S. shipment of imports from China and Indonesia were overwhelmingly made up of sheet (96.8 percent for China and 99.1 percent for Indonesia).[79] Of U.S. shipments of imports from nonsubject countries, 66.2 percent were sheet, 33.0 percent were web rolls, and 0.9 percent were sheeter rolls.

Table I-3
Coated paper: U.S. shipments, by source and by product type, 2006-08, January-June 2008, and January-June 2009

* * * * * * *

[76] Petitioners' postconference brief, p. 15.

[77] Respondents' postconference brief, exh. 1, p. 25 (*citing* Hearing transcript, October 22, 2007, p. 191 (Gallagher).

[78] U.S. producer's questionnaire, responses to question II-13; U.S. importer's questionnaire, responses to question II-8.

[79] In the Commission's 2007 *Coated Free Sheet Paper* investigation, this fact that the majority of U.S. shipments of domestic producers were of web rolls and those of U.S. imports were of sheet contributed to the Commission's finding that the competition between U.S. shipments and U.S. imports was "attenuated." *Coated Free Sheet Paper from China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007, p. 12 ("We disagree with Petitioner and find that there is limited competition between web rolls and sheet products, and that the limitations on competition show no signs of disappearing. . . Further, although the evidence of the record is mixed with regard to competition between imported sheet and domestically produced web rolls, we find that the weight of the evidence does not support Petitioner's contentions.")

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

U.S. MARKET CHARACTERISTICS

Certain coated paper is used in printed materials requiring high-gloss sheets, including annual company reports, high-end brochures, catalogues, magazines, direct mail advertisements, and labels.

U.S. integrated producers of certain coated paper reported that *** of their certain coated paper is sold from inventory, with lead times ranging from ***. The lead times on U.S. integrated producers' sales produced to order range from ***. Converters of certain coated paper reported a ***, with *** reporting that *** of their sales are from inventory and *** reporting that most of their sales are produced to order. Lead times on converters' sales from inventory range from *** and lead times on converters' sales produced to order range from ***. *** importers of certain coated paper reported that their sales are produced to order in China or Indonesia. Lead times on sales produced to order in China range from *** and lead times on sales produced to order in Indonesia range from ***.

When firms were asked to list the geographic regions of the United States where they sell certain coated paper, *** of the integrated producers reported that they served a nationwide market, with most sales in 2008 being shipped to the Midwest, followed by the Northeast and the Southwest. *** of the converters reported that they served a nationwide market and the *** reporting selling to specific geographic regions, with most sales in 2008 being shipped to the Central Southwest, followed by the northeast, the Midwest, and the Southeast. One importer of certain coated paper from China reported selling nationwide, *** reported selling to the ***, and one reported selling to ***. Most sales of imports from China in 2008 were reportedly shipped to the Northeast, followed by the Southeast, the Midwest, and the West Coast. *** importer of certain coated paper from Indonesia reported that it sells nationwide, one reported selling to the ***, and one reported selling to the ***. Most sales of imports from Indonesia were reportedly shipped to the West Coast, followed by the Northeast and the Southeast.

CHANNELS OF DISTRIBUTION

As shown in table II-1, the vast majority of U.S. integrated producers' U.S. shipments of certain coated paper and the *** of subject imports were to merchants/distributors. A *** of converters' U.S. shipments of certain coated paper and *** of imports from nonsubject countries were to merchants/distributors.

There was *** customer overlap among U.S. integrated producers, converters, and importers of certain coated paper in 2008.[1] Specifically, among firms' reported top five customers in 2008, *** customers (***) were listed by U.S. integrated producers, converters, and importers.[2] *** U.S. integrated producers listed *** as their *** in 2008 and *** converters listed *** as their *** customer. *** converter and *** importer cited *** as among their top *** largest customers, and *** converter and *** cited *** as among their top *** largest customers. *** of six responding U.S. integrated producers reported that *** percent or more of their sales in 2008 were accounted for by their top *** largest customers. Converters (***'s reported top ten customers together accounted for *** percent of total sales in 2008 and converter ***'s top customer, ***, accounted for *** percent of its sales. Importers generally reported that *** customers accounted for a *** of their sales in 2008.

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[1] The importers that reported their top ten customers in 2008 were ***, which accounted for *** of the imports from China in 2008 and *** of the imports from Indonesia in 2008.

[2] Importer *** reported that it lost *** customer *** in *** with shipments ending in ***. Respondents' postconference brief, pp. 45-46.

Table II-1
Certain coated paper: U.S. integrated producers', converters', and importers' U.S. shipments of certain coated paper, by sources and channels of distribution, 2006-08, and January-June 2009

Item	Period			
	2006	2007	2008	Jan.-June 2009
Share of reported shipments[1] (*percent*)				
Integrated producers' U.S. shipments of certain coated paper to:				
Merchants/distributors	94.6	96.6	96.7	96.6
End users	5.4	3.4	3.3	3.4
Converters' U.S. shipments of certain coated paper to:				
Merchants/distributors	***	***	***	***
End users	***	***	***	***
U.S. importers' U.S. shipments of certain coated paper from China to:				
Merchants/distributors	***	***	***	***
End users	***	***	***	***
U.S. importers' U.S. shipments of certain coated paper from Indonesia to:				
Merchants/distributors	***	***	***	***
End users	***	***	***	***
U.S. importers' U.S. shipments of certain coated paper from all other countries to:				
Merchants/distributors	***	***	***	***
End users	***	***	***	***

[1] Percentages are calculated based on shipments of both sheets and sheeter rolls as reported in Commission questionnaires.

Note.–Data for domestic producers include only U.S. commercial shipments.

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

Two U.S. integrated producers reported that they consider a variety of factors to determine which distributors will be a distributor for their products, including financial stability, strength of sales force, level of commitment in terms of inventory, and relative performance in the market.[3] Petitioners also stated that they may choose to limit the numbers of distributors they have in a particular region in order to limit the regional competition facing their distributors, stating that they "try to make that balance between making sure we have sufficient distribution footprint and protecting those folks with responsible

[3] Conference transcript, p. 119 (Nelson).

distribution."[4] Furthermore, petitioners stated that they do not have exclusive relationships with distributors and that the distributor ultimately chooses how much warehouse space to allot to each supplier.[5] One integrated producer reported that it will continue to supply a distributor even if it does not receive its ideal amount of shelf space with that distributor and that it has sacrificed on price, not volume, in order to make sales.[6]

SUPPLY AND DEMAND CONSIDERATIONS

Supply

U.S. Supply

The supply response of U.S. producers to changes in price depends on such factors as the level of excess capacity, the availability of alternate markets for U.S.-produced certain coated paper, inventory levels, and the ability to shift production to the manufacture of other products. The evidence indicates that the U.S. supply is likely to be relatively elastic, due primarily to ***.

Industry capacity

U.S. integrated producers' annual capacity utilization rates for certain coated paper decreased from *** percent in 2006 to *** percent in 2008 and to *** percent in the first half of 2009. This level of capacity utilization indicates that the U.S. integrated producers have *** unused capacity with which they could increase production of certain coated paper in the event of a price change.

Alternative markets

U.S. integrated producers' exports, as a share of their total shipments, *** increased from *** percent in 2006 to *** percent in 2008 before decreasing to *** percent in the first half of 2009. These data indicate that the U.S. producers have a limited capability to divert shipments to or from alternative markets in response to changes in the price of certain coated paper.

Inventory levels

U.S. producers' ratio of end-of-period inventories to total shipments *** from *** percent in 2006 to *** percent in 2008 and were *** percent in the first half of 2009. These data indicate that the U.S. producers *** to use inventories as a means of increasing shipments of certain coated paper to the U.S. market.

Production alternatives

*** of the U.S. integrated producers reported that they use the same manufacturing equipment and the same workers used to make certain coated paper in the production of other products, including uncoated free sheet paper, coated and uncoated groundwood paper, coated paper in web roll form, ***.

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[4] Conference transcript, p. 120 (Dorn, Nelson).

[5] Conference transcript, p. 121 (Miller).

[6] Conference transcript, p. 122 (Miller).

Supply disruptions

*** U.S. integrated producers (***) reported having supply disruptions since 2006. *** reported that it had supply disruptions ***. *** reported that it had corrected the supply disruptions ***. *** reported that it had supply disruptions ***. A purchaser of certain coated paper (***) reported that ***. *** converters reported having supply disruptions since 2006.

Subject Imports from China

The responsiveness of supply of imports from China 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 have the capability to respond to changes in demand with moderate changes in the quantity of shipments of certain coated paper to the U.S. market. The main contributing factors to the moderate degree of responsiveness of supply are the existence of alternative markets combined with relatively high capacity utilization rates.

Industry capacity

During the period for which data were collected, the capacity utilization rate for reporting producers in China of certain coated paper increased, from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2010.

Alternative markets

Available data indicate that producers in China have some ability to divert shipments to or from alternative markets in response to changes in the price of certain coated paper. The share of shipments by producers in China that went to the United States decreased from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and 2010. The share of shipments by producers in China to export markets other than the United States increased from *** in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2010. The share of shipments by producers in China going to the home market decreased from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2010. The share of internal consumption by producers in China decreased from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 *** percent and 2010.

Inventory levels

Inventories of responding producers in China, as a share of total shipments, increased from *** percent in 2006 to *** percent in 2008; they are projected to be *** percent in 2009 and *** percent 2010.

Supply disruptions

*** importers of certain coated paper from China (***) reported ***.

Subject Imports from Indonesia

The responsiveness of supply of imports from 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 Indonesia have the capability to respond to

changes in demand with relatively large changes in the quantity of shipments of certain coated paper to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the existence of unused capacity and alternative markets.

Industry capacity

During the period for which data were collected, the capacity utilization rate for reporting producers in Indonesia of certain coated paper increased, from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2010.

Alternative markets

Available data indicate that producers in Indonesia have some ability to divert shipments to or from alternative markets in response to changes in the price of certain coated paper. The share of shipments by producers in Indonesia that went to the United States decreased from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2010. The share of shipments by producers in Indonesia to export markets other than the United States increased from *** in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2010. The share of shipments by producers in Indonesia going to the home market increased from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2009. The share of internal consumption by producers in Indonesia increased from *** percent in 2006 to *** percent in 2008; it is projected to be *** percent in 2009 and *** percent in 2010.

Inventory levels

Responding Indonesia producers' inventories, as a share of total shipments, decreased from *** percent in 2006 to *** percent in 2008; they are projected to be *** percent in 2009 and *** percent in 2010. These data indicate that producers in Indonesia may be limited in their ability to use inventories as a means of increasing shipments of certain coated paper to the U.S. market.

Supply disruptions

*** importer of certain coated paper from Indonesia (***) reported ***.

Nonsubject Imports

Imports from nonsubject sources of certain coated paper, as a share of the quantity of total U.S. imports of certain coated paper, decreased from *** percent in 2006 to *** percent in 2008. Imports from nonsubject sources accounted for *** percent of the quantity of total imports in the first quarter of 2009.[7]

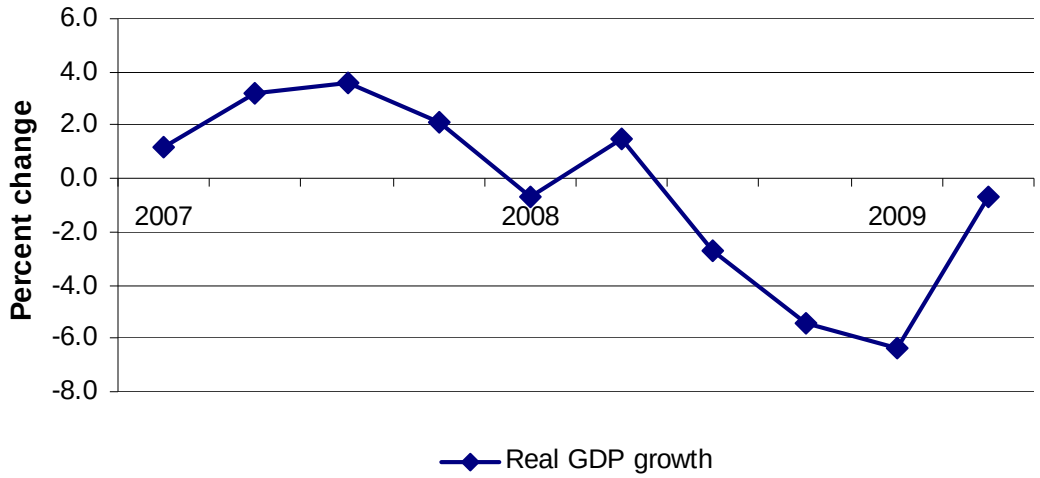
Demand

The existence of substitutes for certain coated paper discussed below indicates that the demand for this product is likely to be relatively price elastic. The demand for certain coated paper is largely

[7] The largest sources of nonsubject imports include Canada, Germany, Finland, and Korea.

determined by the overall economy and demand for high-end commercially printed advertisements, reports, and brochures.[8] Real GDP growth at seasonally adjusted annual rates is shown in figure II-1.[9]

Figure II-1
Certain Coated Paper: Real GDP growth, January 2007-June 2009



Source: Bureau of Economic Analysis.

When asked how the overall demand for certain coated paper has changed since January 2006, all six responding integrated producers reported that demand has decreased or fluctuated, citing the recession. Two of four responding converters reported that demand has decreased, citing the recession and the increase of competing forms of advertisement; one converter reported that demand has fluctuated; and one reported that demand has increased.

Thirteen of 14 responding importers reported that demand has decreased or fluctuated since 2006, mostly citing the recession.[10] One of the importers reported that demand has decreased every year since 2006 and three of these importers reported that demand increased from 2006 to mid-2008, after which it decreased. One importer reported that demand has not changed.

Apparent U.S. consumption of certain coated paper sheets and sheeter rolls by quantity decreased by *** percent from 2006 to 2008 overall, decreasing by *** percent from 2006 to 2007 before further decreasing by *** percent from 2007 to 2008. Apparent U.S. consumption in the first two quarters of 2009 is *** percent below the first two quarters of 2008.

Respondents stated that most of the decline in demand for certain coated paper in 2008 and 2009 is permanent, due to a structural shift of printed materials to on-line content.[11] Three importers and one converter reported that there has been a shift from certain coated paper to electronic or on-line media.

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[8] Petitioner's postconference brief, p. 17.

[9] U.S. Bureau of Economic Analysis. *Gross Domestic Product: Second Quarter 2009 (Third Estimate).* September 30, 2009.

[10] Included in the narrative responses from importers in this section of the report are *** importers that import certain coated paper from nonsubject countries and *** firms that purchase certain coated paper from ***.

[11] Respondents' postconference brief, pp. 14-15.

Respondents also stated that purchasers of certain coated paper built up inventories during 2008 in order to hedge against further price increases and that these purchasers began to draw down inventories in the second half of 2008, resulting in reduced orders in addition to the recessionary effect on demand.[12]

Business Cycles

When asked if the certain coated paper market was subject to business cycles, *** U.S. integrated producers and one converter reported that demand peaks in the third and fourth quarters leading up to the holiday season.[13] Respondent parties reported that there are seasonal peaks in the spring and in the fall, but that the typical business cycle has been disrupted in the second half of 2008 and 2009 due to the recession.[14]

Substitute Products

One U.S. integrated producer reported that uncoated paper is a substitute for certain coated paper, but another integrated producer noted that uncoated paper does not print with the same image and color quality as certain coated paper. Another integrated producer noted that coated paper in web roll form is generally not a substitute for certain coated paper due to differences in performance and quality. Two converters reported that uncoated paper is a possible substitute. One converter reported that consumers of uncoated paper are switching to low-cost grades of coated paper, while the other converter reported that the prices of certain coated paper and uncoated paper have both decreased since 2006. One converter reported that there has been an increase in competing forms of advertisement, including electronic media and on-line content.

Ten importers reported that uncoated paper is a substitute, five named coated groundwood paper, and two named coated paper in web roll form. Three importers noted that there is limited substitutability between these products and certain coated paper because they are of inferior quality. Three importers reported that electronic media or on-line content can substitute for certain coated paper. Five importers reported that the prices of substitutes can affect the price of certain coated paper, stating that the prices of printing papers (excluding newspaper) tend to move together. One of these importers noted that, due to the recession, consumers of the more costly certain coated paper products are increasingly looking for cheaper alternatives. Two importers reported that prices of substitutes do not affect the price of certain coated paper. Three importers reported that there are no substitutes for certain coated paper.

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.[15]

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[12] Respondents' postconference brief, p. 28.

[13] One integrated producer also reported that demand may increase in March and April for spring fashion advertisements and another reported that national elections and the Olympics may also affect demand.

[14] Respondents also stated that, due to the lead times from China and Indonesia, imports are typically shipped in January or February for the spring season. Conference transcript, p. 195 (Hunley).

[15] Included in the importers' responses in this section of the report are *** firms that purchase imports from other importers: ***.

Comparisons of Domestic Product and Subject Imports

In order to determine whether U.S.-produced certain coated paper can generally be used in the same applications as imports from China and Indonesia, producers and importers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. Four of six U.S. integrated producers reported that they are always interchangeable, as shown in table II-2. A slight majority of converters reported that they are always or frequently interchangeable. A majority of the importers that compared certain coated paper from China and Indonesia with those from the United States reported that they are always or frequently interchangeable, as shown in table II-2.

Table II-2
Certain coated paper: Perceived degree of interchangeability of product produced in the United States and in other countries, by country pairs

Country comparison	U.S. integrated producers				U.S. Converters				U.S. importers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs. China	4	2	0	0	2	1	1	0	4	4	3	0
U.S. vs. Indonesia	4	2	0	0	2	1	1	0	4	5	3	0
U.S. vs. nonsubject countries:												
U.S. vs. Other	4	2	0	0	2	1	1	0	2	4	3	0
Subject country comparisons:												
China vs. Indonesia	4	2	0	0	3	1	0	0	6	3	2	0
Subject countries vs. nonsubject countries:												
China vs. Other	4	2	0	0	2	1	1	0	2	4	3	0
Indonesia vs. Other	4	2	0	0	2	1	1	0	3	3	2	0

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

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

As indicated in table II-3, half of responding U.S. integrated producers reported that differences other than price between U.S.-produced certain coated paper and subject imports are frequently or sometimes a significant factor in their sales, while the other half reported that they are never a significant factor. Likewise, half of responding converters reported that differences other than price between U.S.-produced certain coated paper and subject imports are frequently or sometimes a significant factor in their sales, while the other half reported that they are never a significant factor. Responses from importers were mixed, with a majority reporting that differences other than price between U.S.-produced certain coated paper and imports from China are always a significant factor. Roughly half of responding importers reported that differences other than price between U.S.-produced certain coated paper and

Table II-3
Certain coated paper: Differences other than price between products from different sources[1]

Country comparison	U.S. integrated producers				U.S. converters				U.S. importers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs. China	0	1	2	3	1	1	2	0	6	1	3	0
U.S. vs. Indonesia	0	1	2	3	1	1	2	0	4	1	4	1
U.S. vs. nonsubject countries:												
U.S. vs. Other	0	1	2	3	1	0	3	0	3	0	5	0
Subject country comparisons:												
China vs. Indonesia	0	1	2	2	2	0	1	1	3	0	4	3
Subject countries vs. nonsubject countries:												
China vs. Other	0	1	2	2	1	0	3	0	4	1	3	0
Indonesia vs. Other	0	1	2	2	1	0	3	0	2	1	2	0

[1] Producers and importers were asked if differences other than price between certain coated paper produced in the United States and in other countries are a significant factor in their firms' sales of certain coated paper.

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

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

imports from Indonesia are always a significant factor and the other half reporting that they are sometimes significant. Two U.S. integrated producers and one purchaser reported that the quality of certain coated paper from China and Indonesia has significantly improved and is comparable to that of U.S.-produced certain coated paper.[16]

One integrated producer reported that its location is an important factor in its ability to offer availability, transportation, and technical support to its customers. Another integrated producer reported that U.S. integrated producers generally have a broader product range than import suppliers and that U.S. producers offer superior quality, environmentally-friendly features, shorter lead times, local warehousing, and technical support. One converter noted that some purchasers may choose a certain source for nationalistic reasons, or due to inventory or credit availability. One converter reported that long lead times from China and lack of converting capacity in the United States limits the range of custom sizes that producers in China can offer. Another converter reported that it has experienced severe quality problems with imports from China and Indonesia including baggy rolls, inconsistent caliper, coating streaks, and wrinkles. Two importers reported that U.S.-produced certain coated paper generally has a higher fiber content resulting in higher stiffness values, which allows the paper to run faster in high-speed presses and allows a lower basis weight paper to be substituted in some applications. These importers also reported that lead times from China are 12 weeks, whereas U.S. producers can ship within one day and that U.S. producers have superior technical support and automated customer service on the internet whereas the producers in China have a manual system. Four other importers also reported that U.S. suppliers have shorter lead times and a superior supply chain than import suppliers. One importer reported that some

[16] Conference transcript, pp. 112-113 (Nelson, Miller, and Graff).

purchasers specifically request U.S. brands or certain sizes and weights that subject import suppliers cannot offer because they lack a U.S. distribution network.

When asked if there had been any significant changes in product range or marketing of certain coated paper since 2006, one U.S. integrated producer reported that the availability of environmentally-friendly features (e.g., recycled fiber content, green power, certifications) has increased and that U.S. producers have lowered their prices for such features. One top-tier purchaser reported that such environmental features are very important to his firm and has been unable to verify if import suppliers can offer these features or not.[17] Another purchaser reported that demand for these features has increased. One purchaser reported that the vast majority of commercial printers may be interested in environmental features but do not necessarily have a formal certification process, while another purchaser stated that price remains a more important factor in a purchasing decision than the desire to have environmentally-friendly features.[18]

One integrated producer reported that there has been a shift from higher grades of certain coated paper to the economy #3 grade (with brightness levels of 86-89). One purchaser reported that U.S. integrated producers *** have introduced lower-cost grades in order to compete with imports. Two converters reported that there has been an increase in product ranges offered, including higher brightness levels and more weights and sizes.

Nonsubject Comparisons

In addition to comparisons between the U.S. product and imports from the subject country, U.S. producer and importer comparisons between the United States and imports from nonsubject countries and between subject imports and nonsubject imports are also shown in tables II-2 and II-3. One converter that also imports from nonsubject source reported that lead times from suppliers of imports from Europe are about 6 to 8 weeks, whereas the lead time on imports from Asia are 12 weeks. Another converter reported that it has experienced severe quality problems with imports from Korea including baggy rolls, inconsistent caliper, coating streaks, and wrinkles.[19] Two importers reported that European producers offer certain coated paper with a higher quality printing surface, superior customer service, and shorter lead times than producers in China.

[17] Conference transcript, pp. 56 and 91 (Graff).

[18] Conference transcript, p. 91 (Stewart, Sandstrom).

[19] This converter also reported having quality problems with imports from China and Indonesia.

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

Information presented in this section of the report is based on (except as noted) the questionnaire responses of six integrated producers[1] which are believed to account for virtually all U.S. production of certain coated paper in 2008 and four U.S. converters, which are estimated to account for approximately 15.1 percent[2] of U.S. conversion activities in 2008.[3]

U.S. PRODUCERS

The Commission sent producers' questionnaires to five firms identified in the petition as U.S. producers of certain coated paper. All firms submitted responses.[4] Petitioners contend that U.S. firms that process sheeter rolls into certain coated paper should be part of the U.S. industry. Respondents do not object to these firms being included in the U.S. industry. Therefore, the Commission sent producers' questionnaires to 108 companies believed to be U.S. converters of certain coated paper that were identified in the petition. Four firms submitted responses containing usable data.[5] The data submitted by U.S. converters are included in the U.S. employment data as well as in the financial data set forth in Part VI of this report. The data submitted by U.S. converters are not included in U.S. shipment and U.S. apparent consumption data as this would result in the double-counting of U.S. shipments, once as U.S. shipments of sheeter rolls from the U.S. integrated producers to the U.S. converters and then again as U.S. shipments of sheets from U.S. converters to their customers. Table III-1 presents the list of reporting U.S. integrated producers and converters with each company's U.S. production location, share of reported U.S. integrated or converting production in 2008, and position on the petition.

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[1] The term "integrated" producers is used to distinguish those producers who produce sheeter rolls from U.S. converters, which process sheeter rolls into sheet, and is not used to indicate the level of vertical integration of those producers.

[2] U.S. integrated producers reported 164,601 short tons of U.S. commercial shipment to converters in 2008. U.S. converters which submitted responses to the Commission's questionnaire reported production of 24,777 short tons in 2008, or 15.1 percent of total U.S. commercial shipments of sheeter rolls.

