

**HEARING BEFORE
THE INTERNATIONAL TRADE COMMISSION**

**CERTAIN COATED PAPER FROM
CHINA AND INDONESIA**

**INV. NOS. 701-TA-470-471 AND
731-TA-1169-1170 (FINAL)**

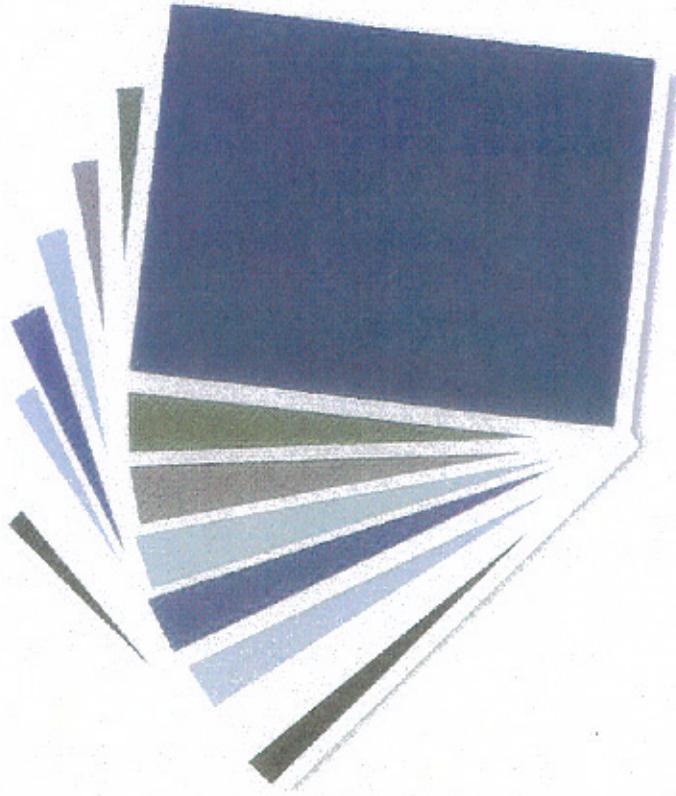
SEPTEMBER 16, 2010

**Hearing Materials and Testimony
in Support of Imposition of Antidumping
and Countervailing Duties**

**Prepared by:
LAW OFFICES OF STEWART AND STEWART
2100 M Street NW, Suite 200
Washington, DC 20037**

**KING & SPALDING
1700 Pennsylvania Avenue, NW
Washington, DC 20006**

Counsel for Petitioners



**Certain Coated Paper
From China And Indonesia
Inv. Nos. 701-TA-470-471 and
731-TA-1169-1170 (Final)**

**MATERIAL INJURY AND THREAT THEREOF
TO A DOMESTIC INDUSTRY**

**Testimony in Support of Imposition of
Antidumping and Countervailing Duties**

September 16, 2010

Preliminary Issues

- **Record in these Final Investigations supports same decision as Commission's preliminary determination on:**
 - **Like product**
 - **Domestic industry**
 - **Converters**
 - **Affiliated parties**
 - **Negligibility (Indonesia)**
 - **Cumulation**

Like Product and Domestic Industry Issues

- Sheeter rolls were included in the Preliminary Determination. Petitioners are neutral as to whether or not they are kept in the final determination.
- Web rolls are not part of the domestic like product. As the Commission has found they serve a different market, have different physical characteristics, and different prices.
- Multi-ply paper in sheets which meets the criteria of brightness, weight and suitable for high quality graphics is part of the domestic like product.
 - Number of plies is not a criterion for scope, and should not be for like product.