[3] Petitioners have stated that they believe U.S. converters should be considered part of the U.S. industry. Petitioners' postconference brief, "Answers to Staff Questions," exh. 9, p. 1; Respondents did not take a definitive position, but indicated that the effects of the inclusion of U.S. converters would be immaterial on the industry data given their relatively small size in the market. Conference transcript, p. 190 (Porter).

[4] MeadWestvaco also submitted a U.S. producer's questionnaire which reported integrated production during the period of investigation. Although not identified in the petition as a U.S. producer, MeadWestvaco considered a number of its paperboard products to be within the scope of these investigations.

Two U.S. companies, Verso Paper Corp. ("Verso") and West Linn Paper Co. ("West Linn") submitted data pertaining to their web roll operations. Verso and West Linn produce web rolls, but not certain coated paper. Their data is included in table C-2.

[5] The Commission's questionnaire mailing list consisted of 235 firms (108 converters and 127 importers). All these firms received U.S. producer's and U.S. importer's questionnaires. Sixty-five firms reported that they did not produce or convert coated paper. One firm, *** submitted a response with incomplete and unusable data.

Table III-1
Certain coated paper: U.S. coaters and converters, U.S. production locations, shares of U.S. production in 2008, and positions on the petition

Firm	Production location	Share of reported production (*percent*)	Position on the petition	
			China	Indonesia
U.S. Integrated Producers				
Appleton[1]	Kimberly, WI	***	Petitioner	Petitioner
MeadWestvaco	Glen Allen, VA	***	***	***
Mohawk	Cohoes, NY	***	***	***
NewPage[2]	Escanaba, MI Luke, MD Rumford, ME Wickliffe, KY Wisconsin Rapids, WI	***	Petitioner	Petitioner
Sappi[3]	Cloquet, MN Muskegon, MI Skowhegan, ME Allentown, PA	***	Petitioner	Petitioner
Smart[4]	Hamilton, OH	***	***	***
U.S. Converters				
Clampitt	Dallas, TX	***	***	***
J&M Cumming	Irvington, NJ	***	***	***
Nekoosa	Nekoosa, WI	***	***	***
Wausau	Mosinee, WI	***	***	***

[1] Appleton is a wholly owned subsidiary of Arjowiggins S.A.S. of Issy-les-Moulineaux, France, a producer of certain coated paper.
[2] Private equity firm Cerberus Capital Management L.P. of New York, New York owns 76.6 percent of NewPage's stock, Stora Enso Oyj of Helsinki, Finland owns 20.1 percent, and the remaining share of 3.3 percent is owned by NewPage's directors and officers.
[3] Sappi is a wholly owned subsidiary of Sappi Limited of Braamfontein, South Africa and is affiliated with Sappi Fine Paper Europe of Brussels, Belgium, a producer of certain coated paper. Sappi Limited also owns a 34 percent stake in Jiangxi Chenming Paper Co., Ltd., a company it reported does not import into the United States or produce certain coated paper.
[4] Smart Papers ("Smart") is wholly owned by the private equity firm Plainfield Asset Management LLC of Greenwich, CT.

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

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. Integrated Producers

Data on U.S. coaters' capacity, production, and capacity utilization are presented in table III-2. Total U.S. capacity increased from 2006 to 2008 by 1.2 percent and remained steady (lower by 0.1 percent) between January-June 2008 and January-June 2009. U.S. capacity volume accounted for 160.6 percent of apparent U.S. consumption of certain coated paper in 2008. Total U.S. production of certain coated paper decreased by 14.4 percent from 2006 to 2008, and was lower by 9.5 percent from January-June 2008 to January-June 2009. Annual capacity utilization ranged from 30.6 percent in January-June 2009 to 39.4 percent in 2006. Two of the six U.S. integrated producers, NewPage and Sappi, reported changes in capacity due to acquisitions and/or mill closures.[6] The tabulation below lists these events that occurred during the period of investigation.

Firm	Date	Description of activity	Annual production change *(short tons)*
NewPage	November 2006	Shut down paper machine #7 in Luke, MD Significant downtime paper machine #11 in Rumford, ME	***
	December 2007	Acquired Stora Enso North America	Added the Wisconsin Rapids, WI mill and the Kimberly, WI mill.
	February 2008	Shut down paper machine #11 in Rumford, ME	***
	July 2008	Shut down Kimberly, WI coated freesheet facility	***
	November 2008	Shut down Chillicothe sheeting facility	
	January 2009	Market-related downtime	***
	April 2009	Market-related downtime	***
Sappi	August 2009	Shut down Muskegon, MI mill	***
	2009	Market-related downtime	

Source: Compiled from data submitted in response to Commission questionnaires; conference transcript, pp. 26-27 (Nelson) and pp. 34-34 (Ayer).

[6] Petitioners maintain that unfairly traded subject imports are the major cause of the reported mill closures, production slowdowns, and unemployment. Petitioners' postconference brief, p. 37. Respondents argue that these events are the result of the continuing efforts of the domestic industry to consolidate and rationalize inefficient capacity and are presented to shareholders as positive events. Respondents' postconference brief, pp. 33-35.

In the 2007 *Coated Free Sheet Paper* investigation, one paper mill was closed and several machines shut down. The Commission found that "there is little contemporaneous evidence, however, that these events are attributable to the effects of subject imports." *Coated Free Sheet Paper from China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007, p. 18.

Table III-2
Certain coated paper: U.S. coaters' capacity, production, and capacity utilization, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
			Capacity *(short tons)*		
Appleton	***	***	***	***	***
MeadWestvaco	***	***	***	***	***
Mohawk	(1)	(1)	(1)	(1)	(1)
NewPage	***	***	***	***	***
Sappi	***	***	***	***	***
Smart	***	***	***	***	***
Total	2,864,425	2,943,777	2,829,110	1,408,370	1,406,963
			Production *(short tons)*		
Appleton	***	***	***	***	***
MeadWestvaco	***	***	***	***	***
Mohawk	***	***	***	***	***
NewPage	***	***	***	***	***
Sappi	***	***	***	***	***
Smart	***	***	***	***	***
Total	1,145,595	1,117,841	980,751	481,873	436,262
			Capacity utilization (*percent*)		
Appleton	***	***	***	***	***
MeadWestvaco	***	***	***	***	***
Mohawk	(1)	(1)	(1)	(1)	(1)
NewPage	***	***	***	***	***
Sappi	***	***	***	***	***
Smart	***	***	***	***	***
Average	39.4	37.4	34.1	33.6	30.6

[1] Mohawk did not provide capacity data.

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

All the U.S. integrated producers reported producing other products using the same manufacturing equipment and/or production employees that were used to produce certain coated paper. Table III-3 shows overall U.S. capacity for these producers as well as the U.S. production of other products for which they have allocated capacity.

Table III-3
Certain coated paper and other products: Overall capacity of U.S. coaters, and production by firms and products, 2008

* * * * * * *

U.S. Converters

Data on U.S. converters' capacity, production, and capacity utilization are presented in table III-4. Total U.S. capacity remained steady throughout the entire period of investigation. Total U.S. conversion production of certain coated paper increased by *** percent from 2006 to 2008 (with an increase of *** percent from 2006 to 2007) and was lower by *** percent from January-June 2008 to January-June 2009. Capacity utilization ranged from *** percent in 2007 to *** percent in January-June 2009.

Table III-4
Certain coated paper: U.S. converters' capacity, production, and capacity utilization, 2006-08, January-June 2008, and January-June 2009

* * * * * * *

Three of the four reporting U.S. converters reported producing other products using the same manufacturing equipment and/or production employees that were used to produce certain coated paper. Only *** reported not producing other products. Table III-5 shows overall U.S. capacity for U.S. converters as well as the U.S. production of other products for which they have allocated capacity.

Table III-5
Certain coated paper and other products: Overall capacity of U.S. converters, and production by firms and products, 2008

* * * * * * *

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORT SHIPMENTS

U.S. Integrated Producers

As detailed in table III-6, the volume of U.S. integrated producers' U.S. shipments of certain coated paper decreased by 16.8 percent from 2006 to 2008, and was lower by 16.5 percent from January-June 2008 to January-June 2009. The value of U.S. shipments also decreased by 13.7 percent from 2006 to 2008, and was lower by 29.3 percent from January-June 2008 to January-June 2009. *** reported *** internal consumption in 2008 (*** short tons and January-June 2009 (***). *** reported export shipments to ***. *** reported export shipments to ***.

Table III-6
Certain coated paper: U.S. integrated producers' shipments, by types, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
			Quantity (*short tons*)		
U.S. commercial shipments of–					
Sheeter rolls	194,312	167,337	164,601	88,377	52,863
Sheet	793,392	770,093	656,997	316,793	285,291
Total U.S. commercial shipments	987,704	937,430	821,708	405,170	338,276
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
			Value (*$1,000*)		
U.S. commercial shipments of–					
Sheeter rolls	150,194	139,139	146,624	76,047	45,572
Sheet	985,435	928,242	833,677	422,009	306,607
Total U.S. commercial shipments	1,135,629	1,067,381	980,407	498,056	352,287
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
			Unit value (*per short ton*)		
U.S. commercial shipments of–					
Sheeter rolls	773	831	891	860	862
Sheet	1,242	1,205	1,269	1,332	1,075
Total U.S. commercial shipments	1,150	1,139	1,193	1,229	1,041
Export shipments	***	***	***	***	***
Average	***	***	***	***	***
			Share of quantity (percent)		
U.S. commercial shipments of–					
Sheeter rolls	***	***	***	***	***
Sheet	***	***	***	***	***
Total U.S. commercial shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

Note:–***.

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

U.S. Converters

As shown in table III-7, the volume of U.S. converters' U.S. shipments of certain coated paper increased irregularly by *** percent from 2006 to 2008, but was lower by *** percent from January-June 2008 to January-June 2009. The value of U.S. shipments also increased irregularly by *** percent from 2006 to 2008, but was lower by *** percent from January-June 2008 to January-June 2009. None of the U.S. producers reported internal consumption or transfers to related firms of certain coated paper.

Table III-7
Certain coated paper: U.S. converters' shipments of slitted rolls, by types, 2006-08, January-June 2008, and January-June 2009

* * * * * * *

U.S. PRODUCERS' IMPORTS AND PURCHASES OF IMPORTS

None of the U.S. integrated producers reported any U.S. imports or purchases of imports from China or Indonesia. ***, reported that they purchased from U.S. importers the subject product from China during the period of investigation. Table III-8 presents *** purchases of certain coated paper from China, its U.S. conversion production, and the ratio of their purchases to their U.S. conversion production.

Table III-8
Certain coated paper: U.S. converters' subject imports and purchases of subject imports, 2006-08, January-June 2008, and January-June 2009

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of certain coated paper for the period of investigation are presented in table III-9.

Table III-9
Certain coated paper: U.S. coaters' and converters' end-of-period inventories, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
U.S. integrated producers					
Inventories (*short tons*)	202,439	205,308	275,698	182,102	210,786
Ratio to production (*percent*)	17.7	18.4	28.1	18.9	24.2
Ratio to U.S. shipments (*percent*)	20.5	21.9	33.6	22.5	31.2
Ratio to total shipments (*percent*)	19.4	20.2	30.8	20.4	29.2
U.S. converters					
Inventories (*short tons*)	***	***	***	***	***
Ratio to production (*percent*)	***	***	***	***	***
Ratio to U.S. shipments (*percent*)	***	***	***	***	***
Ratio to total shipments (*percent*)	***	***	***	***	***

Note.--January-June ratios are calculated using annualized production and shipment data.
Source: Compiled from data submitted in response to Commission questionnaires.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of production and related workers ("PRWs") engaged in the production of certain coated paper,[7] the total hours worked by such workers, wages paid to such PRWs, productivity, and unit labor costs during the period of investigation are presented in table III-10, by U.S. integrated producers and U.S. converters.

[7] Petitioners argue that the casual link between job losses and unfairly traded subject imports is further confirmed by the Department of Labor's issuance during the period of investigation of three Trade Adjustment Assistance certifications for job losses at NewPage's Kimberly, WI and Rumford, ME mills and for job losses at Smart's West Chicago, IL mill. Two additional certifications are currently pending for job losses at Appleton and for Sappi's job losses at its Muskegon, MI mill. Petitioners' postconference brief, p. 41 and exh. 21.

Table III-10
Certain coated paper: Average number of production and related workers producing certain coated paper, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
U.S. integrated producers					
PRWs (*number*)	***	***	***	***	***
Hours worked (*1,000*)	***	***	***	***	***
Wages paid (*$1,000*)	***	***	***	***	***
Hourly wages	***	***	***	***	***
Productivity *(short tons per hour)*	***	***	***	***	***
Unit labor costs (*per short ton*)	***	***	***	***	***
U.S. converters					
PRWs (*number*)	***	***	***	***	***
Hours worked (*1,000*)	***	***	***	***	***
Wages paid (*$1,000*)	***	***	***	***	***
Hourly wages	***	***	***	***	***
Productivity *(short tons per hour)*	***	***	***	***	***
Unit labor costs (*per short ton*)	***	***	***	***	***
U.S. integrated producers and converters					
PRWs (*number*)	2,301	2,192	1,814	1,950	1,705
Hours worked (*1,000*)	4,513	4,258	3,664	1,688	1,622
Wages paid (*$1,000*)	122,582	119,166	107,677	48,429	44,831
Hourly wages	$27.16	$27.99	$29.38	$28.69	$27.63
Productivity *(short tons per hour)*	258.9	269.0	274.1	292.4	275.0
Unit labor costs (*per short ton*)	$104.93	$104.03	$107.20	$98.12	$100.47

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

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

U.S. IMPORTERS

The Commission sent importer questionnaires to 127 firms listed in the petition as likely to be U.S. importers of certain coated paper, as well as to all U.S. producers.[1] Questionnaire responses containing usable data were received from 13 firms[2] and accounted the majority of U.S. imports from China and Indonesia.

Table IV-1 lists all responding U.S. importers of certain coated paper from Indonesia and China, their U.S. locations, and their quantities of imports, by source, in 2008.

Table IV-1
Certain coated paper: Reported U.S. imports, by importers and by sources of imports, 2008

* * * * * * *

U.S. IMPORTS

Table IV-2 presents data for U.S. imports of certain coated paper from China, Indonesia, and nonsubject countries. The data below are compiled using adjusted Commerce statistics. The adjustments are based on those provided by the petitioners.[3] As shown, U.S. imports from China decreased by 2.5 percent from 2006 to 2008 but were higher by 50.2 percent from January-June 2008 to January-June 2009.[4] The volume of U.S. imports from Indonesia increased by 18.4 percent from 2006 to 2008, but

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[1] The Commission's questionnaire mailing list consisted of 235 firms (108 converters and 127 importers). All these firms received U.S. producer's and U.S. importer's questionnaires. Fifty-nine firms reported that they did not import certain coated paper into the United States. One firm, *** submitted a response with incomplete and unusable data.

[2] In addition to the 13 usable responses (the U.S. importers shown in table IV-1), the Commission received U.S. importer questionnaire responses from four firms that provided data to the Commission regarding their importation of web rolls. These firms include: ***.

The Commission also received U.S. importer's questionnaire responses from firms that, after further inquiry, were deemed purchasers rather than U.S. importers of the subject product. These firms include: ***.

[3] Petitioners' postconference brief, "Answers to Questions from Staff," exh. 1 at exh. Q1-1. Respondents claim that petitioners assumption with regard to U.S. imports from nonsubject countries, specifically EU countries, may be understated. Petitioners' assumption is that for a number of HTS statistical reporting numbers (those for coated groundwood paper), U.S. imports from nonsubject countries are entirely in the form of rolls and not included within the scope of these investigations. Respondents claim that certain EU export statistics show that a portion of these imports are in sheet form. See Respondents; postconference brief, exh. 3. Respondents' submitted EU export statistics show that the portion claimed to be in sheet form would be equal to 12.4 percent of total U.S. imports from nonsubject countries.

Respondents also question petitioners' assumptions with regard to U.S. imports from Indonesia and maintain that those imports are overstated. Respondents claim that a portion of U.S. imports from Indonesia were misclassified. (See *Negligibility*).

[4] Respondents argue that the preliminary duties in the 2007 *Coated Free Sheet Paper* investigation distorted volumes of U.S. imports from subject countries particularly in the first half of 2008. They maintain that the preliminary duties ceased in late 2007 and, given the order lead time, U.S. imports in the first half of 2008 "were simply returning to historical levels," and are not evidence of a "surge" in U.S. imports from subject countries.

(continued...)

were lower by 7.5 percent from January-June 2008 to January-June 2009. The volume of U.S. imports from nonsubject countries decreased by 25.8 percent from 2006 to 2008, and were lower by 39.4 percent from January-June 2008 and January-June 2009. The largest sources of U.S. imports from nonsubject countries in 2008 were (in descending order of volume): (1) Canada, (2) Finland, (3) Korea, (4) Germany, and (5) Japan.

In 2009, *** Unisource shifted from suppliers in subject countries to domestic supply. ***. Unisource, another large national paper distributor, stopped receiving shipments from GPS in July 2009, after it decided earlier in 2009 to obtain its supply needs from NewPage.[5] Subsequent to the loss of the Unisource account, Asia Pulp & Paper Co., Ltd. began to create an e-commerce, U.S. distribution network for its products named "Eagle Ridge Paper." Petitioners claim that this distributor is fully operational and is currently underselling domestic producers by wide margins.[6] Respondents claim that the Eagle Ridge distribution network is in its infancy stages of development and that to create a distribution network of sufficient size to replace the volumes lost from the Unisource account will take years.[7]

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[4] (...continued)
Respondents' postconference brief, p. 23.

[5] Respondents' postconference brief, pp. 45-46. Respondents claim that Unisource switched suppliers because of a dispute over payment terms with respondents and that NewPage offered favorable pricing because of the subsidies it received as part of the Alternative Fuel Tax Credit, the so-called "Black Liquor Subsidies." Ibid. at exh. 1, pp. 7-8. Petitioners claim that Unisource switched to NewPage not because of price, but rather because of Unisource's concern that respondents wanted to dramatically increase its volume of imports into the United States during a period of decreasing demand brought about by the recession. Petitioners' postconference brief, "Answers to Staff Questions," exh. 4, p. 2. Petitioners submitted an affidavit from a Unisource vice president which stated that ***. Ibid. at exh. Q4-2.

[6] Petitioners postconference brief, p. 47.

[7] Conference transcript, p. 183 (Hunley).

Table IV-2
Certain coated paper: U.S. imports, by sources, 2006-08, January-June 2008, and January-June 2009

Source	Calendar year			January-June	
	2006	2007	2008	2008	2009
Quantity (*short tons*)					
China	282,726	302,858	275,532	109,757	164,829
Indonesia	44,695	52,541	52,938	21,506	19,883
Subtotal	327,421	355,399	328,470	131,263	184,712
All others	824,533	727,306	611,626	324,258	196,512
Total	1,151,955	1,082,705	940,096	455,521	381,224
Value (*$1,000*)[1]					
China	253,940	279,470	268,349	106,020	142,038
Indonesia	39,475	45,543	48,765	19,121	16,458
Subtotal	293,416	325,013	317,115	125,141	158,496
All others	809,932	737,251	650,135	337,366	204,901
Total	1,103,348	1,062,264	967,250	462,506	363,397
Unit value (*per short ton*)					
China	$898	$923	$974	$966	$862
Indonesia	883	867	921	889	828
Subtotal	896	915	965	953	858
All others	982	1,014	1,063	1,040	1,043
Average	958	981	1,029	1,015	953
Share of quantity (*percent*)					
China	24.5	28.0	29.3	24.1	43.2
Indonesia	3.9	4.9	5.6	4.7	5.2
Subtotal	28.4	32.8	34.9	28.8	48.5
All others	71.6	67.2	65.1	71.2	51.5
Total	100.0	100.0	100.0	100.0	100.0
Share of value (*percent*)					
China	23.0	26.3	27.7	22.9	39.1
Indonesia	3.6	4.3	5.0	4.1	4.5
Subtotal	26.6	30.6	32.8	27.1	43.6
All others	73.4	69.4	67.2	72.9	56.4
Total	100.0	100.0	100.0	100.0	100.0

[1] Landed, duty-paid.

Source: Compiled from adjusted Commerce statistics.

Misclassification Issue Regarding U.S. Imports from Indonesia

Respondents argue that Commerce statistics overstate U.S. imports from Indonesia throughout the period of investigation because they misclassified shipments of multi-ply paperboard, a product they deem to be outside the scope of these investigations, under HTS statistical reporting numbers stated in the scope. They maintain that the proper HTS heading for their product is 4810.92.[8] Petitioners argue that these products are within the scope of these investigations and are properly classified and included in U.S. imports from Indonesia.[9] They maintain that the scope does not exclude multi-ply products. Throughout this report, adjusted Commerce statistics are used to show the quantity and value of U.S. imports from Indonesia, which would include the alleged misclassified product.[10] The tabulation below sets forth the volume data for allegedly misclassified product.

Data source	2006	2007	2008	Jan-June 2008	Jan.-June 2009
	Quantity *(short tons)*				
Adjusted Commerce data[1]	44,695	52,541	52,938	21,506	19,883
Exports to the U.S.[2]	***	***	***	***	***
Alleged Misclassified product	***	***	***	***	***

[1] Includes the allegedly misclassified product.
[2] Data submitted by Indonesian respondents in their foreign producer questionnaire. Respondents have not included the volumes of the allegedly misclassified product in its export shipment data.

Source: Commerce statistics adjusted by methodology outlined in Petitioners' postconference brief, "Answers to Staff Questions," exh. Q1-1; Indonesian respondents' foreign producer questionnaire response. See Petitioners' postconference brief, "Answers to Staff Questions," exh. Q2-2 and Respondents' postconference brief, exh. 3.

[8] Respondents' postconference brief, pp. 19-20. HTS subheading 4810.92 is described as: " Other paper and paperboard: Multi-ply: 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"

[9] Petitioners' postconference brief, pp. 23-29.

[10] Apparent consumption and market share data using data obtained from U.S. importer questionnaire responses for U.S. imports from Indonesia can be found in appendix C, table C-4.

CUMULATION CONSIDERATIONS

In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical market, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Issues concerning fungibility and channels of distribution are addressed in *Part II* of this report. With regard to geographical markets and presence in the market, the petitioners argue that imported certain coated paper from China and Indonesia competes without regard to geographical location in the United States and that these imports have been simultaneously present in the U.S. market during the period of investigation.[11] Official Commerce statistics show that U.S. imports from the China and Indonesia did enter the United States through geographically dispersed U.S. ports of entry and monthly throughout the entire period of investigation.[12] Respondents do not address the issue of cumulation of subject imports and instead maintain that imports from Indonesia are negligible (see *Negligibility*).

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[11] Petition, p. 16; petitioners' postconference brief, p. 18. In the 2007 investigation on Coated Free Sheet Paper, the Commission cumulated U.S. imports from China, Indonesia, and Korea. In that investigation, respondents presented the argument that there existed geographical separation in the marketplace with U.S. imports supplying the Western region of the United States and U.S. producers concentrated in the Eastern regions of the United States. No party advances that argument in these current investigations. *Coated Free Sheet Paper from China, Indonesia, and Korea*, Inv. Nos. 701-TA-444-446 and 731-TA-1107-1109 (Final), USITC Publication 3965, December 2007, pp. 9-10; *See* Petitioners' postconference brief, p. 19 ("Imports of certain coated paper are not concentrated in the western region of the United States, as is confirmed by official import statistics.").

[12] *See* Petitioners' postconference brief, exhs. 5 and 6.

NEGLIGIBILITY

The Tariff Act of 1930 provides for the termination of an investigation if imports of the subject product from a country are less than 3 percent of total imports, or, if there is more than one such country, their combined share is less than or equal to 7 percent of total imports, during the most recent 12 months for which data are available preceding the filing of the petition.[13] Section 771(24)(B) of the Act further provides that in a countervailing duty investigation under section 701, imports of subject merchandise from developing countries are negligible if such imports account for less than 4 percent of the volume of all such merchandise imported into the United States in the specified 12-month period. In accordance with section 771(B) of the Act, the United States Trade Representative has designated Indonesia as a developing country under the countervailing duty law.[14] No party disputes that the share of the total quantity of U.S. imports from China surpassed the requisite negligibility threshold during the period. With regard to U.S. imports from Indonesia, however, Indonesian respondents argue that U.S. imports from Indonesia during the period of September 2008 to August 2009 were below the negligibility thresholds of 3 and 4 percent.[15] The parties have each advanced several methodologies for the computation of negligibility.[16]

Data compiled by the Commission show U.S. imports from Indonesia during the period accounted for either 6.8 percent or *** percent of total U.S. imports based on quantity depending on the

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[13] 19 U.S.C. § 1677(24)(A)(ii).

[14] 15 CFR § 2013.1.

[15] Respondent's postconference brief, p. 11.

[16] Petitioners provide the Commission with four methodologies for the computation of negligibility all of which show U.S. imports from Indonesia above the 3 and 4 percent thresholds. The methodologies are summarized as follows:

(1) Monthly Commerce statistics adjusted per petitioners assumptions (this is Methodology 1 in table IV-3)
(2) Same as methodology 1 but adding coated groundwood sheet exports from Europe identified in EU export statistics
(3) Monthly U.S. import data is derived from the foreign producer questionnaire response with alleged misclassified product added back and total imports from all other countries based on adjusted Commerce statistics
(4) Combination of methodologies (2) and (3) with U.S. imports from Indonesia calculated using (3) and total U.S. imports using (2) (adding coated groundwood sheet exports from Europe to the total U.S. imports). Petitioners' postconference brief, "Answers to Staff Questions," exh. Q3-1.

Respondents also provide the Commission with three methodologies for the computation of negligibility all of which show U.S. imports from Indonesia below the 4 percent threshold, but only one methodology shows imports below the 3 percent threshold. Respondents' methodologies all compute the numerator in the same manner, namely using adjusted Commerce statistics while subtracting out the alleged misclassified product. The respondents' three methodologies, therefore alter the computation of the denominator. These methodologies are summarized as follows:

(1) Computes the denominator as total U.S. imports as defined in the petition, which included sheeter rolls before the scope alteration
(2) Computes the denominator as total U.S. imports as defined in the revised scope (excluding sheeter rolls), but adding in U.S. imports from nonsubject countries that they deem within the scope. This is methodology 2 in table IV-3, with the exception that table IV-3 does not make the additions to U.S. imports from nonsubject countries.
(3) Computes the denominator as total U.S. imports as defined as all products in the domestic like product definition for which respondents are advocating, namely all sheets, sheeter rolls, and web rolls. This is the only methodology presented by respondents that shows U.S. imports from Indonesia below the 3 percent negligibility threshold. Respondents' postconference brief, exh. 3.

methodology adopted. Table IV-3 below presents monthly U.S. import data from September 2008 to August 2009 using two methodologies. Methodology 1 is based solely on adjusted monthly Commerce statistics using petitioners assumptions as to the adjustments. Methodology 2 is based on adjusted monthly Commerce statistics using petitioners assumptions and then subtracting out monthly volumes that respondents have deemed misclassified and not within the scope of these investigations.[17]

Table IV-3
Certain coated paper: Monthly U.S. imports, by sources of imports, September 2008-August 2009

	Methodology 1 Monthly Adjusted Commerce Statistics		Methodology 2 Monthly Adjusted Commerce Statistics subtracting alleged Misclassified product			
Month/Year	Indonesia	Total imports	Indonesia	Alleged misclassified product	Total Indonesia without misclassified product	Total imports
	Quantity (*short tons*); shares (*percent*)					
Sept. 2008	7,297	71,011	7,297	***	***	***
Oct. 2008	6,596	77,584	6,596	***	***	***
Nov. 2008	4,499	92,424	4,499	***	***	***
Dec. 2008	4,882	83,479	4,882	***	***	***
Jan. 2009	4,680	87,368	4,680	***	***	***
Feb. 2009	1,574	63,839	1,574	***	***	***
March 2009	3,629	60,645	3,629	***	***	***
April 2009	2,334	57,039	2,334	***	***	***
May 2009	2,891	56,843	2,891	***	***	***
June 2009	4,774	55,490	4,774	***	***	***
July 2009	3,753	56,446	3,753	***	***	***
Aug. 2009	8,754	53,632	8,754	***	***	***
Total quantity	55,665	815,800	55,665	***	***	***
Share of total (*percent*)	**6.8**				***	

Source: Adjusted Commerce statistics. Total monthly volumes for allegedly misclassified product are taken from Respondents' revised attachment B to its questionnaire, October 16, 2009; Respondents' postconference brief, exh. 3.

[17] Both of the methodologies shown in Table IV-3 use "subject merchandise" data to compute Indonesian and total U.S. imports meaning that these imports are those as defined by the Commerce's scope definition of these investigations (aside from the misclassification issue). Neither of these methodologies expands the definition of "subject imports" to include sheeter rolls or web rolls.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption of certain coated paper are presented in table IV-4. From 2006 to 2008, the quantity of apparent U.S. consumption of certain coated paper decreased by 17.7 percent and was lower by 16.4 percent from January-June 2008 to January-June 2009. From 2006 to 2008, the value of apparent U.S. consumption decreased by 13.0 percent and by 25.5 percent between the interim periods.

Data on U.S. market shares for certain coated paper are presented in table IV-5. From 2006 to 2008, U.S. producers' market share based on quantity and value remained steady ranging between 46.2 percent in 2006 and 46.6 in 2008. Between January-June 2008 and January-June 2009, U.S. producers market share based on volume again remained steady, but lost 2.6 percentage points based on value. U.S. imports from China gained 2.4 percentage points of U.S. market share during 2006-2008 based on both quantity and value. Between the interim periods, U.S. imports from China gained 10.2 percentage points of U.S. market share based on quantity and 8.8 percentage points based on value. U.S. imports from Indonesia gained 0.9 percentage points of U.S. market share during 2006-2008 based on quantity and 0.7 percentage points based on value. Between the interim periods, U.S. imports from Indonesia gained 0.3 percentage points of U.S. market share based on both quantity and value. U.S. imports from nonsubject countries lost 3.8 percentage points of U.S. market share during 2006-2008 based on quantity and 2.8 percentage points based on value. Between the interim periods, U.S. imports from nonsubject countries lost 10.4 percentage points of U.S. market share based on quantity and 6.5 percentage points based on value.

Table IV-4
Certain coated paper: U.S. shipments of domestic product, U.S. imports by sources, and apparent U.S. consumption, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
			Quantity (*short tons*)		
U.S. producers' U.S. shipments	987,704	937,430	821,708	405,170	338,276
U.S. imports from--					
China	282,726	302,858	275,532	109,757	164,829
Indonesia	44,695	52,541	52,938	21,506	19,883
Subtotal	327,421	355,399	328,470	131,263	184,712
All other countries	824,533	727,306	611,626	324,258	196,512
Total imports	1,151,955	1,082,705	940,096	455,521	381,224
Apparent U.S. consumption	2,139,659	2,020,135	1,761,805	860,691	719,500
			Value (*$1,000*)		
U.S. producers' U.S. shipments	1,135,629	1,067,381	980,407	498,056	352,287
U.S. imports from--					
China	253,940	279,470	268,349	106,020	142,038
Indonesia	39,475	45,543	48,765	19,121	16,458
Subtotal	293,416	325,013	317,115	125,141	158,496
All other countries	809,932	737,251	650,135	337,366	204,901
Total imports	1,103,348	1,062,264	967,250	462,506	363,397
Apparent U.S. consumption	2,238,977	2,129,646	1,947,657	960,562	715,684

Source: Compiled from data submitted in response to Commission questionnaires and from adjusted Commerce statistics.

Table IV-5
Certain coated paper: Apparent U.S. consumption and market shares, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
			Quantity (*short tons*)		
Apparent U.S. consumption	2,139,659	2,020,135	1,761,805	860,691	719,500
			Value (*$1,000*)		
Apparent U.S. consumption	2,238,977	2,129,646	1,947,657	960,562	715,684
			Share of quantity (*percent*)		
U.S. producers' U.S. shipments	46.2	46.4	46.6	47.1	47.0
U.S. imports from--					
China	13.2	15.0	15.6	12.8	22.9
Indonesia	2.1	2.6	3.0	2.5	2.8
Subtotal	15.3	17.6	18.6	15.3	25.7
All other countries	38.5	36.0	34.7	37.7	27.3
Total imports	53.8	53.6	53.4	52.9	53.0
			Share of value (*percent*)		
U.S. producers' U.S. shipments	50.7	50.1	50.3	51.9	49.2
U.S. imports from--					
China	11.3	13.1	13.8	11.0	19.8
Indonesia	1.8	2.1	2.5	2.0	2.3
Subtotal	13.1	15.3	16.3	13.0	22.1
All other countries	36.2	34.6	33.4	35.1	28.6
Total imports	49.3	49.9	49.7	48.1	50.8

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

Source: Compiled from data submitted in response to Commission questionnaires and from adjusted Commerce statistics.

RATIO OF IMPORTS TO U.S. PRODUCTION

Data on the ratio of imports to U.S. production of certain coated paper are presented in table IV-6.

Table IV-6
Certain coated paper: U.S. production, U.S. imports, and ratios of imports to production, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
Quantity (*short tons*)					
U.S. production	1,145,595	1,117,841	980,751	481,873	436,262
U.S. imports from--					
China	282,726	302,858	275,532	109,757	164,829
Indonesia	44,695	52,541	52,938	21,506	19,883
Subtotal	327,421	355,399	328,470	131,263	184,712
All other countries	824,533	727,306	611,626	324,258	196,512
Total imports	1,151,955	1,082,705	940,096	455,521	381,224
Ratio of imports to U.S. production (*percent*)					
U.S. imports from--					
China	24.7	27.1	28.1	22.8	37.8
Indonesia	3.9	4.7	5.4	4.5	4.6
Subtotal	28.6	31.8	33.5	27.2	42.3
All other countries	72.0	65.1	62.4	67.3	45.0
Total imports	100.6	96.9	95.9	94.5	87.4

Source: Compiled from data submitted in response to Commission questionnaires and from adjusted Commerce statistics.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

U.S. integrated producers of certain coated paper reported that pulp, chemicals and dyes, coating additives, and packaging are the principal raw materials used in producing certain coated paper. *** of the responding integrated producers reported that pulp accounts for between *** percent and *** percent of the total cost of production and that chemicals and dyes account for between *** percent and *** percent.[1] Most of the integrated producers reported that the cost of pulp has increased by *** to *** percent since 2006 and that the costs of chemicals and dyes have increased by *** to *** percent.[2]

U.S. Inland Transportation Costs

U.S. integrated producers reported that U.S. inland transportation costs of certain coated paper range from *** to *** percent of the delivered price. Converters reported that U.S. inland transportation costs range from *** to *** percent of the delivered price. Importers reported that U.S. inland transportation costs of certain coated paper range from *** to *** percent of the delivered price.

U.S. inland shipping distances for U.S.-produced certain coated paper and certain coated paper produced in China and Indonesia were requested from both U.S. producers and U.S. importers. For the U.S. producers, *** percent of their U.S. sales in 2008 occurred within distances of 100 miles from their facilities, *** percent occurred within distances of 101 to 1,000 miles, and *** percent occurred within distances over 1,000 miles from their facilities. For converters, *** percent of sales by value in 2008 occurred within 100 miles of their facilities, *** percent of sales occurred within 101 to 1,000 miles, and *** percent occurred within distances over 1,000 miles. For importers of certain coated paper from China, *** percent of sales by value in 2008 occurred within 100 miles of their storage facilities, *** percent of sales occurred within 101 to 1,000 miles, and *** percent occurred within distances over 1,000 miles. For importers of certain coated paper from Indonesia, *** percent of sales by value in 2008 occurred within 100 miles of their storage facilities, *** percent of sales occurred within 101 to 1,000 miles, and *** occurred within distances over 1,000 miles.

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[1] *** integrated producers, *** reported that pulp accounts for between *** and *** percent and *** reported that chemicals and dyes account for *** percent of the total cost of production.

[2] In early 2009, U.S. paper mills began applying for and receiving an alternative fuel tax credit of $0.50 per gallon of kraft pulp by-product (or "black liquor") they produce under Section 6426(e) of the Internal Revenue Code that went into effect in 2007. The tax credit reportedly expires at the end of 2009. Petitioners' postconference brief, answers to Staff Questions, exh. 6, p. 2. Such kraft pulp by-product results from the production of certain coated paper and other papers, including other coated free sheet papers and coated groundwood paper. IRS Notice 2006-92. http://www.irs.gov/pub/irs-drop/n-06-92.pdf. Respondents also reported that U.S. paper mills learned in October 2009 that they are eligible for an additional tax credit of $1.01 per gallon of kraft pulp under a provision in the Food, Conservation and Energy Act. Respondents' postconference brief, exh. 1, pp. 18-19.

Respondent parties contend that the alternative fuel tax credit has allowed U.S. integrated producers to lower prices on its certain coated paper in 2009. Conference transcript, pp. 12-13 (Durling). Petitioners have stated, however, that they ***. Petitioner's postconference brief, Answer to Staff Questions, exh. 6, p. 8.

PRICING PRACTICES

Pricing Methods

When questionnaire respondents were asked how they determined the prices that they charge for certain coated paper, *** the U.S. integrated producers reported the use of price lists, *** reported ***, and *** reported also using transaction-by-transaction negotiations. Converters reported the use of ***. Importers of certain coated paper from China and Indonesia reported that *** for certain coated paper, as determined by ***, as well as ***.

*** U.S. integrated producers reported that they quote prices of certain coated paper on an f.o.b. basis and *** quote prices on a delivered basis. Converters typically quote prices on a delivered basis. *** importers reported that they quote prices of certain coated paper on an f.o.b. basis, *** reported quoting prices on a delivered basis, and *** reported quoting on either an f.o.b. or delivered basis.

Sales Terms and Discounts

U.S. producers and importers of certain coated paper from China 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 (up to and including 12 months), and (3) spot sales basis (for a single delivery) during 2008. Three U.S. integrated producers reported a mixture of short-term contracts and spot sales, two integrated producers reported that *** of their sales are on a spot basis, and *** reported a mixture of long-term and short-term contracts, as well as spot sales. These producers' short-term contracts typically last ***. Integrated producers' long-term contracts last ***. Most converters reported that they sell exclusively on a spot basis, with *** reporting that most of ***. Converters' short-term contracts last ***.

Among the importers that reported sales of imports from China and Indonesia, *** reported that the vast majority of their sales are on a long-term contract basis with the remainder being sold on a spot basis, *** reported that *** of its sales are on a short-term contract basis, and *** reported that all of their sales are on a spot basis. Importers' long-term contracts typically last more than one year, fix price with an approximate expected quantity, and do not contain meet-or-release provisions, whereas importers' short-term contracts fix both price and quantity and do not contain meet-or-release provisions.

*** reported that they offer non-standard discounts based on volume. Two converters reported that they offer discounts based on volume. *** of five responding importers of certain coated paper from China and Indonesia reported applying discounts on a transaction-by-transaction basis.

PRICE DATA

The Commission requested U.S. integrated producers, converters, and importers of certain coated paper from China and Indonesia 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.[3] Data were requested for the period January 2006-June 2009. The products for which pricing data were requested are as follows:

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[3] Firms were also asked to report pricing data separately for sales to merchants/distributors and sales to end users. The pricing data presented here include both sales to merchants/distributors and sales to end users. While the reported prices of sales to end users are generally slightly higher than the reported prices of sales to merchants/distributors, the vast majority of reported sales went to merchants/distributors. Reported sales to end users accounted for *** percent of sales reported by integrated producers and converters; *** percent of sales of imports from China; and *** percent of sales of imports from Indonesia.

Firms were also requested to provide pricing data on sales of imports from nonsubject sources. These prices are presented in appendix D.

***Product 1*.—**Coated paper, two-side coated sheets, 70-100 pounds text basis weights, brightness levels 86-89.

***Product 2*.—** Coated paper, two-side coated sheets, 70-100 pounds text basis weights, brightness levels 90-91.

***Product 3*.—** Coated paper, two-side coated sheets, 70-100 pounds text basis weights, brightness levels 92-95.

***Product 4*.—** Coated paper, one-side coated sheets, 70-100 pounds text basis weights, brightness levels 83 and above.

***Product 5*. —** Coated paper, two-side coated sheeter rolls, 70-100 pounds text basis weights, brightness levels 87 and above.

*** U.S. integrated producers, *** converters,[4] *** importers of product imported from China (***),[5] and *** importers of product imported from Indonesia (***)[6] provided pricing data for sales of the requested products, although not all firms reported pricing data for all products for all quarters. Pricing data reported by these firms accounted for approximately *** percent of the quantity of U.S. producers's U.S. shipments of certain coated paper, *** percent of the quantity of U.S. imports from China, and *** percent of the quantity of U.S. imports from Indonesia during January 2006-June 2009.

[4] The U.S. sales prices presented here include sales reported by integrated producers and converters. Sales reported by converters accounted for *** percent of the sales data presented here and do not change the price trends or margins of underselling. Among the responding converters, *** and *** reported that they *** use U.S.-sourced sheeter rolls in their conversion of sheets, while *** reported that it used sheeter rolls from ***.

[5] Some firms that reported sales of imports from China are actually purchasers and were excluded from the data presented here. Specifically, *** reported that it purchases its products from importers ***; *** reported that it purchases its products from importer ***; *** reported that it purchases from ***; and *** reported that it purchases its products from importers ***. E-mail from ***; *** Importers' Questionnaire response at II-5a; e-mail from ***; and e-mail from ***.

[6] Some firms that reported sales of imports from Indonesia are actually purchasers and were excluded from the data presented here. Specifically, *** reported that it purchases its products from importers *** and *** reported that it purchases its product from an importer. E-mail from ***; ***'s Importers' Questionnaire response at II-5b.

Price Trends

Weighted-average f.o.b. prices reported for U.S. integrated producers, converters, and importers are presented in tables V-1 through V-5 and in figures V-1 through V-5 on a quarterly basis during January 2006-June 2009. For sales reported by U.S. integrated producers and converters, product 1 accounted for *** percent of the total quantity reported by U.S. integrated producers and converters for all pricing products over the entire period, product 2 accounted for *** percent, product 4 accounted for *** percent, product 3 accounted for *** percent, and product 5 accounted for *** percent. For sales of products imported from China, product 1 accounted for *** percent of the total quantity reported by importers for all pricing products from China over the entire period, product 5 accounted for *** percent, product 3 accounted for *** percent, and product 4 accounted for *** percent. There were *** reported sales of product 2 imported from China. For sales of products imported from Indonesia, product 1 accounted for *** percent of the total quantity reported by importers for all pricing products from Indonesia over the entire period and product 3 accounted for *** percent. There were *** reported sales of products 2, 4, or 5 imported from Indonesia.

The weighted-average sales prices of U.S.-produced product 1 increased overall by *** percent from the first quarter of 2006 to the second quarter of 2009, first increasing by *** percent from the first quarter of 2006 to their highest point in the ***, before decreasing by *** percent to the second quarter of 2009. The weighted-average sales prices of product 1 imported from China decreased overall by *** percent from the first quarter of 2006 to the second quarter of 2009, first increasing by *** percent from the first quarter of 2006 to their highest point in the ***, before decreasing by *** percent thereafter. The weighted-average sales prices of product 1 imported from Indonesia decreased overall by *** percent from the first quarter of 2006 to the second quarter of 2009, first fluctuating but generally increasing by *** percent from 2006 to the third quarter of 2008, before decreasing by *** percent thereafter.

The weighted-average sales prices of U.S.-produced product 2 increased overall by 1.4 percent over the entire period, slightly increasing by 4.3 percent from the first quarter of 2006 to their highest point in the first quarter of 2009 before slightly decreasing in the second quarter of 2009.

The weighted-average sales price of U.S.-produced product 3 remained relatively flat for most of the period before increasing in the first and second quarters of 2009 to a level 15.4 percent higher than the first quarter of 2006. The weighted-average sales prices of product 3 imported from China increased overall by *** percent from the *** quarter of 2006 (the first period for which data were reported) to the second quarter of 2009, generally increasing throughout most of the period before decreasing in the second quarter of 2009. The weighted-average sales prices of product 3 imported from Indonesia increased by *** percent from the fourth quarter of 2007 to the second quarter of 2009.[7]

The weighted-average sales prices of U.S.-produced product 4 increased overall by *** over the entire period, increasing by *** percent from the first quarter of 2006 to their highest level in *** before decreasing by *** percent thereafter. The weighted-average sales prices of product 4 imported from China decreased by *** percent over the entire period, fluctuating but increasing by *** percent from the first quarter of 2006 to their highest level in the *** before decreasing by *** percent thereafter.

The weighted-average sales prices of U.S.-produced product 5 fluctuated but generally increased overall by *** percent from the first quarter of 2006 to the second quarter of 2009. The weighted-average sales prices of product 5 imported from China fluctuated but increased by *** percent overall, first increasing by *** percent from the first quarter of 2006 to their highest point in the *** before decreasing *** percent thereafter.

[7] There were *** quarters of reported sales of product 3 from Indonesia.

Table V-1
Certain coated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 2006-June 2009

* * * * * * *

Table V-2
Certain coated paper: Weighted-average f.o.b. prices and quantities of domestic product 2[1], by quarters, January 2006-June 2009

Period	United States	
	Price (*per short ton*)	**Quantity (*short tons*)**
2006: Jan.-Mar.	$1,286.73	25,174
Apr.-June	1,273.93	26,524
July-Sept.	1,300.01	24,612
Oct.-Dec.	1,301.47	23,124
2007: Jan.-Mar.	1,284.95	25,811
Apr.-June	1,276.88	26,352
July-Sept.	1,280.64	28,367
Oct.-Dec.	1,299.34	24,897
2008: Jan.-Mar.	1,295.70	26,281
Apr.-June	1,315.02	27,116
July-Sept.	1,330.50	25,733
Oct.-Dec.	1,338.33	21,839
2009: Jan.-Mar.	1,342.28	19,625
Apr.-June	1,304.85	19,002

[1] Coated paper, two-side coated sheets, 70-100 pounds text basis weights, brightness levels 90-91.

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

Table V-3
Certain coated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2006-June 2009

Period	United States		China			Indonesia		
	Price (*per short ton*)	Quantity (*short tons*)	Price (*per short ton*)	Quantity (*short tons*)	Margin (*percent*)	Price (*per short ton*)	Quantity (*short tons*)	Margin (*percent*)
2006: Jan.-Mar.	$1,315.51	17,059	(2)	(2)	(3)	(2)	(2)	(3)
Apr.-June	1,310.74	14,877	(2)	(2)	(3)	(2)	(2)	(3)
July-Sept.	1,314.59	16,457	(2)	(2)	(3)	(2)	(2)	(3)
Oct.-Dec.	1,311.50	15,232	$***	***	***	(2)	(2)	(3)
2007: Jan.-Mar.	1,340.81	15,728	***	***	***	(2)	(2)	(3)
Apr.-June	1,309.18	16,992	***	***	***	(2)	(2)	(3)
July-Sept.	1,331.58	17,617	***	***	***	(2)	(2)	(3)
Oct.-Dec.	1,343.04	17,117	***	***	***	$***	***	***
2008: Jan.-Mar.	1,342.20	16,636	***	***	***	***	***	***
Apr.-June	1,338.84	16,578	***	***	***	***	***	***
July-Sept.	1,343.86	15,573	***	***	***	(2)	(2)	(3)
Oct.-Dec.	1,350.92	15,666	***	***	***	(2)	(2)	(3)
2009: Jan.-Mar.	1,389.42	11,203	***	***	***	(2)	(2)	(3)
Apr.-June	1,516.45	14,210	***	***	***	***	***	***

[1] Coated paper, two-side coated sheets, 70-100 pounds text basis weights, brightness levels 92-95.
[2] No sales reported.
[3] Not applicable.