Like Product and Domestic Industry Issues

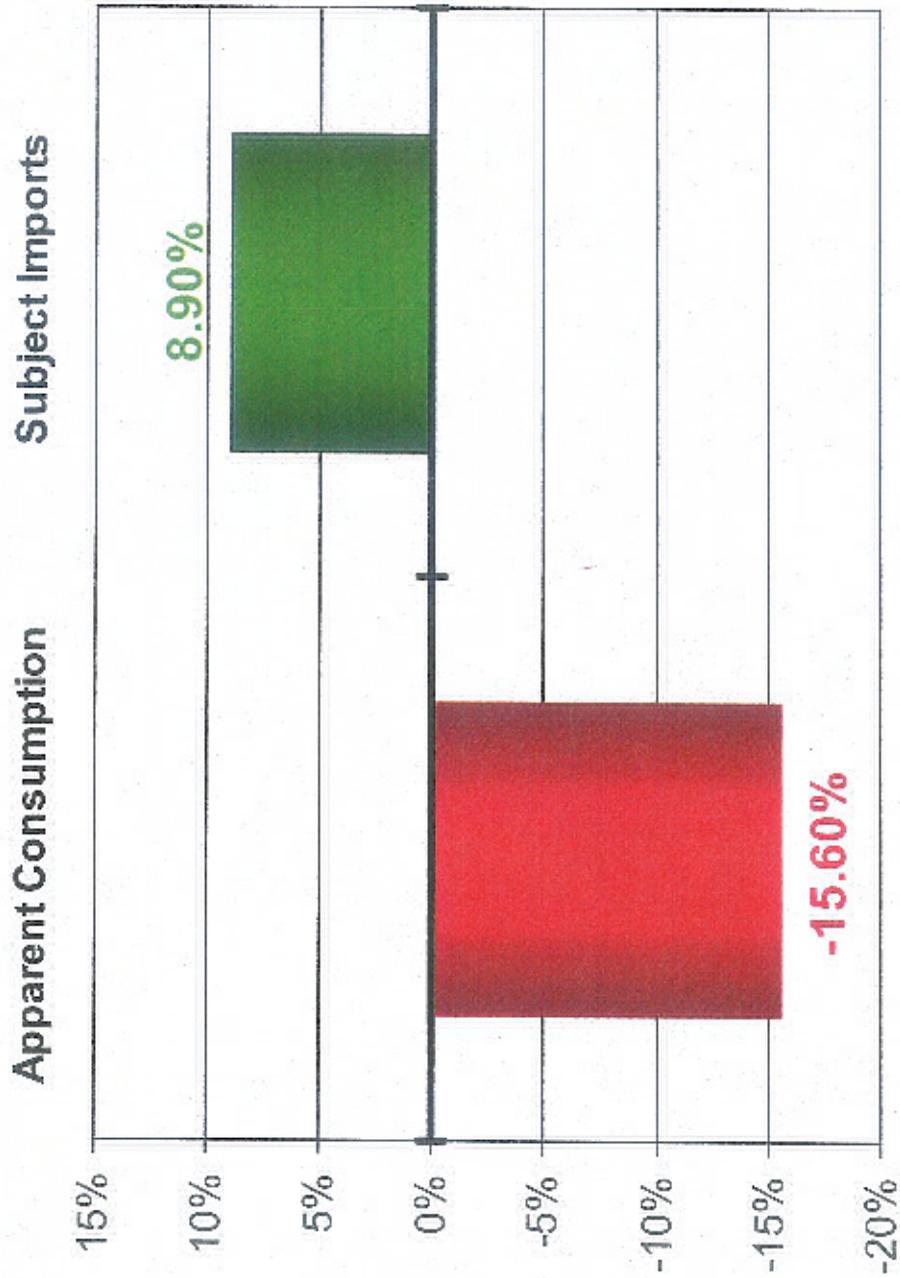
- continued

- The domestic industry is defined as the domestic producers of the like product.
- Converters included in the Preliminary Determination. Petitioners do not object to that inclusion.
- Related parties in the domestic industry and we do not object to inclusion in Final Determination.