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

Table V-4
Certain coated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarters, January 2006-June 2009

* * * * * * *

Table V-5
Certain coated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 and margins of underselling/(overselling), by quarters, January 2006-June 2009

* * * * * * *

Figure V-1
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 1, by quarters, January 2006-June 2009

* * * * * * *

Figure V-2
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic product 2, by quarters, January 2006-June 2009

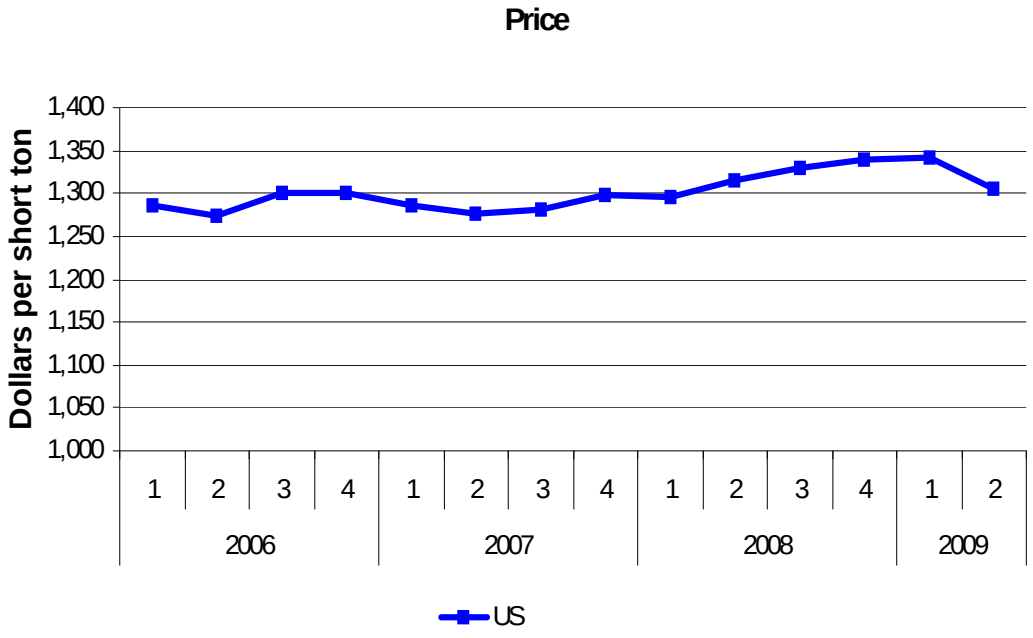
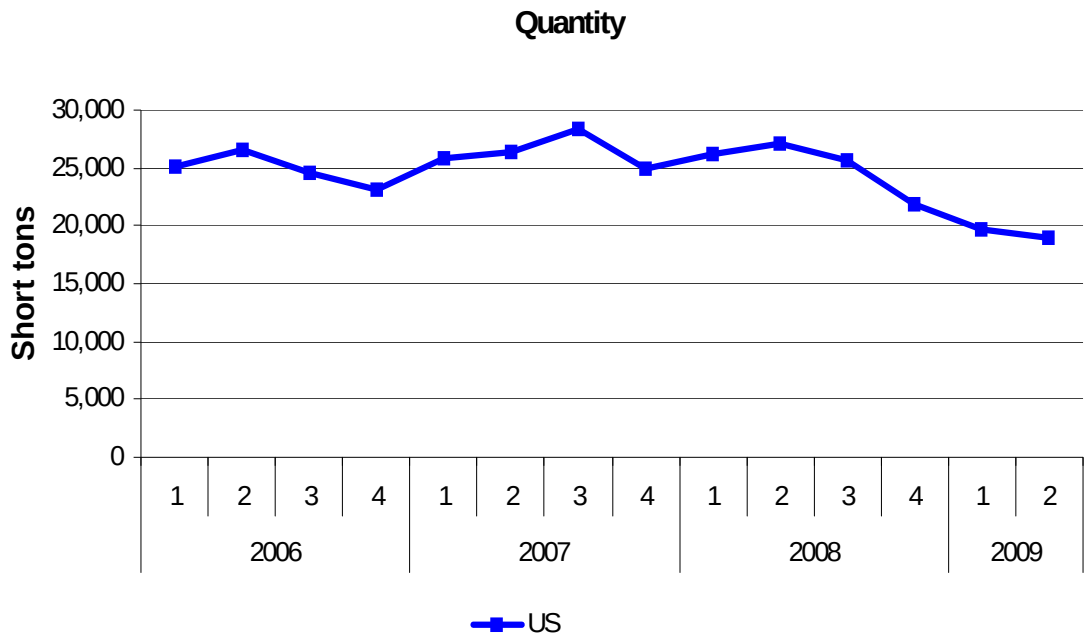


Figure continued on next page.

Figure V-2--*continued*
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic product 2, by quarters, January 2006-June 2009



Source: Table V-2.

Figure V-3
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 3, by quarters, January 2006-June 2009

* * * * * * *

Figure V-4
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 4, by quarters, January 2006-June 2009

* * * * * * *

Figure V-5
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 5, by quarters, January 2006-June 2009

* * * * * * *

Table V-6
Certain coated paper: Summary of weighted-average f.o.b. prices for products 1-5 from the United States, China, and Indonesia

Item	Number of quarters	Low price (*per short ton*)	High price (*per short ton*)	Change in price[1] (*percent*)
Product 1				
United States	14	$***	$***	***
China	14	***	***	***
Indonesia	14	***	***	***
Product 2				
United States	14	1,273.93	1,342.28	1.4
China	0	(2)	(2)	(2)
Indonesia	0	(2)	(2)	(2)
Product 3				
United States	14	1,309.18	1,516.45	15.4
China	11	***	***	***
Indonesia	4	***	***	***
Product 4				
United States	14	***	***	***
China	14	***	***	***
Indonesia	0	(2)	(2)	(2)
Product 5				
United States	14	***	***	***
China	14	***	***	***
Indonesia	0	(2)	(2)	(2)

[1] Percentage change from the first quarter in which price data were available to the last quarter in which price data were available, based on unrounded data.
[2] Not applicable.

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

Price Comparisons

Margins of underselling and overselling for the period are presented by product category in table V-7. The data show that prices of imports from China were lower than the U.S. producers' prices in 41 out of 53 quarterly comparisons, by margins ranging from 0.9 percent to 29.9 percent. The prices of imports from China were higher than U.S. producers' prices in 12 quarterly comparisons, by margins ranging from 0.5 to 22.7 percent. The data show that prices of imports from Indonesia were lower than the U.S. producer prices in all 18 quarterly comparisons, by margins ranging from 5.4 percent to 27.4 percent.

Table V-7
Certain coated paper: Instances of underselling/overselling and the range and average of margins for products 1-5, January 2006-June 2009

	Underselling			Overselling		
	Number of instances	**Range (*percent*)**	**Average margin (*percent*)**	**Number of instances**	**Range (*percent*)**	**Average margin (*percent*)**
By product:						
Product 1	28	5.4 to 23.3	12.3	0	(1)	(1)
Product 2	0	(1)	(1)	0	(1)	(1)
Product 3	15	***	***	0	(1)	(1)
Product 4	6	1.2 to 17.6	8.7	8	0.5 to 22.7	7.8
Product 5	10	0.9 to 13.1	5.2	4	1.2 to 8.7	4.5
By country:						
China	41	0.9 to 29.9	12.5	12	0.5 to 22.7	6.7
Indonesia	18	5.4 to 27.4	14.6	0	(1)	(1)
Total[2]	**59**	**0.9 to 29.9**	**13.1**	**12**	**0.5 to 22.7**	**6.7**

[1] Not applicable.

[2] Total number of instances for all cited products for both subject countries, range of margins for all cited products for both subject countries, and average margin for all cited products for both subject countries.

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

LOST SALES AND LOST REVENUES

The Commission requested that U.S. integrated producers and converters report any instances of lost sales or revenues they experienced due to competition from imports of certain coated paper from China and Indonesia since January 2006.[8] Integrated producers and converters provided *** lost sales allegations totaling $*** and *** lost revenues allegations totaling $***. Staff contacted the *** purchasers cited in the allegations; *** responded. *** confirmed lost sales allegations totaling $*** and *** purchasers confirmed lost revenues allegations totaling $***.[9] The results are summarized in tables V-8 and V-9 and are discussed below.

[8] *** allegations provided by converters total $*** or *** percent of the total value of lost sales allegations and *** allegations provided by converters total $*** or *** percent of the total value of lost revenues allegations.

[9] ***. ***'s response to the lost sales allegation, e-mail from ***. Staff estimates that a lost sale of *** short tons of U.S. product from *** is roughly valued at $***, based on U.S. producers' weighted-average prices of U.S.-produced sheet products in *** presented earlier in part V of this report. Likewise, staff estimates that a lost sale of *** short tons of U.S. product from *** is roughly valued at $***. If the allegation of $*** is considered a confirmed lost sale, the total confirmed lost sales would total $***.

Table V-8
Certain coated paper: U.S. integrated producers' and converters' lost sales allegations

* * * * * * *

Table V-9
Certain coated paper: U.S. integrated producers' and converters' lost revenue allegations

* * * * * * *

*** was named in a lost revenues allegation valued at $*** allegedly occurring in ***. It agreed with the allegation.

*** was named in a lost revenues allegation valued at $*** allegedly occurring in ***. It agreed with the allegation.

*** was named in a lost sales allegation valued at $*** allegedly occurring in ***. It agreed with the allegation. It further reported that it has switched from purchasing certain coated paper from U.S. producers to suppliers of imports from China and Indonesia due to price and that U.S. producers have reduced their prices in order to compete with subject imports.

*** was named in *** lost sales allegations valued at $*** and *** lost revenues allegations valued at $*** allegedly occurring in 2009. It agreed with the ***. It further reported that it has switched from purchasing certain coated paper from U.S. producers to suppliers of imports from China due to price and that U.S. producers have reduced their prices in order to compete with imports from China.

*** was named in a lost sales allegation valued at $***. It agreed with the allegation. It further reported that it has switched from purchasing certain coated paper from U.S. producers to suppliers of imports from China and Indonesia due to price and that U.S. producers have reduced their prices in order to compete with subject imports. Specifically, it reported that integrated producers *** reduced their prices in *** by approximately $*** per short ton.

*** was named in *** lost sales *** valued at $*** and *** lost revenues *** valued at $***. It reported that there was not enough information provided in the allegations to provide a specific response to the transactions cited; however, it did report that it *** due to price and that U.S. producers have reduced their prices in order to compete with subject imports.

*** was named in a lost sales allegation valued at $***. It agreed with the allegation. It further reported that it has switched from purchasing certain coated paper from U.S. producers to suppliers of imports from China and Indonesia due to price and that U.S. producers have reduced their prices in order to compete with subject imports.

*** was named in a lost sales allegation at $*** and a lost revenues allegation valued at $*** allegedly occurring in ***. It agreed with the allegations. It further reported that it has switched from purchasing certain coated paper from U.S. producers to suppliers of imports from China and Indonesia due to price as well as quality. It also reported that U.S. producers have reduced their prices in order to compete with subject imports, but that prices of imports from Europe, Korea, and Japan have also driven prices down.

*** was named in a lost sales allegation valued at $***. It did not respond to the specific transaction cited in the allegation, but did report that it has switched from purchasing certain coated paper from U.S. producers to suppliers of imports from China due to price and that U.S. producers have reduced their prices to compete with imports from China.

*** was named in a lost sales allegation valued at $*** allegedly occurring in ***. *** reported that it did reduce its purchases from U.S. producers by *** short tons from *** and increased its purchases of imports from China by *** short tons in that period, due to a variety of factors, one of which

may have been price.[10] *** then switched from purchasing subject imports in *** to U.S. integrated producer *** and ***.[11] Respondents claim that ***.[12] ***.[13] ***.[14]

*** was named in *** lost revenues *** allegedly occurring in ***. It disagreed with the allegations, stating that the prices cited in the allegations ***. *** further reported that it has not switched from purchasing certain coated paper from U.S. producers to suppliers of imports from China and/or Indonesia; however, it did report that U.S. producers have reduced their prices in order to compete with subject imports.

*** was named in *** lost sales ***, *** valued at $*** and another ***. It disagreed with the allegations, stating that ***. Specifically, it reported that ***. ***. It also reported that ***. ***. ***.[15]

***. It further reported that it has not switched purchasing certain coated paper from U.S. producers to suppliers of imports from China and/or Indonesia; however, it did report that U.S. producers have reduced their prices in order to compete with subject imports.

[10] ***'s response to the lost sales allegation, e-mail from ***.

[11] Respondents' postconference brief, pp. 45-46.

[12] Respondents' postconference brief, at exh. 1, pp. 7-8.

[13] Petitioners' postconference brief, "Answers to Staff Questions," pp. 2-3.

[14] Petitioners' postconference brief, "Answers to Staff Questions," exh. Q4-2.

[15] Respondents' postconference brief, exh. 19.

PART VI: FINANCIAL EXPERIENCE OF THE U.S. PRODUCERS

BACKGROUND

Ten U.S. producers reported their certain coated paper financial results on the basis of generally accepted accounting principles ("GAAP") with the majority reporting on a calendar-year basis.[1] Revenue represents commercial sales comprised primarily of domestic shipments followed by a small share of exports.[2]

The financial results on certain coated paper represent the combined operations of companies designated as integrated producers (Appleton, MeadWestvaco, Mohawk, NewPage, Sappi, and Smart Papers) and converters (J&M Cummings, Nekoosa, Resource One, and Wausau). The majority of certain coated paper financial results information is accounted for by the integrated segment (97.4 percent of total sales revenue) with the rest accounted for by converters (2.6 percent of total sales revenue). Differences between the trade section and financial section of this report in terms of total sales/shipment volume and value generally reflect the elimination of converters in the trade section in order to avoid the double counting of volume.[3]

OPERATIONS ON CERTAIN COATED PAPER

Income-and-loss data for operations on certain coated paper are presented in table VI-1 and on an average unit basis in table VI-2. Table VI-3 presents selected company-specific financial information. A variance analysis of the overall financial results on certain coated paper is presented in table VI-4.[4] (Note: Combined financial results on certain coated paper and web rolls are presented in table C-3.)

The pattern of financial results on certain coated paper in large part reflects the operations of integrated producers NewPage and Sappi which accounted for *** of cumulative certain coated paper sales value, respectively. As discussed in a previous section of this report, integrated producers in general vary in terms of the level of vertical integration, as well as the extent and types of other products produced. Both NewPage and Sappi are integrated back to pulp operations with both companies ***. MeadWestvaco, accounting for *** of cumulative sales value, was the ***.[5]

Converters, while similar inasmuch as their primary input is sheeter rolls, are different in terms of the extent to which they convert sheeter rolls into sheets on their own behalf for resale or on the basis

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[1] ***.

[2] ***. E-mail with attachments from Mohawk to USITC auditor, October 19, 2009. ***. E-mail with attachments from Nekoosa to USITC auditor, October 21, 2009.

[3] Staff notes that some double counting of sales volume is inevitable when combining the financial results of integrated producers and converters. However, the aggregated financial results are still generally meaningful on a consolidated basis due to the offsetting effect of any double counted volume being reported once as revenue at the integrated level and again as a component of raw material cost at the converter level. Because total sales volume reflects some double counting, average sales and cost values on an integrated and converter-basis are more specific to those operations (see table VI-3) as compared to average values based on the consolidated information (see table VI-2).

[4] While product mix changed somewhat during the period, overall variations in average sales value were attributed primarily to changes in price. Letter with attachments from Stewart and Stewart and King & Spalding on behalf of Appleton, NewPage, and Sappi to USITC auditor, October 22, 2009. E-mail with attachment from Wausau to USITC auditor, October 21, 2009. E-mail with attachment from King & Spalding on behalf of Smart Papers to USITC auditor, October 23, 2009.

[5] ***. Response to question III-8, MeadWeasvaco U.S. producer questionnaire response. ***.

Table VI-1
Results of operations on certain coated paper, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
	Quantity (*short tons*)				
Total net sales quantity	1,093,778	1,084,674	953,567	472,160	380,638
	Value (*$1,000*)				
Total net sales value	1,223,838	1,197,751	1,099,905	559,200	388,943
Cost of goods sold:					
Raw materials	518,072	504,352	476,115	239,430	177,309
Direct labor	202,732	161,432	142,897	73,243	67,299
Other factory costs	345,911	366,013	324,020	156,285	125,916
Total cost of goods sold	1,066,716	1,031,797	943,032	468,958	370,524
Gross profit	157,122	165,955	156,873	90,243	18,419
Selling expenses	34,721	32,844	31,903	16,811	12,778
General and administrative expenses	53,724	50,714	55,232	29,059	22,861
Total SG&A expenses	88,445	83,558	87,135	45,870	35,639
Operating income or (loss)	68,677	82,397	69,738	44,373	(17,220)
Interest expense	70,221	61,259	51,268	26,386	24,345
Other expenses	21,819	2,383	5,706	2,624	4,626
Other income items	8,775	2,300	273	1,095	36,211
Net income or (loss)	(14,587)	21,054	13,038	16,458	(9,980)
Depreciation/amortization	72,185	60,815	64,232	37,881	34,666
Estimated cash flow	57,598	81,869	77,270	54,339	24,686
	Ratio to net sales (*percent*)				
Raw material	42.3	42.1	43.3	42.8	45.6
Direct labor	16.6	13.5	13.0	13.1	17.3
Other factory costs	28.3	30.6	29.5	27.9	32.4
Cost of goods sold	87.2	86.1	85.7	83.9	95.3
Gross profit	12.8	13.9	14.3	16.1	4.7
SG&A expenses	7.2	7.0	7.9	8.2	9.2
Operating income or (loss)	5.6	6.9	6.3	7.9	(4.4)
Net income or (loss)	(1.2)	1.8	1.2	2.9	(2.6)
	Number of producers reporting				
Operating losses	5	4	3	2	5
Data	10	10	10	10	10

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

Table VI-2
Results of operations on certain coated paper (*per short ton*), 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			January-June	
	2006	2007	2008	2008	2009
	Unit value (*dollars per short ton*)				
Total net sales	$1,119	$1,104	$1,153	$1,184	$1,022
Cost of goods sold:					
Raw material	474	465	499	507	466
Direct labor	185	149	150	155	177
Other factory costs	316	337	340	331	331
Total cost of goods sold	975	951	989	993	973
Gross profit	144	153	165	191	48
SG&A expenses	81	77	91	97	94
Operating income or (loss)	63	76	73	94	(45)

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

Table VI-3
Results of operations on certain coated paper, by firm, 2006-08, January-June 2008, and January-June 2009

* * * * * * *

of a tolling agreement. The *** average sales value reported by Resource One, which accounts for a *** share of the total conversion-specific activity shown in table VI-3, primarily reflects the fact that Resource One is ***.

Revenue

As shown in the revenue section of the variance analysis (see table VI-4), the overall decline in revenue between 2006 and 2008 was due to lower sales volume partially offset by a modest positive price variance. Table VI-3 shows that, while company-specific increases were not uniform, most of the integrated producers reported higher average sales values in 2008 compared to 2007. In contrast and with the exception of ***, the responding converters reported lower average sales/tolling revenue in 2008.

While lower sales volume continued to be the principal factor explaining reduced revenue in interim 2009 compared to interim 2008, a negative price variance also contributed to the decline. With the exception of ***, all of the U.S. producers reported lower average sales values in interim 2009

Table VI-4
Variance analysis of financial results on certain coated paper operations, 2006-08, January-June 2008, and January-June 2009

Item	Calendar year			Jan.-June
	2006-08	2006-07	2007-08	2008-09
	Value (*$1,000*)			
Total net sales:				
Price variance	32,950	(15,900)	46,928	(61,864)
Volume variance	(156,883)	(10,187)	(144,775)	(108,394)
Total net sales variance	(123,933)	(26,087)	(97,847)	(170,258)
Cost of sales:				
Raw materials:				
Cost variance	(24,454)	9,408	(32,725)	15,711
Volume variance	66,411	4,312	60,962	46,410
Net raw material variance	41,957	13,720	28,237	62,122
Direct labor:				
Cost variance	33,847	39,613	(978)	(8,253)
Volume variance	25,988	1,687	19,513	14,197
Net direct labor variance	59,835	41,301	18,535	5,944
Other factory costs:				
Cost variance	(22,451)	(22,981)	(2,248)	75
Volume variance	44,342	2,879	44,241	30,294
Net other factory cost	21,891	(20,102)	41,993	30,369
Net cost of sales:				
Cost variance	(13,058)	26,040	(35,951)	7,533
Volume variance	136,742	8,879	124,716	90,901
Total net cost of sales	123,684	34,919	88,765	98,434
Gross profit variance	(250)	8,832	(9,082)	(71,823)
SG&A expenses:				
Expense variance	(10,027)	4,151	(13,677)	1,339
Volume variance	11,338	736	10,100	8,891
Total SG&A variance	1,310	4,887	(3,577)	10,231
Operating income variance	1,061	13,719	(12,659)	(61,593)
Summarized as:				
Price variance	32,950	(15,900)	46,928	(61,864)
Net cost/expense variance	(23,086)	30,191	(49,627)	8,872
Net volume variance	(8,804)	(572)	(9,959)	(8,601)

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

compared to interim 2008.[6] As noted previously, changes in average sales value were reportedly related primarily to lower prices, as opposed to changes in product mix.[7]

Cost of Goods Sold

The primary component of certain coated paper cost of good sold (COGS) is raw material accounting for 49.1 percent of cumulative COGS. Consistent with the generally capital intensive nature of the production process, other factory costs accounted for the second largest primary component of COGS at 34.1 percent of cumulative COGS followed by direct labor at 16.8 percent.

The overall trend of raw material costs was erratic with a decline in 2007 followed by an increase in 2008 and then a subsequent decline in interim 2009. As shown in table VI-3 and notwithstanding ***, average raw material costs varied from company to company with the lowest average raw material costs generally reported by the most vertically integrated producers: NewPage, Sappi, and MeadWestvaco. As noted later in this section with respect to the black liquor-related tax credit issue, increased pulp production to take advantage of the tax credit and lower corresponding pulp prices reportedly impacted the relative cost advantage of the different types of integrated producers in interim 2009. As shown in table VI-3, ***.[8]

As a group, and ***, converters reported higher average raw material costs compared to the integrated producers which is generally consistent with the nature of the primary input that they process.[9]

Table VI-2 shows that, while average direct labor and other factory costs did change during the period, overall variations in direct labor and other factory costs were somewhat lower compared to changes in raw material costs. The overall increase in average direct labor and other factory costs in interim 2009, which partially offset the decline in average raw material cost noted above, appears to be generally consistent with lower capacity utilization. When comparing company specific operations at the end of the period, the decline in ***.

The extent to which certain coated paper is a primary product line or a secondary product line varies from producer to producer. As a share of combined certain coated paper sales volume and web roll sales volume, the certain coated paper sales volume of the two largest producers of certain coated paper, NewPage and Sappi, represents ***, respectively, on a cumulative basis. Large certain coated paper producers were asked to provide additional information regarding how they allocated costs between certain coated paper and other product lines.[10]

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[6] ***. Letter with attachments from Stewart and Stewart and King & Spalding on behalf of Appleton, New Page, and Sappi to USITC auditor, October 22, 2009.

[7] ***. E-mail with attachment from King & Spalding on behalf of Smart Papers to USITC auditor, October 23, 2009.

[8] E-mail with attachment from King & Spalding on behalf of Smart Papers to USITC auditor, October 23, 2009.

[9] Since converters' primary raw material input is sheeter rolls, conversion costs (direct labor and other factory costs) relative to total COGS is substantially less than the conversion costs associated with integrated producers who either produce their own pulp or purchase it. ***. USITC auditor preliminary phase notes.

[10] (See Chapter I for a description of the production process; e.g., "off-machine" coater, ***, is a non-integrated ("off-line") coating machine.) Appleton stated that ***. Letter with attachments from Stewart and Stewart and King & Spalding on behalf of Appleton, NewPage, and Sappi to USITC auditor, October 22, 2009.

According to NewPage, ***. Ibid.

Sappi stated that ***. Ibid.

With respect to producers reporting financial results on both certain coated paper and web rolls, ***. Ibid. ***.

Black liquor-related tax credit

Because the direct benefit of the black liquor-related tax credit effectively only accrues to producers of pulp who generate black liquor as a by product, NewPage, Sappi, and Meadwestvaco are the only integrated producers who can receive the tax credit. As noted above, the other integrated producers do not produce pulp, but instead purchase it.[11] With respect to their certain coated paper financial results and payments received/accrued pursuant to the black liquor-related tax credit, NewPage and Sappi reported allocated amounts of ***. ***. Based on public information, the total amount received by NewPage during interim 2009 (i.e., unallocated to any specific product line) was $112 million, while Sappi reportedly accrued a total of $39 million which was received after the end of the interim period.[12]

Notwithstanding its direct impact in terms of payments to fully-integrated producers, the tax credit also reportedly had indirect effects. A NewPage company official stated during an earnings conference call that "{i}t's important to note on this page that our competitive cost advantage is reduced due to the impact of substantially lower pulp prices. While the tax credit is currently benefitting all producers, it's actually potentially benefitting the non-integrated producer more, due to the flattening of the cost curve. The highest cost producers are the non-integrated mills and they have been receiving substantial benefits in their costs due to extra pulp that's been produced, and sold at lower prices so that the domestic producers can benefit from the subsidy."[13] [14]

Profitability

Notwithstanding lower sales volume as the period progressed, the industry's financial results were marginally higher in 2008 compared to 2006 both in terms of absolute operating income and the ratio of operating income to sales. (Note: Profitability using these measures was highest in 2007.) Interim 2009, in contrast, reflects a decline to an overall operating loss with ***. In contrast, the converters, ***, continued to report operating income, albeit at a lower level compared to interim 2008.

An important factor explaining the interim 2009 operating losses was a sharp contraction of the overall gross profit margin which in turn reflects a higher COGS-to-sales ratio as average sales values declined by a larger percentage compared to the decline in average COGS. While the industry's total SG&A expenses were lower on an absolute basis in interim 2009 compared to interim 2008, the reduction in revenue resulted in higher SG&A expense ratios which, along with the decline in gross profit, contributed to the interim 2009 operating loss. With regard to the higher SG&A expense ratios reported for certain coated paper operation compared to web rolls, U.S. producers generally indicated that certain coated paper is sold to a more diffuse customer base compared to web rolls which requires

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[11] Appleton stated that the company ***. Letter with attachments from Stewart and Stewart and King & Spalding on behalf of Appleton, NewPage, and Sappi to USITC auditor, October 22, 2009.

[12] Exhibit 4 of respondent's post conference brief (response 4). For the second quarter ending June 2009 and also based on public information, Verso reportedly received a total of $37 million under this program. Ibid. Verso is not reflected in this section of the report because it only reported operations on web rolls.

[13] Respondent's postconference brief, exhibit 7 (2nd quarter 2009 NewPage Corporation Earnings Conference Call, p. 4).

[14] While the black liquor-related tax credit currently being used is reportedly going to expire in 2009, pulp producers are also apparently eligible for a $1.01 per gallon tax credit under the Food, Conservation and Energy Act. Respondent's postconference brief, exhibit 4 (response 4). Its status as a nonrefundable income tax credit, however, presumably makes this tax credit less appealing than the former tax credit which reportedly allowed for direct payment in the absence of tax liability or when the credit exceeded the liability. Ibid.

relatively more SG&A resources. Higher service requirements for certain coated paper customers was also referenced as a factor which would generally impact the level of SG&A expenses.[15]

Material non-recurring charges were reported by several companies and in *** case is reflected directly in the reported financial results. ***.[16] ***.[17] ***.[18] ***.

CAPITAL EXPENDITURES, RESEARCH AND DEVELOPMENT EXPENSES, ASSETS, AND RETURN ON INVESTMENT

Data on capital expenditures, research and development ("R&D") expenses, assets, and return on investment related to certain coated paper operations are presented in table VI-5.

Table VI-5
Operations on certain coated paper: Capital expenditures, R&D expenses, total assets, and return on investment, by firms, 2006-08, January-June 2008, and January-June 2009

* * * * * * *

Consistent with its larger share of total activity, the integrated producers collectively accounted for *** percent of the period's total capital expenditures with ***. Like total sales, however, the majority of overall capital expenditures are accounted for by NewPage and Sappi (***, respectively).

R&D expenses, which were highest in 2008 ***, were reported only by the integrated group of producers with no converters reporting R&D expenses. ***.

***, all U.S. producers reported total asset information related to their operations on certain coated paper. As noted at the beginning of this section of the report, ***.[19]

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of certain coated paper from China and Indonesia on their firms' 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.

Actual Negative Effects

Converters

J&M Cummings	***.
Nekoosa	***.

[15] ***. Letter with attachments from Stewart and Stewart and King & Spalding on behalf of Appleton, NewPage, and Sappi to USITC auditor, October 22, 2009.

[16] Ibid. ***. Petitioners' postconference brief, exhibit 19.

[17] Letter with attachments from Stewart and Stewart and King & Spalding on behalf of Appleton, NewPage, and Sappi to USITC auditor, October 22, 2009.

[18] According to Appleton, ***. Ibid. ***.

[19] ***. Note to table III-12, NewPage U.S. producer questionnaire response. ***. Letter with attachments from Stewart and Stewart and King & Spalding on behalf of Appleton, NewPage, and Sappi to USITC auditor, October 22, 2009.

Resource One	***.
Wausau	***.

Integrated Producers

Appleton	***.
MeadWestvaco	***.
Mohawk	***.
NewPage	***.
Sappi	***
Smart Papers	***.

Anticipated Negative Effects

Converters

J&M Cummings	***.
Resource One	***.
Nekoosa	***.
Wausau	***.

Integrated Producers

Appleton	***.
MeadWestvaco	***.
Mohawk	***.
NewPage	***.
Sappi	***.
Smart Papers	***.

PART VII: THREAT CONSIDERATIONS

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

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors[1]--

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

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[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VIII) the 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

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHINA

The Commission received responses from three firms accounting for approximately *** percent of 2008 production of certain coated paper in China and the vast majority of exports to the United States from China.[3] The three reporting Chinese producers include: (1) Gold East Paper (Jiangsu) Co., Ltd. ("Gold East"); (2) Gold Huansheng Paper Co., Ltd. ("Gold Huansheng"); and (3) Shandong Chenming Paper Holdings, Ltd. ("Chenming"). Gold East and Gold Huansheng are related companies and are also affiliates of the large conglomerate, Asia Pulp & Paper Co., Ltd., headquartered in Singapore. Asia Pulp & Paper Co., Ltd. is also affiliated with Indonesian respondents. Capacity, production, and export shipment data regarding the individual firms are presented in table VII-1.

Table VII-1
Certain coated paper: China's reported production capacity, production, shipments, and inventories, 2008

* * * * * * *

Chenming reported that *** percent of its total sales in the most recent fiscal year were sales of certain coated paper. In 2006, *** percent of Chenming's total shipments of certain coated paper were exported to the United States, *** percent of its shipments were to its home market, and *** percent of its shipments were to export markets such as ***. Chenming's exports to the United States *** throughout the period of investigation, and by 2008, accounted for only *** percent of its total shipments. In 2008, *** percent of Chenming's shipments were going to its home market, *** percent in 2006.

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[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

[3] Responses to the Commission's Foreign Producer questionnaire.

Chenming's reported capacity increased by *** percent from 2006 to 2008, but is projected to *** in 2009 and 2010.[4] Its production increased by *** percent from 2006 to 2008, and is projected to *** in 2009 and 2010. Chenming reported that its largest U.S. importer of certain coated paper during the period of investigation was ***.

Gold East reported that *** percent of its total sales in the most recent fiscal year were sales of certain coated paper. In 2006, *** percent of Gold East's total shipments of certain coated paper were exported to the United States, *** percent of its shipments were to its home market, and *** percent of its shipments were to export markets such as ***. Gold East's exports to the United States *** throughout the period of investigation, and by 2008, accounted for *** percent of its total shipments. In 2008, *** percent of Gold East's shipments were going to its other export markets, *** percent in 2006.

Gold East's reported capacity *** from 2006 to 2008, and is projected to *** in 2009 and 2010.[5] Its production increased by *** percent from 2006 to 2008, and is projected to *** in 2009 and 2010.[6] Gold East reported that its largest U.S. importer of certain coated paper in 2008 was ***.

Gold Huansheng reported that *** percent of its total sales in the most recent fiscal year were sales of certain coated paper. In 2006, *** percent of Gold Huansheng's total shipments of certain coated paper were exported to the United States, *** percent of its shipments were to its home market, and *** percent of its shipments were to export markets such as ***. Gold Huansheng's exports to the United States *** throughout the period of investigation, and ***, by 2008 accounted for *** percent of its total shipments. In 2008, *** percent of Gold Huansheng's shipments were going to its other export markets, *** percent in 2006.

Gold Huansheng's reported capacity *** from 2006 to 2008, and is projected to *** in 2009 and 2010.[7] Its production increased by *** percent from 2006 to 2008, and is projected to *** in 2009 and 2010.[8] Gold Huansheng reported that its largest U.S. importer of certain coated paper in 2008 was ***.

RISI, an information provider for the global forest products industry, projects an increase of 24.9 percent in Chinese capacity to produce coated woodfree paper products from 2010 to 2011. During the same 2010 to 2011 time horizon, RISI projects an increase of 8.6 percent in the apparent consumption of coated woodfree paper in China.[9] Respondents maintain that Chinese producers currently have high capacity utilization rates and that increases in capacity to produce certain coated paper in China are necessary to keep up with increased demand in its home market and not intended for export markets.[10] Respondents also observe that Chinese producers lost the accounts of *** Unisource. ***. Unisource, another large national paper distributor, stopped receiving shipments from respondents in July 2009, after it decided earlier in 2009 to obtain its supply needs from New Page.[11]

Table VII-2 presents cumulative data for reported capacity, production, and shipments of certain coated paper for all reporting producers in China.

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[4] ***.

[5] ***. Petitioners, citing public sources, state that the new mill in China will be complete and begin production in March 2010. Petitioners' postconference brief, p. 45.

[6] ***.

[7] ***. Petitioners, citing public sources, state that the new mill in China will be complete and begin production in March 2010. Petitioners' postconference brief, p. 45.

[8] ***.

[9] Petitioners' postconference brief, p. 44 and exh. 23.

[10] Respondents' postconference brief, pp. 47-48.

[11] Ibid.

Table VII-2
Certain coated paper: China's reported production capacity, production, shipments, and inventories, 2006-08, January-June 2008, January-June 2009, and projections for 2009 and 2010

* * * * * * *

THE INDUSTRY IN INDONESIA

The Commission received responses from three producers of certain coated paper in Indonesia. As the firms are all related, they submitted a consolidated response to the Commission's foreign producer questionnaire. These firms included: (1) PT. Pindo Deli Pulp and Paper Mills, (2) PT. Pabrik Kertas Tjiwi Kimia, Tbk., and (3) PT. Indah Kiat Pulp & Paper Tbk. (collectively, "Indonesian respondents"). Indonesian respondents are affiliates of the large conglomerate, Asia Pulp & Paper Co., Ltd., headquartered in Singapore. The Indonesian respondents claimed to account for approximately *** percent of production of certain coated paper in Indonesia, and accounted for all the exports to the United States during the period of investigation.

Indonesian respondents reported that *** percent of their total sales in the most recent fiscal year were sales of certain coated paper. In 2006, *** percent of Indonesian respondents' total shipments of certain coated paper were exported to the United States, *** percent of their shipments were to their home market, and *** percent of their shipments were to export markets such as ***. Indonesian respondents' exports to the United States *** throughout the period of investigation, and by 2008, accounted for *** percent of their total shipments. In 2008, *** percent of Indonesian respondents' shipments were going to their other export markets, *** percent in 2006.

Indonesian respondents' reported capacity *** from 2006 to 2008, and is projected to *** in 2009 and 2010.[12] Their production increased by *** percent from 2006 to 2008, and is projected to *** in 2009.[13] Table VII-3 presents data for reported capacity, production, and shipments of certain coated paper for all reporting producers in Indonesia.

Table VII-3
Certain coated paper: Indonesia's reported production capacity, production, shipments, and inventories, 2006-08, January-June 2008, January-June 2009, and projections for 2009 and 2010

* * * * * * *

[12] ***.

[13] ***.

U.S. IMPORTERS' INVENTORIES

Reported inventories held by U.S. importers of subject merchandise from China and Indonesia and nonsubject countries are shown in table VII-4.

Table VII-4
Certain coated paper: U.S. importers' end-of-period inventories of subject and nonsubject imports, by sources, 2006-2008, January-June 2008, and January-June 2009

* * * * * * *

U.S. IMPORTERS' CURRENT ORDERS

The Commission requested U.S. importers to indicate whether they imported or arranged for the importation of certain coated paper after June 30, 2009. *** of the 13 reporting U.S. importers stated that they had imported or arranged for importation since June 30, 2009. Table VII-5 presents the U.S. importers which indicated that they had imported or arranged for the importation of the subject product from China and Indonesia and the quantity of those U.S. imports.

Table VII-5
Certain coated paper: U.S. importers' orders of subject imports from China and Indonesia subsequent to June 30, 2009, by firm

* * * * * * *

ANTIDUMPING AND COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

The tabulation below lists the governments that have placed antidumping, countervailing duty or safeguard duties on certain coated paper.

Country imposing duty	Country against which duty is imposed	Amount of duty *(percent ad valorem)*	Commencement date of duty
China	Japan and Korea	10.4 to 71.0	2003 original AD order August 2009 duties continued for 5 years
Taiwan	Japan	8.0 to 44.0	2000 original AD order
India	Global safeguard	20.0 provisional	April 2009
Source: Petitioners' postconference brief, "Answers to Staff Questions," exh. 8.			

INFORMATION ON PRODUCERS IN NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury "by reason of subject imports," the legislative history states "that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[14]

The worldwide market environment for coated free sheet paper during the period of investigation has been tumultuous, with demand, production, and shipments declining rapidly, leading to excess production capacity despite some reductions in capacity. Global demand for coated free sheet paper decreased as the severe economic downturn caused advertising expenditures to drop sharply, reducing demand for magazines and catalogues. This cyclical decline in demand was accompanied by a structural decline in demand for coated free sheet paper, particularly in North America and Europe, as some advertisers migrated away from the print medium. Global demand for coated free sheet paper declined by approximately 16 percent, from 30 million tons in 2006 to an estimated 25.2 million tons in 2009, with most of this decline occurring within the past two years. The drop in demand began in North America and Europe, but in 2009 spread to Asia and Latin America. As demand fell, producers cut production and shipments of coated free sheet paper. Despite capacity reductions by some producers, excess capacity for coated free sheet paper remained, particularly in Europe.[15]

The United States imports certain coated paper from a number of nonsubject countries. Canada, Finland, Germany, and Korea are four important suppliers to the United States. Information on these countries' trade in certain coated paper is provided below.

Canada

Table VII-6 presents data on Canadian exports and imports of certain coated paper, and table VII-7 shows data for Canadian exports to the United States as a share of total Canadian exports. During 2006-08, Canada had a large trade deficit in certain coated paper. The United States accounted for more than 80 percent of total Canadian exports of certain coated paper between 2006 and 2008.[16]

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[14] Mittal Steel Point Lisas Ltd. v. United States, Slip Op. 2007-1552 at 17 (Fed. Cir., Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; see also Bratsk Aluminum Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006).

[15] Maine, John. "Green Shoots of Recovery in Printing and Writing Paper Markets?" September 10, 2009 http://www.risiinfo.com (accessed September 11, 2009); Maine, John. "North American Coated Paper Demand and Capacity Are Closing the Gap, but Europe Will Likely Announce Huge Closures in 2010." October 22, 2009 http://www.risiinfo.com (accessed October 22, 2009); Stora Enso, "Interim Review January-March 2009" April 23, 2009 http://www.storaenso.com (accessed October 22, 2009); Stora Enso, "Interim Review January-September 2009" October 22, 2009 http://www.storaenso.com (accessed October 22, 2009).

[16] Two Canadian firms (Domtar Corporation and Thunder Bay Fine Papers) were reported to have produced coated free sheet paper during the period of investigation. Their production may have included certain coated paper. *2008 Lockwood-Post Directory of Pulp & Paper Mills Global Edition.* Bedford, Massachusetts: RISI, Inc., 2008.

Table VII-6
Certain coated paper: Canada's exports and imports, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
Exports	34,771	5,466	4,651
Imports	237,486	240,442	226,598
Net exports	(202,715)	(234,977)	(221,946)

Note.–Export and import figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

Table VII-7
Certain coated paper: Canada's total exports and exports to the United States, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
United States	34,421	5,266	3,897
World	34,771	5,466	4,651
	Share of total (*percent*)		
United States	99.0	96.3	83.8

Note.–Export figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

Finland

Table VII-8 presents data on Finland's exports and imports of certain coated paper, and table VII-9 shows data for Finland's exports to the United States as a share of total Finnish exports. Finland was a net exporter of certain coated paper during 2006-08, supplying paper to numerous countries, including Brazil, Denmark, Germany, Mexico, Russia, and Sweden. During the period, exports to the United States accounted for no more than 8 percent of total Finnish exports of certain coated paper.[17]

[17] Six Finnish firms (Ahlstrom Kauttua Oy, Jujo Thermal Ltd., M-real Corp., Stora Enso, Tervakoski Oy, and UPM) were reported to have produced coated free sheet paper during the period of investigation. Some of these firms likely produced certain coated paper. *2008 Lockwood-Post Directory of Pulp & Paper Mills Global Edition.* Bedford, Massachusetts: RISI, Inc., 2008.

Table VII-8
Certain coated paper: Finland's exports and imports, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
Exports	483,890	464,126	450,116
Imports	32,980	48,366	32,586
Net exports	450,910	415,760	417,530

Note.–Export and import figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

Table VII-9
Certain coated paper: Finland's total exports and exports to the United States, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
United States	37,852	30,419	17,627
World	483,890	464,126	450,116
	Share of total (*percent*)		
United States	7.8	6.6	3.9

Note.–Export figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

Germany

Table VII-10 presents data on German exports and imports of certain coated paper, and table VII-11 shows data for German exports to the United States as a share of total German exports. Germany exported and imported large volumes of certain coated paper during 2006-08. Other European countries were the destination for much of Germany's exports. Germany's largest export market during the period was France, but in 2008 France accounted for only 8 percent of total German exports. Exports to the United States totaled only 6 percent of total German exports of certain coated paper in 2008.[18]

[18] Approximately 14 German firms were reported to have produced coated free sheet paper during the period of investigation. Some of these firms likely produced certain coated paper. These firms are: Buttenpapierfabrik Gmund GmbH & Co. KG, Hahnemuhle FineArt GmbH, Papierfabrik August Koehler AG, Koehler Kehl GmbH, M-real Corp., Nordland Papier GmbH, Sappi Fine Papers, Papierfabrik Scheufelen GmbH & Co. KG, Stora Enso, Papierfabrick Zerkall Renker & Sohne GmbH & Co. KG, Steinbeis Temming Papier GmbH & Co., Illig'sche Papierfabrick, Kanzan Spezialpapiere GmbH, and Felix Schoeller Jr. *2008 Lockwood-Post Directory of Pulp & Paper Mills Global Edition.* Bedford, Massachusetts: RISI, Inc., 2008.

Table VII-10
Certain coated paper: Germany's exports and imports, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
Exports	1,838,351	1,750,966	1,681,671
Imports	888,485	879,601	920,010
Net exports	949,866	871,365	761,661

Note.–Export and import figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

Table VII-11
Certain coated paper: Germany's total exports and exports to the United States, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
United States	161,487	144,557	98,441
World	1,838,351	1,750,966	1,681,671
	Share of total (*percent*)		
United States	8.8	8.3	5.9

Note.–Export figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

Korea

Table VII-12 presents data on Korean exports and imports of certain coated paper, and table VII-13 shows data for Korean exports to the United States as a share of total Korean exports. Korea was a large net exporter of certain coated paper during 2006-08. The United States was Korea's largest export market for certain coated paper but it accounted for no more than 30 percent of Korea's total exports during the period. Other large export markets for Korea included Iran, Australia, Japan, and China.[19]

[19] Eight Korean firms were reported to have produced coated free sheet paper during the period of investigation. Some of these firms likely produced certain coated paper. These firms are: EN Paper Mfg. Co., Ltd., Hankuk Paper Mfg. Co., Ltd., Hansol Paper Co., Ltd., Moorim Paper Co., Ltd., Namhan Paper Co., Ltd., Samwha Paper Co., Ltd., Daehan Paper Co., Ltd., and Hongwon Paper Mfg. Co., Ltd. *2008 Lockwood-Post Directory of Pulp & Paper Mills Global Edition.* Bedford, Massachusetts: RISI, Inc., 2008.

Table VII-12
Certain coated paper: Korea's exports and imports, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
Exports	1,587,074	1,619,620	1,485,741
Imports	16,797	20,867	22,605
Net exports	1,570,276	1,598,753	1,463,136

Note.–Export and import figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

Table VII-13
Certain coated paper: Korea's total exports and exports to the United States, 2006-08

Destination	Calendar year		
	2006	2007	2008
	Quantity (*short tons*)		
United States	478,023	451,159	382,576
World	1,587,074	1,619,620	1,485,741
	Share of total (*percent*)		
United States	30.1	27.9	25.7

Note.–Export figures are quantities reported at the 6-digit level for HTS subheadings 4810.14 and 4810.19.

Source: Compiled from Global Trade Atlas database.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–470–471 and 731–TA–1169–1170 (Preliminary)]

Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From China and Indonesia

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping and countervailing duty investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping and countervailing duty investigations Nos. 701–TA–470–471 and 731–TA–1169–1170 (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 retarded, by reason of imports from China and Indonesia of certain coated paper suitable for high-quality print graphics using sheet-fed presses, provided for in subheadings 4810.13.11, 4810.13.19, 4810.13.20, 4810.13.50, 4810.13.60, 4810.13.70, 4810.14.11, 4810.14.19, 4810.14.20, 4810.14.50, 4810.14.60, 4810.14.70, 4810.19.11, 4810.19.19, 4810.19.20, 4810.22.10, 4810.22.50, 4810.22.60, 4810.22.70, 4810.29.10, 4810.29.50, 4810.29.60, and 4810.29.70 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold

in the United States at less than fair value and alleged to be subsidized by the Governments of China and Indonesia. Unless the Department of Commerce extends the time for initiation pursuant to sections 702(c)(1)(B) or 732(c)(1)(B) of the Act (19 U.S.C. 1671a(c)(1)(B) or 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 November 9, 2009. The Commission's views are due at Commerce within five business days thereafter, or by November 17, 2009.

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).

DATES: *Effective Date:* September 23, 2009.

FOR FURTHER INFORMATION CONTACT: Christopher J. Cassise (202–708–5408), 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 docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on September 23, 2009, by Appleton Coating, LLC, Kimberly, WI; NewPage Corp., Mianisburg, OH; Sappi Fine Paper North America, Boston, MA; and the United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial and Service Workers International Union (''USW'').

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 sections 201.11 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 section 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 Investigations has scheduled a conference in connection with these investigations for 9:30 a.m. on October 14, 2009, at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC. Parties wishing to participate in the conference should contact Chris Cassise (202–708–5408) not later than October 9, 2009, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition 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 sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before October 19, 2009, 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 sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). 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 (November 8, 2002).

In accordance with sections 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 25, 2009.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E9–23563 Filed 9–29–09; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

(C–570–959)

Certain Coated Paper Suitable for High–Quality Print Graphics Using Sheet–Fed Presses from the People's Republic of China: Initiation of Countervailing Duty Investigation

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: October 20, 2009.

FOR FURTHER INFORMATION CONTACT: Yasmin Nair and Joseph Shuler, AD/CVD Operations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–3813 and (202) 482–1293, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On September 23, 2009, the Department of Commerce (''Department'') received a petition filed in proper form by Appleton Coated LLC, NewPage Corporation, S.D. Warren Company d/b/a Sappi Fine Paper North America, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (collectively, ''Petitioners''), domestic producers of certain coated paper suitable for high–quality print graphics using sheet–fed presses (''coated paper'').[1] In response to the Department's requests, Petitioners provided timely information supplementing the Petition on October 2, 2009, and October 6, 2009.

In accordance with section 702(b)(1) of the Tariff Act of 1930, as amended (''the Act''), Petitioners allege that manufacturers, producers, or exporters of coated paper in the People's Republic of China (''PRC'') 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.

The Department finds that Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) and (D) of the Act, and Petitioners have demonstrated sufficient industry support with respect to the countervailing duty (''CVD'') investigation (*see* ''Determination of Industry Support for the Petition'' section below).

Period of Investigation

The period of investigation is January 1, 2008, through December 31, 2008.

Scope of Investigation

The products covered by the investigation are coated paper products from the PRC. For a full description of the scope of the investigation, please see ''Scope of Investigation,'' in Appendix I of this notice.

Comments on Scope of Investigation

During our review of the Petition, we discussed the scope with Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by November 2, 2009, twenty calendar days from the signature date of this notice. Comments should be addressed to Import Administration's APO/Dockets Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. The period of the scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determination.

Consultations

Pursuant to section 702(b)(4)(A)(ii) of the Act, on September 23, 2009, the Department invited representatives of the Government of the PRC (''GOC'') for consultations with respect to the CVD petition. The GOC did not request such consultations, however, on October 13, 2009, the GOC's Ministry of Commerce submitted to the United States Embassy in Beijing, China comments pertaining to the Petition.

Determination of Industry Support for the Petition

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

[1] *See* Petition for the Imposition of Antidumping and Countervailing Duties Pursuant to Sections 701 and 731 of the Tariff Act of 1930, as Amended: Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fred Presses from the People's Republic of China, dated September 23, 2009 (''Petition'').

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 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: (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 as a whole 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 (*see* 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 (Ct. Int'l Trade 2001), citing *Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 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, Petitioners offer a definition of domestic like product that includes sheeter rolls (rolls of certain coated paper intended to be slit and used in sheet–fed presses) and, therefore, is broader than the scope of the investigation, which does not include sheeter rolls. Based on our analysis of the information submitted on the record, we have determined that coated paper described in the scope of the investigation and sheeter rolls constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, *see* Countervailing Duty Investigation Initiation Checklist: Certain Coated Paper from the PRC (''PRC Initiation Checklist'') at Attachment II, Analysis of Industry Support for the Petitions Covering Certain Coated Paper from the People's Republic of China and Indonesia, dated concurrently with this notice and on file in the Central Records Unit, Room 1117 of the main Department of Commerce building.