All Statutory Criteria Met for an Affirmative Determination

Import volume is significant absolutely and relative to production and to apparent consumption

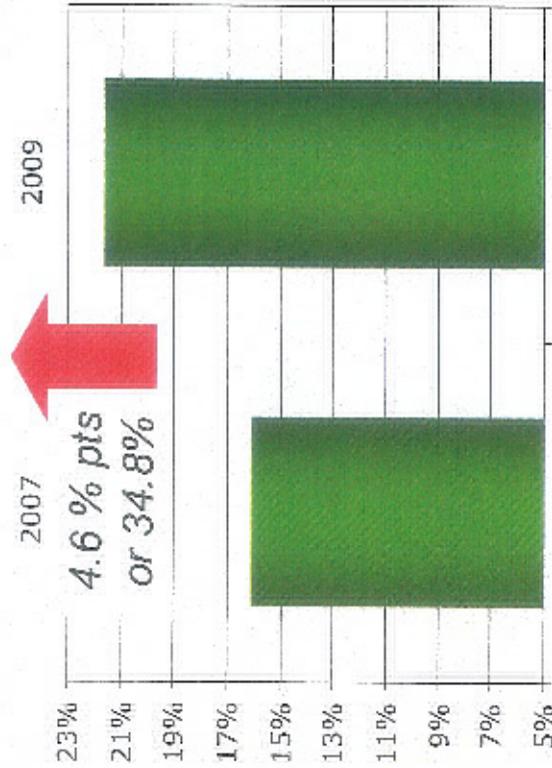
% change 2008 to 2009:



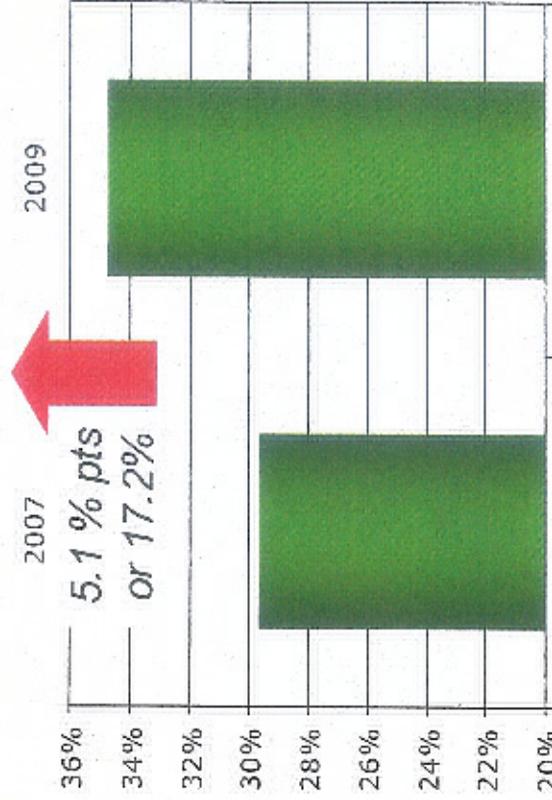
Volume of more than 300,000 short tons is significant absolutely in a market of slightly more than 2 million tons

Import volume is significant absolutely and relative to production and to apparent consumption

Share subject imports held of apparent consumption:



Share subject imports held of domestic production:



There has been significant price underselling by the imported merchandise as compared with the price of domestic like products

Subject imports undersold domestic prices in 48 of 58 quarterly comparisons with margins up to 25.2%, average of 10.6%



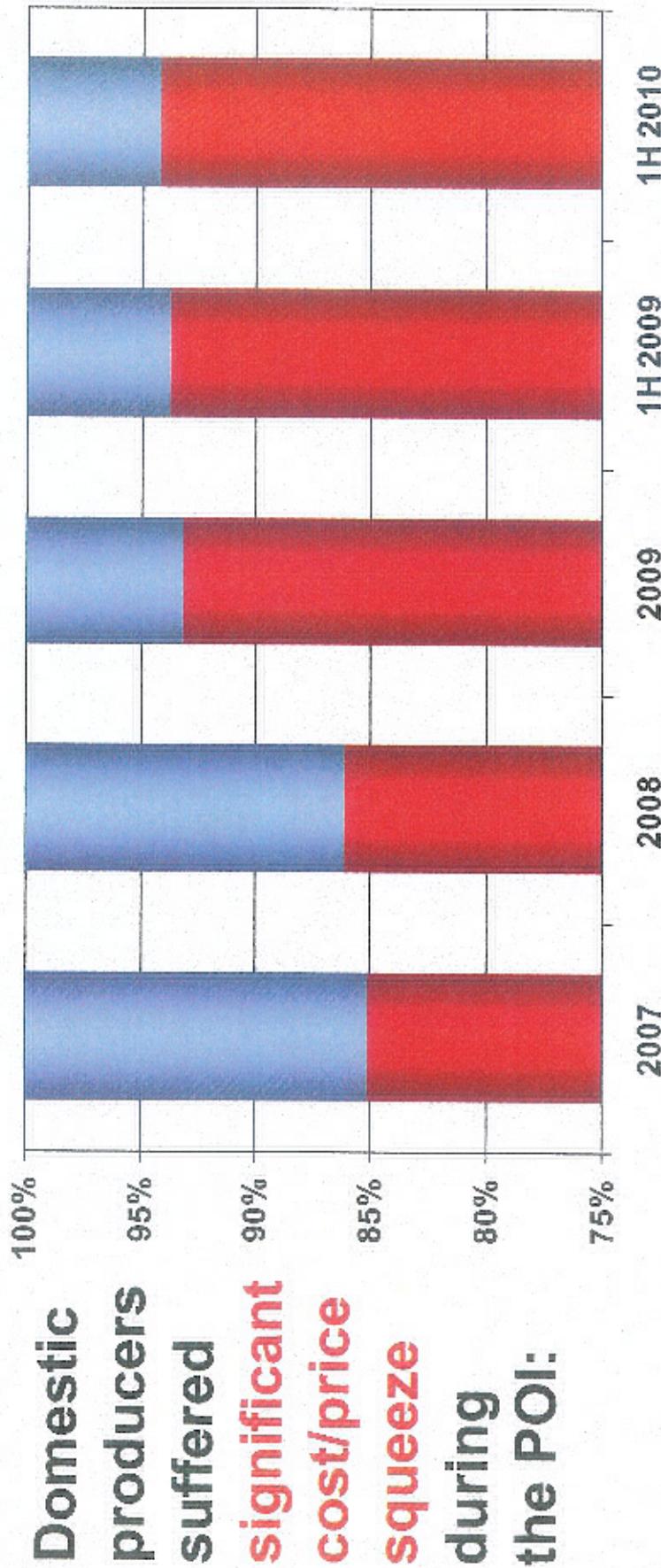
Purchasers reported that subject imports had the lower price in the majority of instances (20 of 34 comparisons) with most others ranking domestic and import prices as comparable (12 of 34)



Domestic Producers responded to price aggression by subject imports

- Domestic producers **reduced prices** to compete with subject imports in 2009:
 - “U.S. producers have reduced their prices in order to compete with subject imports.” Public Prehearing Staff Report at V-21 – V-27. *Statements of various purchasers.*