In determining whether Petitioners have standing under section 702(c)(4)(A) of the Act, we considered the industry support data contained in the Petition with reference to the domestic like product as defined in the Petition. To establish industry support, Petitioners provided their own 2008 shipments of the domestic like product, as well as one supporting company's (SMART Papers) 2008 shipments, and compared the total to the 2008 shipments of the entire domestic industry. *See* Volume I of the Petition, at 2–3, Exhibits I–3, I–4, and I–19, and Supplement to the AD/CVD Petitions, dated October 2, 2009, at 19–22 and Exhibit 4. Petitioners estimated total 2008 shipments of the domestic like product based on the American Forest & Paper Association annual Coated Printing Papers Survey. *See* Volume I of the Petition, at 3 and Exhibits I–3 and I–4, and Supplement to the AD/CVD Petitions, dated October 2, 2009, at 22 and Exhibit 4; *see also* PRC Initiation Checklist at Attachment II.

Our review of the data provided in the Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. First, the Petition established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). *See* section 702(c)(4)(D) of the Act; *see also* PRC Initiation Checklist at Attachment II. Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Petition account for at least 25 percent of the total production of the domestic like product. *See* PRC Initiation Checklist at Attachment II. Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Petition 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 Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act. *See id.*

The Department finds that Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act and they have demonstrated sufficient industry support with respect to the CVD investigation that they are requesting the Department initiate. *See id.*

Injury Test

Because the PRC is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, section 701(a)(2) of the Act applies to this investigation. Accordingly, the ITC must determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury to, a U.S. industry.

Allegations and Evidence of Material Injury and Causation

Petitioners allege that imports of coated paper from the PRC are benefitting from countervailable subsidies and that such imports are causing, or threaten to cause, material injury to the domestic industry producing certain coated paper. In addition, Petitioners allege that subsidized imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

Petitioners contend that the industry's injured condition is illustrated by reduced market share, underselling and price depressing and suppressing effects, increased import penetration, lost sales and revenue, reduced production, capacity, and capacity utilization, reduced shipments and inventories, reduced employment, and reduced financial performance. We have assessed the allegations and supporting evidence regarding material injury,

threat of 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* PRC Initiation Checklist at Attachment III, Analysis of Allegations and Evidence of Material Injury and Causation for the Petitions Covering Certain Coated Paper from the People's Republic of China and Indonesia.

Initiation of Countervailing Duty Investigation

Section 702(b) of the Act requires the Department to initiate a CVD 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(s) supporting the allegations.

The Department has examined the CVD petition on coated paper from the PRC and finds that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating a CVD investigation to determine whether manufacturers, producers, or exporters of coated paper in the PRC receive countervailable subsidies. For a discussion of evidence supporting our initiation determination, see Initiation Checklist.

We are including in our investigation the following programs alleged in the Petition to have provided countervailable subsidies to producers and exporters of the subject merchandise in the PRC:

A. Preferential Lending to the Coated Paper Industry

1. Policy Loans from State–Owned Commercial Banks and Government Policy Banks
2. Fast–Growth High–Yield Forestry Program Loans

B. Income Tax Programs

1. Income Tax Exemption/Reduction under ''Two–Free/Three Half'' Program
2. Local Income Tax Exemption and Reductions for ''Productive'' Foreign–Invested Enterprises (''FIEs'')
3. Income Tax Reduction for FIEs Purchasing Domestically–Produced Equipment
4. Tax Subsidies to FIEs Based on Geographic Location
5. Preferential Tax Policies for Technology or Knowledge–Intensive FIEs
6. Tax Programs for FIEs that are High or New Technology Enterprises
7. Income Tax Reductions for High–Technology Industries in Guangdong Province
8. Preferential Tax Policies for Research and Development at FIEs
9. Income Tax Credits for Domestically–Owned Companies Purchasing Domestically–Produced Equipment
10. Income Tax Exemption Program for Export–Oriented FIEs
11. Corporate Income Tax Refund Program for Reinvestment of FIE profits in Export–Oriented Enterprises
12. Exemption from City Maintenance and Construction Taxes and Education Surcharges for FIEs

C. Indirect Tax and Import Tariff Programs

1. Value Added Tax (''VAT'') and Tariff Exemptions on Imported Equipment
2. VAT Rebates on Domestically Produced Equipment
3. Domestic VAT Refunds for Companies Located in the Hainan Economic Development Zone

D. Grant Programs

1. Funds for Forestry Plantation Construction and Management
2. The State Key Technologies Renovation Project Fund
3. Loan Interest Subsidies for Major Industrial Technology Reform Projects in Wuhan
4. Funds for Water Treatment Improvement Projects in the Songhuajiang Basin
5. Special Fund for Energy Saving Technology Reform in Wuhan and Shouguang Municipality
6. Clean Production Technology Fund
7. Famous Brands Awards

E. Provision of Goods or Services for Less Than Adequate Remuneration (''LTAR'')

1. Papermaking Chemicals
2. Electricity
3. Land–Use Rights to State Owned Enterprises

F. Economic Development Zone Programs

1. Subsidies in the Nanchang EDZ
2. Subsidies in the Wuhan EDZ
3. Subsidies in the Yangpu EDZ
4. Subsidies in the Zhenjiang EDZ

For further information explaining why the Department is investigating these programs, see Initiation Checklist.

We are not including in our investigation the following programs alleged to benefit producers and exporters of the subject merchandise in the PRC:

1. State Science and Technology Support Scheme

Petitioners allege that the GOC provides grants to support research and development under the National Mid–term and Long–term Science and Technology Plan (2006 – 2020). While the Department has relied on policy directives such as the 2007 Paper Plan and Decision No. 40 to support specificity findings with respect to policy lending, Petitioners have not pointed to any language in these policy directives regarding grants to promote research and development. Instead, the grants are given pursuant to the Science and Technology Plan and Petitioners' specificity allegations in this respect are based on Section 771(5A)(D)(ii) and (D)(iii)(I) of the Act. Regarding the former, Petitioners appear to argue that because eligibility is not automatic ((D)(ii)(I)) and/or because the eligibility criteria are not clearly set out ((D)(ii)(III)), the program is specific as a matter of law. However, Petitioners have misconstrued the structure of (D)(ii) and a finding of *de jure* specificity set forth under section 771(5A)(D)(i) of the Act. Section 771(5A)(D)(ii) does not mean that if one or more of the criterion listed under this section of the Act is not meet then the program is specific as a matter of law. To be specific as a matter of law the program must meet the standard set forth under section 771(5A)(D)(i) of the Act: the legislation under which the program operates expressly limits access to the subsidy to an enterprise or industry. Petitioners have failed to sufficiently allege or support a claim that this program is *de jure* specific under Section 771(5A)(D)(i) of the Act. Finally, Petitioners have provided no support for their claim that the number of recipients is limited. Consequently, we do not plan on investigating this program.

2. Special Funds for Environmental Protection

Petitioners allege that central, provincial, and local government funds, in the form of grants or loan interest subsidies, are available to support certain qualified environmental protection projects. Although Petitioners point to specific language in the Papermaking Plan regarding policy support, that Plan was in place from 2001 – 2005, while the measures authorizing these grants were put in place after that timeframe. Further, Petitioners have not provided evidence showing that grants provided pursuant

to these authorizations are specific in law under Section 771(5A)(D)(i) or in fact under Section 771(5A)(D)(iii). We do not agree with Petitioners' claim of specificity under Section 771(5A)(D)(ii) for the reasons explained above under, ''State Science and Technology Support Scheme.'' Consequently, we do not plan on investigating this program.

3. Provision of Coal for LTAR

Petitioners allege that the GOC provides coal to Chinese producers of coated paper for LTAR. Petitioners have not supported their allegation that this program is specific to paper producers. The program as it relates to electricity generation targets the electricity industry, not the papermaking industry. Further, Petitioners have not supported their claim that the paper industry is an ''export industry.'' Consequently, we do not plan on investigating this program.

4. Provision of Water for LTAR

Petitioners allege that the GOC provides favored sectors with differential water rates and unlimited water use. Petitioners have not provided sufficient support of a national policy to provide water for LTAR to coated paper producers. Consequently, we do not plan on investigating this program.

5. Currency Undervaluation

Petitioners allege that the GOC–maintained exchange rate effectively prevents the appreciation of the Chinese currency (RMB) against the U.S. dollar. Therefore, when producers/exporters in the PRC sell their dollars at official foreign exchange banks, as required by law, the producers receive more RMB than they otherwise would if the value of the RMB were set by market mechanisms. In the alternative, Petitioners allege that GOC foreign exchange market interventions constitute a price support (of the U.S. dollar vis a vis the RMB), within the meaning of section 771(5)(B)(ii). In both cases, Petitioners describe the benefit conferred as the excess of RMB received, over what would have been received at a market rate (''excess RMB'') and alleges specificity within the meaning of Section 771(5A)(B) of the Act by virtue of the fact that '' there is a direct and positive correlation between the export activity/export earnings and the amount of subsidy received.'' Section 771(5A)(B) of the Act describes an export subsidy as '' a subsidy that is, in law or fact, contingent upon export performance, alone or as 1 of 2 or more conditions.'' Petitioners have failed to sufficiently allege that the receipt of the excess RMB is contingent on export or export performance because receipt of the excess RMB is independent of the type of transaction or commercial activity for which the dollars are converted or of the particular company or individuals converting the dollars. Consequently, we do not plan on investigating this program because Petitioners have failed to properly allege the specificity element.

Respondent Selection

For this investigation, the Department expects to select respondents based on U.S. Customs and Border Protection (''CBP'') data for U.S. imports during the period of investigation. We intend to release the CBP data under Administrative Protective Order (''APO'') to all parties with access to information protected by APO within five days of the announcement of the initiation of this investigation. Interested parties may submit comments regarding the CBP data and respondent selection within seven calendar days of publication of this notice. We intend to make our decision regarding respondent selection within 20 days of publication of this **Federal Register** notice.

Interested parties must submit applications for disclosure under APO in accordance with 19 CFR 351.305(b). Instructions for filing such applications may be found on the Department's website at http://ia.ita.doc.gov/apo.

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A)(i) of the Act, a copy of the public version of the Petition has been provided to the Government of the PRC. As soon as and to the extent practicable, we will attempt to provide a copy of the public version of the Petition to each exporter named in the Petition, consistent with section 351.203(c)(2) of the Department's regulations

ITC Notification

We have notified the ITC of our initiation, as required by section 702(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 the initiation, whether there is a reasonable indication that imports of subsidized coated paper from the PRC 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 investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: October 13, 2009.

Ronald K. Lorentzen,

Acting Assistant Secretary for Import Administration.

Appendix I

Scope of the Investigation

The merchandise covered by this investigation includes certain coated paper and paperboard[2] in sheets suitable for high quality print graphics using sheet–fed presses; coated on one or both sides with kaolin (China or other clay), calcium carbonate, titanium dioxide, and/or other inorganic substances; with or without a binder; having a GE brightness level of 80 or higher[3]; weighing not more than 340 grams per square meter; whether gloss grade, satin grade, matte grade, dull grade, or any other grade of finish; whether or not surface–colored, surface–decorated, printed (except as described below), embossed, or perforated; and irrespective of dimensions (''Certain Coated Paper''). Certain Coated Paper includes (a) coated free sheet paper and paperboard that meets this scope definition; (b) coated groundwood paper and paperboard produced from bleached chemi–thermo-mechanical pulp (''BCTMP'') that meets this scope definition; and (c) any other coated paper that meets this scope definition.

Certain Coated Paper is typically (but not exclusively) used for printing multi–colored graphics for catalogues, books, magazines, envelopes, labels and wraps, greeting cards, and other commercial printing applications requiring high quality print graphics. Specifically excluded from the scope are imports of paper and paperboard printed with final content printed text or graphics.

As of 2009, imports of the subject merchandise are provided for under the following categories of the Harmonized Tariff Schedule of the United States (''HTSUS''): 4810.14.11, 4810.14.1900, 4810.14.2010, 4810.14.2090, 4810.14.5000, 4810.14.6000, 4810.14.70, 4810.19.1100, 4810.19.1900, 4810.19.2010, 4810.19.2090, 4810.22.1000, 4810.22.50, 4810.22.6000,

[2] '' 'Paperboard' refers to Certain Coated Paper that is heavier, thicker and more rigid than coated paper which otherwise meets the product description. In the context of Certain Coated Paper, paperboard typically is referred to as 'cover,' to distinguish it from 'text.'''

[3] One of the key measurements of any grade of paper is brightness. Generally speaking, the brighter the paper the better the contrast between the paper and the ink. Brightness is measured using a GE Reflectance Scale, which measures the reflection of light off of a grade of paper. One is the lowest reflection, or what would be given to a totally black grade, and 100 is the brightest measured grade.

4810.22.70, 4810.29.1000, 4810.29.5000, 4810.29.6000, 4810.29.70. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.

[FR Doc. E9–25210 Filed 10–19–09; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

[C–560–824]

Certain Coated Paper From Indonesia: Initiation of Countervailing Duty Investigation

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

DATES: *Effective Date:* October 20, 2009.

FOR FURTHER INFORMATION CONTACT: Gene Calvert or Dana Mermelstein, AD/CVD Operations, Office 6, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–3586 or (202) 482–1391, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On September 23, 2009, the Department of Commerce (''the Department'') received a countervailing duty (''CVD'') petition concerning imports of certain coated paper suitable for high-quality print graphics using sheet-fed presses (''certain coated paper'') from Indonesia filed in proper form by Appleton Coated LLC, NewPage Corporation, Sappi Fine Paper North America, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (collectively, ''Petitioners''). *See* ''Petition for the Imposition of Countervailing Duties: Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia,'' dated September 23, 2009 (Indonesia CVD Petition). On September 29, October 5, and October 7, 2009, the Department issued additional requests for information and clarification of certain areas of the Indonesia CVD Petition. Based on the Department's requests, Petitioners timely filed additional information pertaining to the Indonesia CVD Petition on October 2, October 6, and October 9, 2009 (hereinafter, ''Supplement to the Indonesia CVD Petition,'' dated October 2, 2009, ''Second Supplement to the Indonesia CVD Petition,'' dated October 6, 2009, and ''Third Supplement to the Indonesia CVD Petition,'' dated October 9, 2009).

In accordance with section 702(b)(1) of the Tariff Act of 1930, as amended, (''the Act''), Petitioners allege that producers/exporters of certain coated paper in Indonesia received countervailable subsidies within the meaning of sections 701 and 771(5) of

the Act, and that imports from these producers/exporters materially injure, or threaten material injury to, an industry in the United States.

The Department finds that Petitioners have filed this CVD petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act, and Petitioners have demonstrated sufficient industry support with respect to the CVD investigation that they are requesting the Department to initiate (*see* ''Determination of Industry Support for the CVD Petition,'' below).

Period of Investigation

The anticipated period of investigation (''POI'') is calendar year 2008. *See* 19 CFR 351.204(b)(2).

Scope of Investigation

The products covered by this investigation are certain coated paper from Indonesia. For a full description of the scope of this investigation, please see the ''Scope of Investigation'' in the Appendix to this notice.

Comments on Scope of Investigation

During our review of the Indonesia CVD Petition, we discussed the scope with Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the regulations (*See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by November 2, 2009. Comments should be addressed to Import Administration's APO/Dockets Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

Consultations

Pursuant to section 702(b)(4)(A)(ii) of the Act, the Department held consultations with the Government of Indonesia (''GOI'') with respect to the Indonesia CVD Petition on October 7, 2009. *See* Memorandum to The File, ''Consultations with the Government of Indonesia Regarding the Countervailing Duty Petition on Certain Coated Paper from Indonesia,'' dated October 9, 2009, a public document on file in the Central Records Unit (''CRU''), Room 1117 of the main Department of Commerce building.

Determination of Industry Support for the Petition

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: (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 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: (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 as a whole 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 United States 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 (*see* 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 (Ct. Int'l Trade 2001), citing *Algoma Steel Corp., Ltd.* v. *United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 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, Petitioners offer a definition of domestic like product that includes sheeter rolls (rolls of certain coated paper intended to be slit and used in sheet-fed presses) and, therefore, is broader than the scope of the investigation, which does not include sheeter rolls. Based on our analysis of the information submitted on the record, we have determined that certain coated paper described in the scope of the investigations and sheeter rolls constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, see Countervailing Duty Investigation Initiation Checklist: Certain Coated Paper from Indonesia (''Indonesia CVD Initiation Checklist'') at Attachment II, Analysis of Industry Support for the Petitions Covering Certain Coated Paper from the People's Republic of China and Indonesia, dated concurrently with this notice and on file in the CRU, Room 1117 of the main Department of Commerce building.

In determining whether Petitioners have standing under section 702(c)(4)(A) of the Act, we considered the industry support data contained in the Indonesia CVD Petition with reference to the domestic like product as defined in the Indonesia CVD Petition. To establish industry support, Petitioners provided their own 2008 shipments of the domestic like product, as well as one supporting company's (SMART Papers) 2008 shipments, and compared the total to the 2008 shipments of the entire domestic industry. *See* Volume I of the Indonesia CVD Petition, at 2–3, Exhibits I–3, I–4, and I–19, and Supplement to the Indonesia CVD Petition, dated October 2, 2009, at 19–22 and Exhibit 4. Petitioners estimated total 2008 shipments of the domestic like product based on the American Forest & Paper Association annual Coated Printing Papers Survey. *See* Volume I of the Indonesia CVD Petition, at 3 and Exhibits I–3 and I–4, and Supplement to the Indonesia CVD Petition, dated October 2, 2009, at 22 and Exhibit 4; *see also* Indonesia CVD Initiation Checklist at Attachment II.

Our review of the data provided in the Indonesia CVD Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. First, the Indonesia CVD Petition established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). *See* section 702(c)(4)(D) of the Act; *see also* Indonesia CVD Initiation Checklist at Attachment II. Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Indonesia CVD Petition account for at least 25 percent of the total production of the domestic like product. *See* Indonesia CVD Initiation Checklist at Attachment II. Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Indonesia CVD Petition 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 Indonesia CVD Petition. Accordingly, the Department determines that the Indonesia CVD Petition was filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act. *See id.*

The Department finds that Petitioners filed the Indonesia CVD Petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act and they have demonstrated sufficient industry support with respect to the countervailing duty investigation that they are requesting the Department initiate. *See id.*

Injury Test

Because Indonesia is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, section 701(a)(2) of the Act applies to this investigation. Accordingly, the ITC must determine whether imports of the subject merchandise from Indonesia materially injure, or threaten material injury to, a U.S. industry.

Allegations and Evidence of Material Injury and Causation

Petitioners allege that imports of certain coated paper from Indonesia are benefitting from countervailable subsidies and that such imports are causing, or threaten to cause, material injury to the domestic industry producing certain coated paper. In addition, Petitioners allege that subsidized imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

Petitioners contend that the industry's injured condition is illustrated by reduced market share, underselling and price depressing and suppressing effects, increased import penetration, lost sales and revenue, reduced production, capacity, and capacity utilization, reduced shipments and inventories, reduced employment, and reduced financial performance. We have assessed the allegations and supporting evidence regarding material injury, threat of 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 CVD Initiation Checklist at Attachment III, ''Analysis of Allegations and Evidence of Material Injury and Causation'' for the Petitions Covering Certain Coated Paper from the People's Republic of China and Indonesia.

Initiation of Countervailing Duty Investigation

Section 702(b)(1) of the Act requires the Department to initiate a CVD investigation whenever an interested party files a CVD 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 the petitioners supporting the allegations.

The Department has examined the countervailing duty petition on certain coated paper from Indonesia and finds that it complies with the requirements of section 702(b)(1) of the Act. Therefore, in accordance with section 702(b)(1) of the Act, we are initiating a CVD investigation to determine whether producers/exporters of certain coated paper from Indonesia receive countervailable subsidies. For a discussion of evidence supporting our initiation determination, *see* Indonesia CVD Initiation Checklist.

We are including in our investigation the following programs alleged in the Indonesia CVD Petition to provide countervailable subsidies to producers/exporters of the subject merchandise:

1. Provision of Standing Timber for Less Than Adequate Remuneration.
2. Government Prohibition of Log Exports.
3. Government Provision of Interest-Free Reforestation Loans.
4. Debt Forgiveness through the Indonesian Government's Acceptance of Financial Instruments with No Market Value.
5. Debt Forgiveness through APP/SMG's Buyback of its Own Debt from the Indonesian Government.
6. Government Forgiveness of Stumpage Obligations.
7. Tax Incentives for Investment in Priority Business Lines and Designated Regions:
   a. Corporate Income Tax Deduction;
   b. Accelerated Depreciation and Amortization;
   c. Extension of Loss Carryforward;
   d. Reduced Withholding Tax on Dividends.

Respondent Selection

The petition identifies the Asia Pulp & Paper/Sinar Mas Group (APP/SMG), through the two Indonesian coated paper mills it operates, PT. Pabrik Kertas Tjiwi Kimia Tbk. (''Tjiwi Kimia'') and PT Pindo Deli Pulp and Paper (''Pindo Deli''), as the one major producer of coated paper in Indonesia. We have placed on the record import data from U.S. Customs and Border Protection (''CBP'') which supports Petitioners' contention. We note that in a recent countervailing duty investigation covering coated free sheet paper from Indonesia, the Department found that the APP/Sinar Mas Group produced almost all exports of coated paper from Indonesia and that Tjiwi Kimia and Pindo Deli are cross-owned companies within the APP/SMG family of companies, which operates together as a vertically integrated paper production company. *See Coated Free Sheet Paper from Indonesia: Final Affirmative Countervailing Duty Determination*, 72 FR 60642 (October 25, 2007), and accompanying Issues and Decision Memorandum.

Because record information indicates that APP/SMG is the producer of nearly all of the coated paper produced in Indonesia, we are selecting APP/SMG as a mandatory respondent in this investigation, pursuant to section 777A(c)(2)(B) of the Act. We will release the CBP data under APO to the parties covered by APO on the day this initiation is announced. We will consider comments from interested parties on respondent selection. Parties wishing to comment must do so within five days of the publication of this notice in the **Federal Register**.

Distribution of Copies of the CVD Petition

In accordance with section 702(b)(4)(A)(i) of the Act, copies of the public versions of the Indonesia CVD

Petition and amendments thereto have been provided to the GOI. To the extent practicable, we will attempt to provide a copy of the public version of the Indonesia CVD Petition to each exporter named in the petition, as provided under 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiation, as required by section 702(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine, within 45 days after the date on which the petition was filed, whether there is a reasonable indication that imports of subsidized certain coated paper from Indonesia materially injure, or threaten material injury to, a U.S. industry. *See* section 703(a)(2) of the Act. A negative ITC determination will result in the investigation being terminated; *see* section 703(a)(1) of the Act. Otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: October 13, 2009.

Ronald K. Lorentzen,

Acting Assistant Secretary for Import Administration.

Appendix I—Scope of the Investigation

The merchandise covered by this investigation includes certain coated paper and paperboard [1] in sheets suitable for high quality print graphics using sheet-fed presses; coated on one or both sides with kaolin (China or other clay), calcium carbonate, titanium dioxide, and/or other inorganic substances; with or without a binder; having a GE brightness level of 80 or higher [2]; weighing not more than 340 grams per square meter; whether gloss grade, satin grade, matte grade, dull grade, or any other grade of finish; whether or not surface-colored, surface-decorated, printed (except as described below), embossed, or perforated; and irrespective of dimensions (''Certain Coated Paper'').

Certain Coated Paper includes (a) coated free sheet paper and paperboard that meets this scope definition; (b) coated groundwood paper and paperboard produced from bleached chemi-thermo-mechanical pulp (''BCTMP'') that meets this scope definition; and (c) any other coated paper that meets this scope definition.

Certain Coated Paper is typically (but not exclusively) used for printing multi-colored graphics for catalogues, books, magazines, envelopes, labels and wraps, greeting cards, and other commercial printing applications requiring high quality print graphics.

Specifically excluded from the scope are imports of paper and paperboard printed with final content printed text or graphics.

As of 2009, imports of the subject merchandise are provided for under the following categories of the Harmonized Tariff Schedule of the United States (''HTSUS''): 4810.14.11, 4810.14.1900, 4810.14.2010, 4810.14.2090, 4810.14.5000, 4810.14.6000, 4810.14.70, 4810.19.1100, 4810.19.1900, 4810.19.2010, 4810.19.2090, 4810.22.1000, 4810.22.50, 4810.22.6000, 4810.22.70, 4810.29.1000, 4810.29.5000, 4810.29.6000, 4810.29.70. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.

[FR Doc. E9–25187 Filed 10–19–09; 8:45 am]

BILLING CODE 3510–DS–P

[1] '' 'Paperboard' refers to Certain Coated Paper that is heavier, thicker and more rigid than coated paper which otherwise meets the product description. In the context of Certain Coated Paper, paperboard typically is referred to as 'cover,' to distinguish it from 'text.' ''

[2] One of the key measurements of any grade of paper is brightness. Generally speaking, the brighter the paper the better the contrast between the paper and the ink. Brightness is measured using a GE Reflectance Scale, which measures the reflection of light off of a grade of paper. One is the lowest reflection, or what would be given to a totally black grade, and 100 is the brightest measured grade.

DEPARTMENT OF COMMERCE

International Trade Administration

[A–560–823, A–570–958]

Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From Indonesia and the People's Republic of China: Initiation of Antidumping Duty Investigations

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

DATES: *Effective Date:* October 20, 2009.

FOR FURTHER INFORMATION CONTACT: Gemal Brangman (Indonesia) or Frances Veith (People's Republic of China), AD/CVD Operations, Office 2 and Office 8, respectively, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–3773 or (202) 482–4295, respectively.

SUPPLEMENTARY INFORMATION:

The Petitions

On September 23, 2009, the Department of Commerce (''the Department'') received Petitions concerning imports of certain coated paper, suitable for high-quality print graphics using sheet fed presses (''certain coated paper'') from Indonesia and the People's Republic of China (''PRC'') filed in proper form by Appleton Coated LLC, NewPage Corporation, S.D. Warren Company d/b/a Sappi Fine Paper North America, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (collectively, ''Petitioners''). *See* Petition for the Imposition of Antidumping Duties on Certain Coated Paper from Indonesia (''Indonesia petition'') dated September 23, 2009; and Petition for the Imposition of Antidumping Duties on Certain Coated Paper from the People's Republic of China dated September 23, 2009 (''PRC petition'') (collectively, ''the Petitions''). On September 29, and October 7, 2009, the Department issued requests for additional information and clarification of certain areas of the Petitions. Based on the Department's request, Petitioners filed supplements to the Petitions for both countries on October 2, 8, and 9, 2009.

In accordance with section 732(b) of the Tariff Act of 1930, as amended (''the Act''), Petitioners allege that imports of certain coated paper from 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 materially injure, or threaten material injury to, an industry in the United States.

The Department finds that Petitioners filed these Petitions on behalf of the domestic industry because Petitioners are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act, and they have demonstrated sufficient industry support with respect to the investigations that they are requesting the Department to initiate (*see* ''Determination of Industry Support for the Petitions'' below).

Scope of Investigations

The products covered by these investigations are certain coated paper from Indonesia and the PRC. For a full description of the scope of the investigations, please *see* the ''Scope of Investigations,'' in Appendix I of this notice.

Comments on Scope of Investigations

During our review of the Petitions, we discussed the scope with Petitioners to

ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the regulations (*Antidumping Duties; Countervailing Duties; Final Rule,* 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by November 2, 2009, the next business day after 20 calendar days from the date of signature of this notice. Comments should be addressed to Import Administration's APO/Dockets Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations.

Comments on Product Characteristics for Antidumping Duty Questionnaires

We are requesting comments from interested parties regarding the appropriate physical characteristics of certain coated paper to be reported in response to the Department's antidumping questionnaires. This information will be used to identify the key physical characteristics of the subject merchandise in order to more accurately report the relevant factors and costs of production, as well as to develop appropriate product comparison criteria.

Interested parties may provide any information or comments that they feel are relevant to the development of an accurate listing of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as (1) general product characteristics and (2) the product comparison criteria. We note that it is not always appropriate to use all product characteristics as product comparison criteria. We base product comparison criteria on meaningful commercial differences among products. In other words, while there may be some physical product characteristics utilized by manufacturers to describe certain coated paper, it may be that only a select few product characteristics take into account commercially meaningful physical characteristics. In addition, interested parties may comment on the order in which the physical characteristics should be used in product matching. Generally, the Department attempts to list the most important physical characteristics first and the least important characteristics last.

In order to consider the suggestions of interested parties in developing and issuing the antidumping duty questionnaires, we must receive comments at the above-referenced address by November 2, 2009. Additionally, rebuttal comments must be received by November 9, 2009.

Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(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: (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 as a whole 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 (*see* 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 (Ct. Int'l Trade 2001), citing *Algoma Steel Corp., Ltd.* v. *United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 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, Petitioners offer a definition of domestic like product that includes sheeter rolls (rolls of certain coated paper intended to be slit and used in sheet-fed presses) and, therefore, is broader than the scope of the investigations, which does not include sheeter rolls. Based on our analysis of the information submitted on the record, we have determined that certain coated paper described in the scope of the investigations and sheeter rolls constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, *see* Antidumping Duty Investigation Initiation Checklist: PRC Initiation Checklist at Attachment II, Analysis of Industry Support for the Petitions Covering Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China and Indonesia, and Antidumping Duty Investigation Initiation Checklist: Indonesia Initiation Checklist at Attachment II, Analysis of Industry Support for the Petitions Covering Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China and Indonesia, dated concurrently with this notice and on file in the Central Records Unit (''CRU''), Room 1117 of the main Department of Commerce building.

In determining whether Petitioners have standing under section 732(c)(4)(A) of the Act, we considered the industry support data contained in the Petitions with reference to the domestic like product as defined in the Petitions. To establish industry support, Petitioners provided their own 2008 shipments of the domestic like product, as well as the 2008 shipments of one supporting company (SMART Papers), and compared the total to the 2008 shipments of the entire domestic industry. *See* Volume I of the Petitions, at 2–3, Exhibits I–3, I–4, and I–19, and Supplement to the AD/CVD Petitions,

dated October 2, 2009, at 19–22 and Exhibit 4. Petitioners estimated total 2008 shipments of the domestic like product based on the American Forest & Paper Association Annual Coated Printing Papers Survey. *See* Volume I of the Petitions, at 3 and Exhibits I–3 and I–4, and Supplement to the AD/CVD Petitions, dated October 2, 2009, at 22 and Exhibit 4; *see also* PRC Initiation Checklist at Attachment II, and Indonesia Initiation Checklist at Attachment II.

Our review of the data provided in the Petitions, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. First, the Petitions established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.,* polling). *See* section 732(c)(4)(D) of the Act; *see also* PRC Initiation Checklist at Attachment II, and Indonesia Initiation Checklist at Attachment II. Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Petitions account for at least 25 percent of the total production of the domestic like product. *See* PRC Initiation Checklist at Attachment II, and Indonesia Initiation Checklist at Attachment II. Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(ii) of the Act because the domestic producers (or workers) 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. 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 id.*

The Department finds that Petitioners filed the Petitions on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act and they have demonstrated sufficient industry support with respect to the antidumping duty investigations that they are requesting the Department initiate. *See id.*

Allegations and Evidence of Material Injury and Causation

Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value (''NV''). In addition, Petitioners allege that subject imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

Petitioners contend that the industry's injured condition is illustrated by reduced market share, underselling and price depressing and suppressing effects, increased import penetration, lost sales and revenue, reduced production, capacity, and capacity utilization, reduced shipments and inventories, reduced employment, and reduced financial performance. We have assessed the allegations and supporting evidence regarding material injury, threat of 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* PRC Initiation Checklist at Attachment III, Analysis of Allegations and Evidence of Material Injury and Causation for the Petitions Covering Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China and Indonesia, and Indonesia Initiation Checklist at Attachment III, Analysis of Allegations and Evidence of Material Injury and Causation for the Petitions Covering Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China and Indonesia.

Period of Investigations

In accordance with 19 CFR 351.204(b), because these Petitions were filed on September 23, 2009, the anticipated period of investigation (''POI'') is July 1, 2008, through June 30, 2009, for Indonesia, and January 1, 2009, through June 30, 2009, for the PRC.

Allegations of Sales at Less Than Fair Value

The following is a description of the allegations of sales at less than fair value upon which the Department has based its decision to initiate investigations with respect to Indonesia and the PRC. The sources of, and adjustments to, the data relating to export price (''EP'') and NV are discussed in greater detail in the Indonesia Initiation Checklist and the PRC Initiation Checklist.

Indonesia

Export Price

Petitioners calculated EPs using two sources: (1) The average unit customs values (''AUVs'') derived from import data collected by the U.S. Census Bureau; and (2) a price quote from Indonesian producers for the sale of subject merchandise to U.S. customers. They adjusted the price quote for international freight and insurance (''CIF'') charges, U.S. inland freight charges, and brokerage and handling expenses. Petitioners used import data for the POI to calculate an average CIF cost, and relied upon a price quote obtained from a freight company to calculate U.S. freight charges. Petitioners based U.S. brokerage and handling charges on data contained in the public questionnaire response of the Indonesian respondents in the 2005–2006 Investigation of Coated Free Sheet Paper from Indonesia. *See* Indonesia Initiation Checklist.

Normal Value

Petitioners claimed that Indonesia has a viable market for certain coated paper, based on information from the website of the parent company of two Indonesian producers/exporters of the subject merchandise. Petitioners obtained, through a market researcher, delivered price quotes for certain coated paper products to Indonesian customers, and adjusted these prices for VAT tax, distributor's markup, and freight costs. Petitioners obtained information on Indonesian VAT taxes and the distributor's markup from the market research report. They based estimated freight costs on data contained in the public questionnaire response of the Indonesian respondents in the 2005–2006 Investigation of Coated Free Sheet Paper from Indonesia. *See* Indonesia Initiation Checklist.

Sales-Below-Cost Allegation

Petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of certain coated paper products in the Indonesian 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. The Statement of Administrative Action (''SAA''), submitted to the Congress in connection with the interpretation and application of the Uruguay Round Agreements Act, states that an allegation of sales below COP need not be specific to individual exporters or producers. *See* SAA, H.R. Doc. No. 103–316 at 833

(1994). The SAA, at 833, states that ''Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation.''

Further, the SAA provides that section 773(b)(2)(A) of the Act retains the requirement that the Department have ''reasonable grounds to believe or suspect'' that below-cost sales have occurred before initiating such an investigation. Reasonable grounds exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices. *Id.*

Cost of Production

Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing (''COM''); selling, general and administrative (''SG&A'') expenses; financial expenses; and packing expenses. Petitioners calculated the quantity of each of the inputs into COM (except factory overhead) and packing based on the production experience of a U.S. coated paper producer during the POI, multiplied by the value of inputs used to manufacture coated paper in Indonesia using publicly available data. Petitioners stated that to the best of their knowledge that the coated paper manufacturing processes in Indonesia are very similar to their own manufacturing processes, and therefore it is reasonable to estimate the Indonesian producers' usage rates based on the usage rates experienced by a U.S. coated paper producer. To value all raw materials, packing materials, and certain energy inputs (coal and woodwaste), Petitioners used Indonesian import statistics for the most recent twelve-month period available. To value labor, Petitioners relied on a monthly wage rate for the Indonesian paper industry as reported by the International Labor Organization. To value electricity, fuel oil, and natural gas, Petitioners used prices published by the International Energy Agency and the U.S. Embassy in Jakarta, Indonesia. To calculate the average factory overhead (exclusive of labor and energy), SG&A, and financial expense rates, Petitioners relied on the fiscal year 2008 financial statements of an Indonesian producer of packaging paper, products in the same general category of merchandise as certain coated paper. *See* Indonesia Initiation Checklist for further discussion.

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.

Normal Value Based on Constructed Value

Because it alleged sales below cost, pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, Petitioners calculated NV based on constructed value (''CV''). Petitioners calculated CV using the same average COM, SG&A, financial and packing figures used to compute the COP. *See* Indonesian Initiation Checklist.

PRC

Export Price

Petitioners calculated EPs for certain coated paper based on actual sales and sales confirmations in 2009. Petitioners made adjustments to EPs for certain movement expenses. *See* PRC Initiation Checklist.

Normal Value

Petitioners state that in every previous administrative review and less-than-fair value investigation involving merchandise from the PRC, the Department has concluded that the PRC is a non-market economy country (''NME'') and, as the Department has not revoked this determination, its NME status remains in effect today. *See Id.* The Department has previously examined the PRC's market status and determined that NME status should continue for the PRC.[1] In addition, in recent investigations, the Department has continued to determine that the PRC is an NME country.[2]

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, therefore, 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.

Petitioners argue that India is the appropriate surrogate country for the PRC because it is at a comparable level of economic development and it is a significant producer of comparable merchandise. Petitioners state that the Department has determined in previous investigations and administrative reviews that India is at a level of development comparable to the PRC. Petitioners identified three producers of comparable merchandise in India, Seshasayee Paper and Boards, Ltd. (''Seshasayee''), JK Paper, Ltd. (''JK Paper''), and Rama Newsprint and Papers Ltd., (''Rama Paper''), and assert that the Department has used Seshasayee and JK Paper as surrogate producers in the investigation of coated free sheet from the PRC. *See id.* and *see Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from the People's Republic of China,* 72 FR 60632 (October 25, 2007) (''*CFS from the PRC*'').

Based on the information provided by Petitioners, the Department believes that the use of India as a surrogate country is appropriate for purposes of initiation. *See* PRC Initiation Checklist. However, after initiation of the investigation, interested parties will have the opportunity to submit comments regarding surrogate country selection and, pursuant to 19 CFR 351.301(c)(3)(i), will be provided an opportunity to submit publicly available information to value factors of production up to 40 days after the date of publication of the preliminary determination.

Petitioners provided dumping margin calculations using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. Petitioners calculated NVs for several certain coated paper products based on both integrated production operations and non-integrated production operations. *See id.*

Petitioners valued the factors of production using reasonably available, public surrogate country data, including India import data from the *Monthly Statistics of the Foreign Trade of India*

[1] *See* Memorandum from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, regarding The People's Republic of China Status as a Non-Market Economy, dated May 15, 2006. This document is available online at *http://ia.ita.doc.gov/download/prc-nme-status/prc-nme-status-memo.pdf.*

[2] *See Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Determination of Sales at Less Than Fair Value,* 74 FR 14514 (March 31, 2009); *Frontseating Service Valves from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances,* 74 FR 10886 (March 13, 2009); *1-Hydroxyethylidene-1, 1-Diphosphonic Acid From the People's Republic of China: Final Determination of Sales at Less Than Fair Value,* 74 FR 10545 (March 11, 2009).

for the period September 2008 through February 2009. *See* PRC Initiation Checklist.

Petitioners stated that they valued certain chemicals using the general paper finishing agent classification because these chemicals could not be identified at a more specific level. *See id.* Further, Petitioners valued calcium carbonate using the HTS classification for marble based on the Department's similar determination in *CFS from the PRC. See* PRC Initiation Checklist.

Petitioners valued electricity based on the surrogate value used in *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from the People's Republic of China: Preliminary Results of the 2007–2008 Administrative Review of the Antidumping Duty Order,* 74 FR 32539 (July 8, 2009). *See* PRC Initiation Checklist. For natural gas, Petitioners used Indian import statistics for liquefied natural gas and converted the value from rupees per kilogram to rupees per million British thermal units (''MMBTU''). *See id.* For fuel oil, Petitioners used Indian import statistics and converted the value from rupees per ton to rupees per MMBTU. *See id.* For coal, Petitioners used Indian import data under the HTS number for steam coal. *See id.*

Petitioners valued labor using the wage rate data published on the Department's Web site, at *http://ia.ita.doc.gov/wages/05wages/05wages-051608.html. See id.*

Where Petitioners were unable to find input prices contemporaneous with the POI, they adjusted for inflation using the wholesale price index for India, as published in *International Financial Statistics* by the International Monetary Fund. Further, Petitioners used exchange rates, as provided on the Department's Web site, to convert Indian rupees to U.S. dollars. *See id.*

To calculate factory overhead, selling, general and administrative expenses, and profit for integrated producers, Petitioners relied on the financial statements of Seshasayee and JK Paper, Indian producers of comparable merchandise. For non-integrated producer financial ratios, Petitioners used the financial statements of Rama Paper, a producer of comparable merchandise. *See id.*

Fair-Value Comparisons

Based on the data provided by Petitioners, there is reason to believe that imports of certain coated paper from Indonesia and the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on the comparisons of EP to CV, as discussed above, the estimated dumping margins for Indonesia range from 33 percent to 41 percent. Based on the comparisons of EP to NV, as discussed above, the estimated dumping margins for the PRC range from 25.7 percent to 135.8 percent. *See id.*

Initiation of Antidumping Investigations

Based upon the examination of the Petitions on certain coated paper from Indonesia and the PRC and other information reasonably available to the Department, the Department finds that these Petitions meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of certain coated paper from Indonesia and the PRC are being, or are likely to be, sold in the United States at less than fair value. In accordance with section 733(b)(1)(A) of the Act, unless postponed, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Targeted-Dumping Allegations

On December 10, 2008, the Department issued an interim final rule for the purpose of withdrawing 19 CFR 351.414(f) and (g), the regulatory provisions governing the targeted-dumping analysis in antidumping duty investigations, and the corresponding regulation governing the deadline for targeted-dumping allegations, 19 CFR 351.301(d)(5). *See Withdrawal of the Regulatory Provisions Governing Targeted Dumping in Antidumping Duty Investigations,* 73 FR 74930 (December 10, 2008). The Department stated that ''{w}ithdrawal will allow the Department to exercise the discretion intended by the statute and, thereby, develop a practice that will allow interested parties to pursue all statutory avenues of relief in this area.'' *See id.* at 74931.

In order to accomplish this objective, if any interested party wishes to make a targeted-dumping allegation in any of these investigations pursuant to section 777A(d)(1)(B) of the Act, such allegations are due no later than 45 days before the scheduled date of the country-specific preliminary determination.

Respondent Selection

Indonesia

The petition identifies two subsidiaries of the Asia Pulp & Paper/Sinar Mas Group, PT. Pabrik Kertas Tjiwi Kimia Tbk. (''Tjiwi Kimia'') and PT Pindo Deli Pulp and Paper (''Pindo Deli''), as significant producers/exporters of certain coated paper in Indonesia. We have placed on the record import data from U.S. Customs and Border Protection (''CBP''), which supports Petitioners' contention. Therefore, we are selecting Tjiwi Kimia and Pindo Deli as mandatory respondents in this investigation, pursuant to section 777A(c)(2)(B) of the Act.

We will release the CBP data under APO to the parties covered by APO on the day this initiation is announced. We will consider comments from interested parties on respondent selection. Parties wishing to comment must do so within five days of the publication of this notice in the **Federal Register.**

Interested parties must submit applications for disclosure under APO in accordance with 19 CFR 351.305. Instructions for filing such applications may be found on the Department's Web site at *http://ia.ita.doc.gov/apo.*

PRC

For the PRC, the Department will request quantity and value information from all known exporters and producers identified, with complete contact information, in the Petition. The quantity and value data received from NME exporters/producers will be used as the basis to select the mandatory respondents.

The Department requires that the respondents submit a response to both the quantity and value questionnaire and the separate-rate application by the respective deadlines in order to receive consideration for separate-rate status.[3] Appendix II of this notice contains the quantity and value questionnaire that must be submitted by all NME exporters/producers no later than November 3, 2009. In addition, the Department will post the quantity and value questionnaire along with the filing instructions on the Import Administration Web site, at *http://ia.ita.doc.gov/ia-highlights-and-news.html.* The Department will send the quantity and value questionnaire to those PRC companies identified in the General Issues and Injury Supplement to the Petitions, dated October 2, 2009, at Exhibit 8.

Separate Rates

In order to obtain separate-rate status in NME investigations, exporters and producers must submit a separate-rate status application. *See Certain Circular*

[3] *See Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Initiation of Antidumping Duty Investigation,* 73 FR 10221, 10225 (February 26, 2008); and *Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China,* 70 FR 21996, 21999 (April 28, 2005).

Welded Carbon Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations, 73 FR 23188, 23193 (April 29, 2008) (*Certain Circular Welded Carbon Quality Steel Line Pipe from the PRC*). The specific requirements for submitting the separate-rate application in this investigation are outlined in detail in the application itself, available on the Department's Web site at *http://ia.ita.doc.gov/ia-highlights-and-news.html* on the date of publication of this initiation notice in the **Federal Register.** The separate-rate application will be due sixty (60) days from the date of publication of this initiation notice in the **Federal Register.** For exporters and producers who submit a separate-rate status application and subsequently are selected as mandatory respondents, these exporters and producers will no longer be eligible for consideration for separate rate status unless they respond to all parts of the questionnaire as mandatory respondents.

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.

See Separate Rates and Combination Rates Bulletin at 6 (emphasis added).

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act and 19 CFR 351.202(f), copies of the public version of the Petitions and amendments thereto, have been provided to the representatives of the Governments of Indonesia and the PRC. To the extent practicable, we will attempt to provide a copy of the public version of the of the Petitions to each exporter named in the petition, as provided under 19 CFR 351.203(c)(2).

International Trade Commission (ITC) Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine, no later than November 9, 2009, whether there is a reasonable indication that imports of certain coated paper from Indonesia and the PRC materially injure, or threaten material injury to, a U.S. industry. A negative ITC determination with respect to any country would result in the termination of the investigation with respect to that country. 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: October 13, 2009.

Ronald K. Lorentzen,

Acting Assistant Secretary for Import Administration.

Appendix I—Scope of the Investigations

The merchandise covered by each of these investigations includes certain coated paper and paperboard[4] in sheets suitable for high quality print graphics using sheet-fed presses; coated on one or both sides with kaolin (China or other clay), calcium carbonate, titanium dioxide, and/or other inorganic substances; with or without a binder; having a GE brightness level of 80 or higher[5]; weighing not more than 340 grams per square meter; whether gloss grade, satin grade, matte grade, dull grade, or any other grade of finish; whether or not surface-colored, surface-decorated, printed (except as described below), embossed, or perforated; and irrespective of dimensions (''Certain Coated Paper'').

Certain Coated Paper includes (a) coated free sheet paper and paperboard that meets this scope definition; (b) coated groundwood paper and paperboard produced from bleached chemi-thermo-mechanical pulp (''BCTMP'') that meets this scope definition; and (c) any other coated paper that meets this scope definition.

Certain Coated Paper is typically (but not exclusively) used for printing multi-colored graphics for catalogues, books, magazines, envelopes, labels and wraps, greeting cards, and other commercial printing applications requiring high quality print graphics. Specifically excluded from the scope are imports of paper and paperboard printed with final content printed text or graphics.

As of 2009, imports of the subject merchandise are provided for under the following categories of the Harmonized Tariff Schedule of the United States (''HTSUS''): 4810.14.11, 4810.14.1900, 4810.14.2010, 4810.14.2090, 4810.14.5000, 4810.14.6000, 4810.14.70, 4810.19.1100, 4810.19.1900, 4810.19.2010, 4810.19.2090, 4810.22.1000, 4810.22.50, 4810.22.6000, 4810.22.70, 4810.29.1000, 4810.29.5000, 4810.29.6000, 4810.29.70. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigations is dispositive.

Appendix II

Where it is not practicable to examine all known exporters/producers of subject merchandise, section 777A(c)(2) of the Tariff Act of 1930, as amended, permits us to investigate (1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or (2) exporters and producers accounting for the largest volume and value of the subject merchandise that can reasonably be examined.

In the chart below, please provide the total quantity and total value of all your sales of merchandise covered by the scope of this investigation (*see* ''Scope of Investigation'' section of this notice), produced in the PRC, and exported/shipped to the United States during the period January 1, 2009, through June 30, 2009.

Market	Total quantity in metric tons	Terms of sale	Total value
United States			
1. Export Price Sales			
2. a. Exporter Name			

[4] '' 'Paperboard' refers to Certain Coated Paper that is heavier, thicker and more rigid than coated paper which otherwise meets the product description. In the context of Certain Coated Paper, paperboard typically is referred to as 'cover,' to distinguish it from 'text.' ''

[5] One of the key measurements of any grade of paper is brightness. Generally speaking, the brighter the paper the better the contrast between the paper and the ink. Brightness is measured using a GE Reflectance Scale, which measures the reflection of light off of a grade of paper. One is the lowest reflection, or what would be given to a totally black grade, and 100 is the brightest measured grade.

Market	Total quantity in metric tons	Terms of sale	Total value
b. Address			
c. Contact			
d. Phone No.			
e. Fax No.			
3. Constructed Export Price Sales			
4. Further Manufactured			
Total Sales			

Total Quantity:

• Please report quantity on a metric ton basis. If any conversions were used, please provide the conversion formula and source.