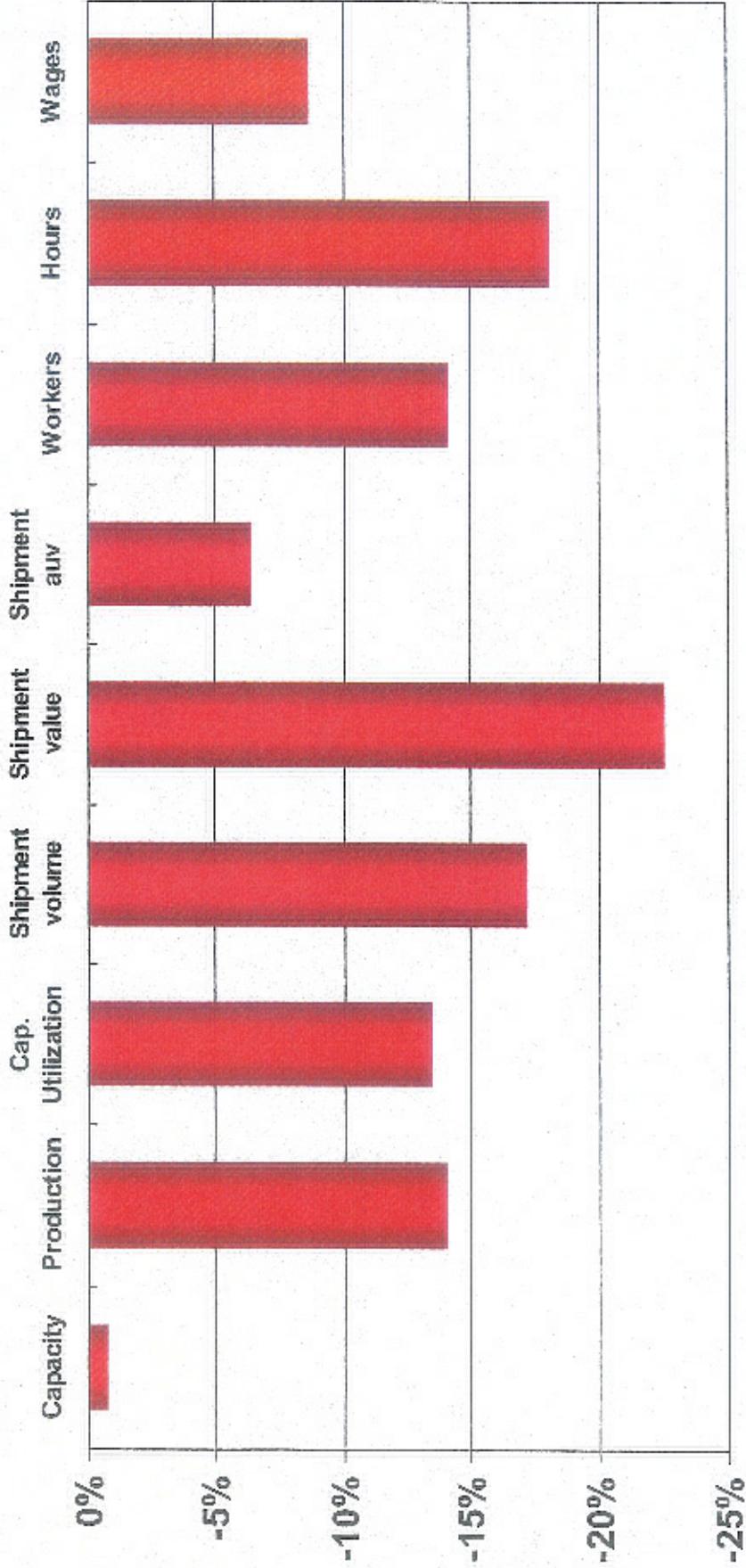
Effect of subject imports otherwise depresses prices to a significant degree



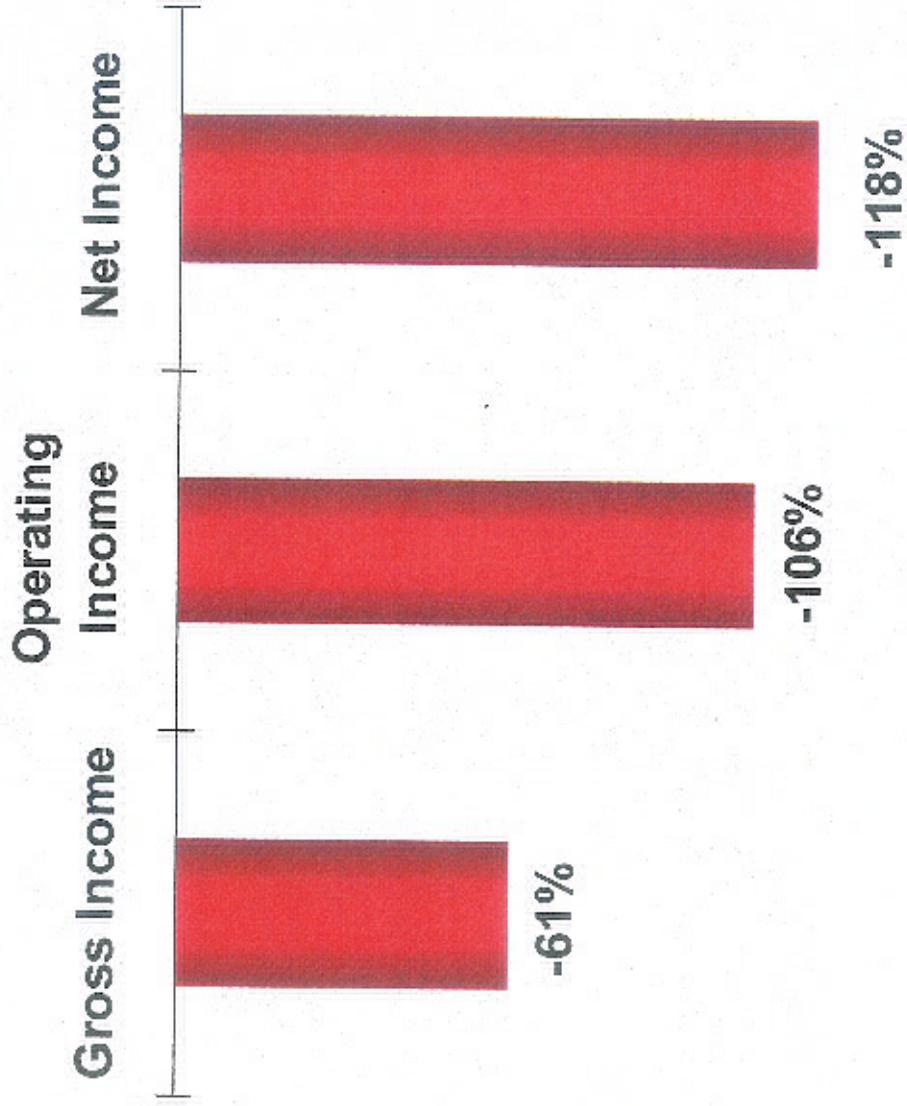
Domestic industry has suffered significant declines in most economic indicators during the POI

Data on domestic integrated producers show declines during 2007-2009 in the following areas:

% change during the POI



Domestic industry has suffered significant declines in most economic indicators during the POI



■ % change 2007-2009

Source: Public PSR Table VI-1.

Classic causation situation

- Commission is frequently confronted with cases where domestic producers either can try to maintain prices and margins when confronted with aggressive import prices and lose market share or can reduce prices to compete with the imports to obtain volume but suffer profit erosion
 - This case presents the latter scenario, at least by 2009
 - In addition,
 - Products highly substitutable
 - Price is an important factor in purchasing decisions
- When record supports either action by domestic producers, Commission has found statutory criteria for material injury met.

Source: Public PSR at II-19 – II-29

Subject Imports Depressed All Domestic Prices

- While subject imports appear to be largely in the lower brightness categories of CCP (Products 1 & 4), testimony of petitioners, merchants and printers at the Preliminary Staff Conference confirm pricing pressure from China and Indonesia resulted in price declines on all products.
- “Even though the majority of imports are in the economy grade, we are seeing the negative effects across the spectrum of coated papers.” Don Crew, President of Clampitt Paper, *Staff Conf. Tr. at 50-51*.
- “While the largest volume of Chinese and Indonesian imports have been in the economy grade, these imports have also eaten into domestic mills’ pricing across the spectrum. The erosion of pricing has been dramatic. I am paying less for coated sheet now than I was paying in the late ’80s, not even accounting for inflation.” Jim Sandstrom, President of HM Graphics, *Staff Conf. Tr. at 58*.

Other Conditions of Competition

- **Recession, while affecting demand, does not detract from the material injury caused by subject imports**
- Economic analysis in prehearing brief confirms importance of subject imports to the industry's injury
- Domestic producers reduced prices to compete with subject imports
 - Margin compression, operating losses were the result

Threat of Injury Issues

- We believe the industry is injured by imports of CCP from China and Indonesia.
- We also believe there is very strong legal justification and factual evidence in support of a finding of threat of injury.
- Heavily subsidized industry in both China and Indonesia, leading to the build-up of capacity and raw materials.
- RISI prediction of capacity increase in China:
 - 30% in the near term
 - greatly exceeding likely demand growth.
- At least four major new mills are coming on line in China within the next year, including:
 - APP's mill on Hainan Island
 - Shandong Chenming
 - Oji Paper, and
 - Shandong Huatai.
- In total China will add about 2.5 million metric tons of new capacity.
- The situation in Indonesia is comparable, with RISI predicting a 16% increase in capacity.