Terms of Sales:

• Please report all sales on the same terms (*e.g.,* free on board at port of export).

Total Value:

• All sales values should be reported in U.S. dollars. Please indicate any exchange rates used and their respective dates and sources.

Export Price Sales:

• Generally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated customer occurs before importation into the United States.

• Please include any sales exported by your company directly to the United States.

• Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.

• If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.

• Please do not include any sales of subject merchandise manufactured in Hong Kong in your figures.

Constructed Export Price Sales:

• Generally, a U.S. sale is classified as a constructed export price sale when the first sale to an unaffiliated customer occurs after importation. However, if the first sale to the unaffiliated customer is made by a person in the United States affiliated with the foreign exporter, constructed export price applies even if the sale occurs prior to importation.

• Please include any sales exported by your company directly to the United States;

• Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.

• If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.

• Please do not include any sales of subject merchandise manufactured in Hong Kong in your figures.

Further Manufactured:

• Sales of further manufactured or assembled (including re-packaged) merchandise is merchandise that undergoes further manufacture or assembly in the United States before being sold to the first unaffiliated customer.

• Further manufacture or assembly costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expense, interest expense, and additional packing expense incurred in the country of further manufacture, as well as all costs involved in moving the product from the U.S. port of entry to the further manufacturer.

[FR Doc. E9–25213 Filed 10–19–09; 8:45 am]

BILLING CODE 3510–DS–P

APPENDIX B

LIST OF CONFERENCE WITNESSES

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference:

Subject:	Certain Coated Paper Suited for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia
Inv. Nos.:	701-TA-470-471 and 731-TA-1169-1170 (Preliminary)
Date and Time:	October 14, 2009 - 9:30 a.m.

The conference was held in connection with these investigations in the Main Hearing Room, U.S. International Trade Commission, 500 E Street, S.W., Washington, DC.

OPENING STATEMENTS

Petitioner: **Terence P. Stewart**, Stewart & Stewart
Respondents: **James Durling,** Winston & Strawn LLP

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTIES:

Stewart & Stewart
Washington, DC

and

King & Spalding LLP
Washington, DC
on behalf of

Appleton Coated, LLC
New Page Corp.
Sappi Fine Paper North America
United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW")

Barry R. Nelson, Senior Vice President, Sales, NewPage Corp.

Steve DeVoe, General Manager, Sheets & Caliper, NewPage Corp.

Jennifer Miller, Executive Vice President, Strategic Marketing and Communications, Sappi Fine Paper North America

<u>IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTIES</u>:–*Continued*

Anne Ayer, Vice President, Corporate Development, and Chief Information Officer, Sappi Fine Paper North America

Greg Savage, Vice President, Commercial Sales, Appleton Coated LLC

Jon Geenen, International Vice President, USW

Jeff Hederick, Vice President, Strategic Development and Sourcing, Unisource Worldwide, Inc.

Don Crew, President, Clampitt Paper

Mike Graff, President, Sandy Alexander

Irena Pianka, Purchasing Manager, Sandy Alexander

Jim Sandstrom, President, HM Graphics

Carl P. Moyer, Senior Trade Consultant, Stewart and Stewart

Seth T. Kaplan, The Brattle Group

Bonnie B. Byers, Consultant, King & Spalding, LLP

Terence P. Stewart	)
Eric P. Salonen	)
Elizabeth J. Drake	)–OF COUNSEL
Gilbert B. Kaplan	)
Joseph W. Dorn	)

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTIES:

Winston & Strawn LLP
Washington, DC
on behalf of

Gold East Paper (Jiangsu) Co., Ltd.
Gold Huasheng Paper Co., Ltd.
PT Pindo Deli Pulp and Paper Mills
PT Pabrik Kertas Tjimi Kimia Tbk

Terry Hunley, Global Paper Solutions

Daniel Klett, Capital Trade

Daniel Porter)–OF COUNSEL
James Durling)

CLOSING STATEMENTS

Petitioner: **Joseph W. Dorn**, King & Spalding, LLC
Respondents: **Daniel Porter,** Winston & Strawn LLP

APPENDIX C

SUMMARY DATA

Table C-1
Certain coated paper: Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. consumption quantity:									
Amount	2,139,659	2,020,135	1,761,805	860,691	719,500	-17.7	-5.6	-12.8	-16.4
Producers' share (1)	46.2	46.4	46.6	47.1	47.0	0.5	0.2	0.2	-0.1
Importers' share (1):									
China	13.2	15.0	15.6	12.8	22.9	2.4	1.8	0.6	10.2
Indonesia	2.1	2.6	3.0	2.5	2.8	0.9	0.5	0.4	0.3
Subtotal	15.3	17.6	18.6	15.3	25.7	3.3	2.3	1.1	10.4
All other sources	38.5	36.0	34.7	37.7	27.3	-3.8	-2.5	-1.3	-10.4
Total imports	53.8	53.6	53.4	52.9	53.0	-0.5	-0.2	-0.2	0.1
U.S. consumption value:									
Amount	2,238,977	2,129,646	1,947,657	960,562	715,684	-13.0	-4.9	-8.5	-25.5
Producers' share (1)	50.7	50.1	50.3	51.9	49.2	-0.4	-0.6	0.2	-2.6
Importers' share (1):									
China	11.3	13.1	13.8	11.0	19.8	2.4	1.8	0.7	8.8
Indonesia	1.8	2.1	2.5	2.0	2.3	0.7	0.4	0.4	0.3
Subtotal	13.1	15.3	16.3	13.0	22.1	3.2	2.2	1.0	9.1
All other sources	36.2	34.6	33.4	35.1	28.6	-2.8	-1.6	-1.2	-6.5
Total imports	49.3	49.9	49.7	48.1	50.8	0.4	0.6	-0.2	2.6
U.S. imports from:									
China:									
Quantity	282,726	302,858	275,532	109,757	164,829	-2.5	7.1	-9.0	50.2
Value	253,940	279,470	268,349	106,020	142,038	5.7	10.1	-4.0	34.0
Unit value	$898	$923	$974	$966	$862	8.4	2.7	5.5	-10.8
Ending inventory quantity	20,765	18,390	27,679	0	27,099	33.3	-11.4	50.5	(2)
Indonesia:									
Quantity	44,695	52,541	52,938	21,506	19,883	18.4	17.6	0.8	-7.5
Value	39,475	45,543	48,765	19,121	16,458	23.5	15.4	7.1	-13.9
Unit value	$883	$867	$921	$889	$828	4.3	-1.9	6.3	-6.9
Ending inventory quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
Subtotal:									
Quantity	327,421	355,399	328,470	131,263	184,712	0.3	8.5	-7.6	40.7
Value	293,416	325,013	317,115	125,141	158,496	8.1	10.8	-2.4	26.7
Unit value	$896	$915	$965	$953	$858	7.7	2.0	5.6	-10.0
Ending inventory quantity	20,765	18,390	27,679	0	27,099	33.3	-11.4	50.5	(2)
All other sources:									
Quantity	824,533	727,306	611,626	324,258	196,512	-25.8	-11.8	-15.9	-39.4
Value	809,932	737,251	650,135	337,366	204,901	-19.7	-9.0	-11.8	-39.3
Unit value	$982	$1,014	$1,063	$1,040	$1,043	8.2	3.2	4.9	0.2
Ending inventory quantity	52,831	60,264	43,529	58,333	35,173	-17.6	14.1	-27.8	-39.7
All sources:									
Quantity	1,151,955	1,082,705	940,096	455,521	381,224	-18.4	-6.0	-13.2	-16.3
Value	1,103,348	1,062,264	967,250	462,506	363,397	-12.3	-3.7	-8.9	-21.4
Unit value	$958	$981	$1,029	$1,015	$953	7.4	2.4	4.9	-6.1
Ending inventory quantity	73,596	78,654	71,208	58,333	62,272	-3.2	6.9	-9.5	6.8

Table continued on next page.

Table C-1--Continued
Certain coated paper: Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. producers':									
Average capacity quantity	2,864,425	2,943,777	2,829,110	1,408,370	1,406,963	-1.2	2.8	-3.9	-0.1
Production quantity	1,145,595	1,117,841	980,751	481,873	436,262	-14.4	-2.4	-12.3	-9.5
Capacity utilization (1)	39.4	37.4	34.1	33.6	30.6	-5.3	-2.0	-3.3	-3.0
U.S. shipments:									
Quantity	987,704	937,430	821,708	405,170	338,276	-16.8	-5.1	-12.3	-16.5
Value	1,135,629	1,067,381	980,407	498,056	352,287	-13.7	-6.0	-8.1	-29.3
Unit value	$1,150	$1,139	$1,193	$1,229	$1,041	3.8	-1.0	4.8	-15.3
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	202,439	205,308	275,698	182,102	210,786	36.2	1.4	34.3	15.8
Inventories/total shipments (1)	19.4	20.2	30.8	20.4	29.2	11.4	0.9	10.5	8.8
Production workers	2,301	2,192	1,814	1,950	1,705	-21.2	-4.8	-17.2	-12.6
Hours worked (1,000s)	4,513	4,258	3,664	1,688	1,622	-18.8	-5.7	-13.9	-3.9
Wages paid ($1,000s)	122,582	119,166	107,677	48,429	44,831	-12.2	-2.8	-9.6	-7.4
Hourly wages	$27.16	$27.99	$29.38	$28.69	$27.63	8.2	3.0	5.0	-3.7
Productivity (tons/1,000 hours)	258.9	269.0	274.1	292.4	275.0	5.9	3.9	1.9	-5.9
Unit labor costs	$104.93	$104.03	$107.20	$98.12	$100.47	2.2	-0.9	3.1	2.4
Net sales:									
Quantity	1,093,778	1,084,674	953,567	472,160	380,638	-12.8	-0.8	-12.1	-19.4
Value	1,223,838	1,197,751	1,099,905	559,200	388,943	-10.1	-2.1	-8.2	-30.4
Unit value	$1,119	$1,104	$1,153	$1,184	$1,022	3.1	-1.3	4.5	-13.7
Cost of goods sold (COGS)	1,066,716	1,031,797	943,032	468,958	370,524	-11.6	-3.3	-8.6	-21.0
Gross profit or (loss)	157,122	165,955	156,873	90,243	18,419	-0.2	5.6	-5.5	-79.6
SG&A expenses	88,445	83,558	87,135	45,870	35,639	-1.5	-5.5	4.3	-22.3
Operating income or (loss)	68,677	82,397	69,738	44,373	(17,220)	1.5	20.0	-15.4	(3)
Capital expenditures	41,429	34,714	42,773	11,291	13,985	3.2	-16.2	23.2	23.9
Unit COGS	$975	$951	$989	$993	$973	1.4	-2.5	4.0	-2.0
Unit SG&A expenses	$81	$77	$91	$97	$94	13.0	-4.7	18.6	-3.6
Unit operating income or (loss)	$63	$76	$73	$94	($45)	16.5	21.0	-3.7	(3)
COGS/sales (1)	87.2	86.1	85.7	83.9	95.3	-1.4	-1.0	-0.4	11.4
Operating income or (loss)/ sales (1)	5.6	6.9	6.3	7.9	(4.4)	0.7	1.3	-0.5	-12.4

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Undefined.

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-2
Web rolls: Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-2--Continued
Web rolls: Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. producers':									
Average capacity quantity	5,356,438	5,768,945	5,721,210	2,850,270	2,799,701	6.8	7.7	-0.8	-1.8
Production quantity	3,640,628	3,736,723	3,624,826	1,680,815	1,037,828	-0.4	2.6	-3.0	-38.3
Capacity utilization (1)	68.0	64.7	63.3	58.9	37.1	-4.6	-3.2	-1.4	-21.9
U.S. shipments:									
Quantity	3,484,725	3,609,916	3,419,861	1,541,052	872,838	-1.9	3.6	-5.3	-43.4
Value	2,947,692	3,091,639	3,066,003	1,379,521	783,042	4.0	4.9	-0.8	-43.2
Unit value	$846	$856	$897	$895	$897	6.0	1.2	4.7	0.2
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	299,827	255,820	287,646	298,925	376,153	-4.1	-14.7	12.4	25.8
Inventories/total shipments (1)	8.3	6.8	8.0	9.1	19.8	-0.3	-1.5	1.2	10.7
Production workers	4,514	4,216	4,023	4,060	2,165	-10.9	-6.6	-4.6	-46.7
Hours worked (1,000s)	7,875	7,447	7,198	5,513	2,621	-8.6	-5.4	-3.3	-52.5
Wages paid ($1,000s)	356,973	291,874	285,298	120,788	70,315	-20.1	-18.2	-2.3	-41.8
Hourly wages	$45.33	$39.19	$39.63	$21.91	$26.83	-12.6	-13.5	1.1	22.5
Productivity (tons/1,000 hours)	462.3	501.8	503.6	304.9	396.0	8.9	8.5	0.4	29.9
Unit labor costs	$98.05	$78.11	$78.71	$71.86	$67.75	-19.7	-20.3	0.8	-5.7
Net sales:									
Quantity	3,379,572	3,505,304	3,353,220	1,514,160	833,321	-0.8	3.7	-4.3	-45.0
Value	2,851,861	2,998,980	2,990,852	1,351,177	742,166	4.9	5.2	-0.3	-45.1
Unit value	$844	$856	$892	$892	$891	5.7	1.4	4.3	-0.2
Cost of goods sold (COGS)	2,577,280	2,696,013	2,725,398	1,201,281	665,025	5.7	4.6	1.1	-44.6
Gross profit or (loss)	274,581	302,967	265,454	149,896	77,141	-3.3	10.3	-12.4	-48.5
SG&A expenses	165,491	157,318	161,457	75,403	44,472	-2.4	-4.9	2.6	-41.0
Operating income or (loss)	109,090	145,649	103,997	74,493	32,669	-4.7	33.5	-28.6	-56.1
Capital expenditures	82,310	98,042	93,407	43,264	22,268	13.5	19.1	-4.7	-48.5
Unit COGS	$763	$769	$813	$793	$798	6.6	0.9	5.7	0.6
Unit SG&A expenses	$49	$45	$48	$50	$53	-1.7	-8.3	7.3	7.2
Unit operating income or (loss)	$32	$42	$31	$49	$39	-3.9	28.7	-25.4	-20.3
COGS/sales (1)	90.4	89.9	91.1	88.9	89.6	0.8	-0.5	1.2	0.7
Operating income or (loss)/ sales (1)	3.8	4.9	3.5	5.5	4.4	-0.3	1.0	-1.4	-1.1

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

Table C-3
Certain coated paper + web rolls: Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

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Table C-3--Continued
Certain coated paper + web rolls: Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. producers':									
Average capacity quantity	8,220,863	8,712,722	8,550,320	4,258,640	4,206,664	4.0	6.0	-1.9	-1.2
Production quantity	4,786,223	4,854,564	4,605,577	2,162,688	1,474,090	-3.8	1.4	-5.1	-31.8
Capacity utilization (1)	58.0	55.5	53.6	50.6	34.9	-4.4	-2.5	-1.8	-15.7
U.S. shipments:									
Quantity	4,472,429	4,547,346	4,241,569	1,946,223	1,211,114	-5.2	1.7	-6.7	-37.8
Value	4,083,322	4,159,021	4,046,410	1,877,577	1,135,329	-0.9	1.9	-2.7	-39.5
Unit value	$913	$915	$954	$965	$937	4.5	0.2	4.3	-2.8
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	502,266	461,128	563,344	481,027	586,939	12.2	-8.2	22.2	22.0
Inventories/total shipments (1)	10.7	9.6	12.5	11.5	22.4	1.8	-1.1	2.9	10.9
Production workers	6,815	6,407	5,837	6,010	3,870	-14.4	-6.0	-8.9	-35.6
Hours worked (1,000s)	12,388	11,705	10,863	7,201	4,243	-12.3	-5.5	-7.2	-41.1
Wages paid ($1,000s)	479,555	411,041	392,975	169,217	115,146	-18.1	-14.3	-4.4	-32.0
Hourly wages	$38.71	$35.12	$36.18	$23.50	$27.14	-6.6	-9.3	3.0	15.5
Productivity (tons/1,000 hours)	388.2	417.1	426.2	302.0	349.7	9.8	7.5	2.2	15.8
Unit labor costs	$99.72	$84.19	$84.89	$77.82	$77.59	-14.9	-15.6	0.8	-0.3
Net sales:									
Quantity	4,473,350	4,589,978	4,306,787	1,986,320	1,213,959	-3.7	2.6	-6.2	-38.9
Value	4,075,699	4,196,731	4,090,756	1,910,377	1,131,109	0.4	3.0	-2.5	-40.8
Unit value	$911	$914	$950	$962	$932	4.3	0.4	3.9	-3.1
Cost of goods sold (COGS)	3,643,996	3,727,809	3,668,430	1,670,239	1,035,549	0.7	2.3	-1.6	-38.0
Gross profit or (loss)	431,703	468,922	422,327	240,139	95,561	-2.2	8.6	-9.9	-60.2
SG&A expenses	253,936	240,876	248,591	121,273	80,111	-2.1	-5.1	3.2	-33.9
Operating income or (loss)	177,767	228,046	173,735	118,866	15,449	-2.3	28.3	-23.8	-87.0
Capital expenditures	123,740	132,756	136,180	54,555	36,253	10.1	7.3	2.6	-33.5
Unit COGS	$815	$812	$852	$841	$853	4.6	-0.3	4.9	1.4
Unit SG&A expenses	$57	$52	$58	$61	$66	1.7	-7.6	10.0	8.1
Unit operating income or (loss)	$40	$50	$40	$60	$13	1.5	25.0	-18.8	-78.7
COGS/sales (1)	89.4	88.8	89.7	87.4	91.6	0.3	-0.6	0.8	4.1
Operating income or (loss)/ sales (1)	4.4	5.4	4.2	6.2	1.4	-0.1	1.1	-1.2	-4.9

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Undefined.

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-4

Certain coated paper (consumption and market shares based on U.S. importer questionnaire data for Indonesia): Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	282,726	302,858	275,532	109,757	164,829	-2.5	7.1	-9.0	50.2
Value	253,940	279,470	268,349	106,020	142,038	5.7	10.1	-4.0	34.0
Unit value	$898	$923	$974	$966	$862	8.4	2.7	5.5	-10.8
Ending inventory quantity	20,765	18,390	27,679	0	27,099	33.3	-11.4	50.5	(2)
Indonesia:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	824,533	727,306	611,626	324,258	196,512	-25.8	-11.8	-15.9	-39.4
Value	809,932	737,251	650,135	337,366	204,901	-19.7	-9.0	-11.8	-39.3
Unit value	$982	$1,014	$1,063	$1,040	$1,043	8.2	3.2	4.9	0.2
Ending inventory quantity	52,831	60,264	43,529	58,333	35,173	-17.6	14.1	-27.8	-39.7
All sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

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Table C-4--Continued

Certain coated paper (consumption and market shares based on U.S. importer questionnaire data for Indonesia): Summary data concerning the U.S. market, 2006-08, January-June 2008, and January-June 2009

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2006	2007	2008	2008	2009	2006-08	2006-07	2007-08	2008-09
U.S. producers':									
Average capacity quantity	2,864,425	2,943,777	2,829,110	1,408,370	1,406,963	-1.2	2.8	-3.9	-0.1
Production quantity	1,145,595	1,117,841	980,751	481,873	436,262	-14.4	-2.4	-12.3	-9.5
Capacity utilization (1)	39.4	37.4	34.1	33.6	30.6	-5.3	-2.0	-3.3	-3.0
U.S. shipments:									
Quantity	987,704	937,430	821,708	405,170	338,276	-16.8	-5.1	-12.3	-16.5
Value	1,135,629	1,067,381	980,407	498,056	352,287	-13.7	-6.0	-8.1	-29.3
Unit value	$1,150	$1,139	$1,193	$1,229	$1,041	3.8	-1.0	4.8	-15.3
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	202,439	205,308	275,698	182,102	210,786	36.2	1.4	34.3	15.8
Inventories/total shipments (1)	19.4	20.2	30.8	20.4	29.2	11.4	0.9	10.5	8.8
Production workers	2,301	2,192	1,814	1,950	1,705	-21.2	-4.8	-17.2	-12.6
Hours worked (1,000s)	4,513	4,258	3,664	1,688	1,622	-18.8	-5.7	-13.9	-3.9
Wages paid ($1,000s)	122,582	119,166	107,677	48,429	44,831	-12.2	-2.8	-9.6	-7.4
Hourly wages	$27.16	$27.99	$29.38	$28.69	$27.63	8.2	3.0	5.0	-3.7
Productivity (tons/1,000 hours)	258.9	269.0	274.1	292.4	275.0	5.9	3.9	1.9	-5.9
Unit labor costs	$104.93	$104.03	$107.20	$98.12	$100.47	2.2	-0.9	3.1	2.4
Net sales:									
Quantity	1,093,778	1,084,674	953,567	472,160	380,638	-12.8	-0.8	-12.1	-19.4
Value	1,223,838	1,197,751	1,099,905	559,200	388,943	-10.1	-2.1	-8.2	-30.4
Unit value	$1,119	$1,104	$1,153	$1,184	$1,022	3.1	-1.3	4.5	-13.7
Cost of goods sold (COGS) . .	1,066,716	1,031,797	943,032	468,958	370,524	-11.6	-3.3	-8.6	-21.0
Gross profit or (loss)	157,122	165,955	156,873	90,243	18,419	-0.2	5.6	-5.5	-79.6
SG&A expenses	88,445	83,558	87,135	45,870	35,639	-1.5	-5.5	4.3	-22.3
Operating income or (loss) . . .	68,677	82,397	69,738	44,373	(17,220)	1.5	20.0	-15.4	(3)
Capital expenditures	41,429	34,714	42,773	11,291	13,985	3.2	-16.2	23.2	23.9
Unit COGS	$975	$951	$989	$993	$973	1.4	-2.5	4.0	-2.0
Unit SG&A expenses	$81	$77	$91	$97	$94	13.0	-4.7	18.6	-3.6
Unit operating income or (loss)	$63	$76	$73	$94	($45)	16.5	21.0	-3.7	(3)
COGS/sales (1)	87.2	86.1	85.7	83.9	95.3	-1.4	-1.0	-0.4	11.4
Operating income or (loss)/									
sales (1)	5.6	6.9	6.3	7.9	(4.4)	0.7	1.3	-0.5	-12.4

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Undefined.

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

PRICES OF NONSUBJECT IMPORTS

Weighted-average prices of products imported from Korea undersold the U.S. products in 48 out of 62 quarterly comparisons and oversold the U.S. products in 14 instances. Prices of imports from Korea oversold products imported from China in 31 out of 45 quarterly comparisons and undersold the imports from China in the remaining 14 instances. Prices of imports from Korea oversold products imported from Indonesia in 14 out of 15 quarterly comparisons.

Weighted-average prices of products imported from Austria undersold the U.S. products in all 29 quarterly comparisons. Prices of imports from Austria undersold the products imported from China in all 12 quarterly comparisons. Prices of imports from Austria undersold the products imported from Indonesia in all 4 quarterly comparisons.

Weighted-average prices of products imported from Finland oversold the U.S. products in all 14 quarterly comparisons. Prices of imports from Finland oversold the products imported from China in all 14 quarterly comparisons. Prices of imports from Finland oversold the products imported from Indonesia in all 14 quarterly comparisons.

Weighted-average prices of products imported from Germany undersold the U.S. products in all 14 quarterly comparisons. Prices of imports from Germany undersold the products imported from China in all 11 quarterly comparisons. Prices of imports from Germany undersold the products imported from Indonesia in all 4 quarterly comparisons.

Weighted-average prices of products imported from Thailand undersold the U.S. products in all 11 quarterly comparisons. Prices of imports from Thailand oversold the products imported from China in 9 out of 11 quarterly comparisons. Prices of imports from Thailand oversold the products imported from Indonesia in 9 out of 11 quarterly comparisons.

Weighted-average prices of products imported from Taiwan undersold the U.S. products in all 13 quarterly comparisons. Prices of imports from Taiwan undersold the products imported from China in 7 out of 12 quarterly comparisons. Prices of imports from Taiwan undersold the products imported from Indonesia in 2 out of 4 quarterly comparisons.

Figure D-1
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 1, by quarters, January 2006-June 2009

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Figure D-2
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 2, by quarters, January 2006-June 2009

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Figure D-3
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 3, by quarters, January 2006-June 2009

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Figure D-4
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 4, by quarters, January 2006-June 2009

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Figure D-5
Certain coated paper: Weighted-average f.o.b prices and quantities of domestic and imported product 5, by quarters, January 2006-June 2009

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