Threat of Injury Issues

- There is a significant increase of subject imports. As a percent of import quantity, China's share increased 47%, and Indonesia's increased 74% from 2007 to 2009.
- The imports are at very low prices. Underselling was found in 48 of 58 instances by margins up to 25%.
- Both APP and Sun Paper have established sophisticated distribution networks in the United States.
- There is significant danger of market and product shifting, particularly given the EU case on Coated Paper started earlier this year.
- The United States industry is highly vulnerable to further injury given the continuing weak economy, the changes in demand in the industry, and the high fixed costs of the industry.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF GEORGE F. MARTIN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
NEWPAGE CORPORATION**

Chairman Okun, Commissioners, Commission staff, good morning. I am George Martin, president and CEO of NewPage Corporation, the country's largest producer of coated sheet. I am accompanied this morning by our Senior Vice President of Sales, Barry Nelson, and our General Manager for Sheets and Caliper, Steve DeVoe. Our company has five mills that produce or have capacity to produce coated sheet located in Michigan, Maryland, Maine, Kentucky, and Wisconsin. The mills in Maryland and Wisconsin also have sheeting equipment to convert sheet rolls into sheets.

I have worked for NewPage and its predecessor companies for 27 years, first as a research chemist and then in the coated paper business specifically, in the company's mills. I have extensive experience in the production side of the business, having been responsible for not only the five mills that produce coated paper but also for our other five mills that produce other paper products. Indeed, prior to becoming president and CEO earlier this year, I was the Senior Vice President of Operations since 2005.

We, together with Sappi, Appleton Coated and the Steelworkers, are here today because of the enormous harm that dumped and subsidized imports of certain coated paper from China

and Indonesia have caused to the domestic industry. As the public prehearing staff report confirms, importers of the subject merchandise offered these products throughout the period of investigation at prices far below domestic producers' prices. In more than 80 percent of pricing comparisons, subject imports undersold domestic product by margins ranging up to 25 percent. As a consequence, the subject imports were successful in buying a substantial share of the market at the very time that the market experienced significant contraction due to the recession.

All this had significant consequences for NewPage. First, it put significant pressure on our pricing structure, and Barry will address that in more detail. Second, the combination of a sharp decline in demand and increasing subject imports meant that we had more capacity than we could fill. As you know, this industry is highly capital intensive, which means we must run our mills as close to full capacity as possible to cover our fixed costs. After we acquired Stora Enso North America, it became clear that we would have to shut down at least one of our mills to take out excess capacity. Initially, we shut down the Number 11 paper machine in our Rumford, Maine plant and the Number 95 machine in our mill in Kimberly, Wisconsin. When it became apparent that we still had to take out more capacity, we made the very painful decision to close the Kimberly mill entirely, resulting in the loss of hundreds of jobs. You'll hear more about that from Leo Gerard. We also took out significant production in 2009.

I understand that counsel for APP contend that the closing of Kimberly was simply part of NewPage's restructuring and that it had nothing to do with subject imports. Nothing could be further from the truth. We had every reason to keep Kimberly operating. Prior to our acquisition of Stora Enso in 2007, which included the Kimberly mill, Stora had invested tens of millions of dollars in the mill's state-of-the-art paper machines. The decision to shut down Kimberly was due directly and unmistakably to the pricing pressures from the subject imports and the loss of

millions of dollars in sales and revenue. In fact, the NewPage news release announcing the closure that APP included in its pre-hearing brief says so. "Our decision to close the mill is the result of a weak economy, the continued effects of low priced imported products and skyrocketing costs." A copy of that news release with that language underscored is attached to my statement.

Relative to our other mills, Kimberly was more costly to operate, but that was only because Kimberly did not produce its own pulp. Consequently, when pulp prices increased, the combination of high pulp prices and drastically low-priced imports of certain coated paper from China and Indonesia made it unfeasible to price certain coated paper produced at Kimberly at a level that would cover NewPage's production costs. But for the pricing pressures coming from subject imports, there is no doubt in my mind that we would have kept Kimberly up and running.

In 2009, as demand fell and subject imports increased further, we took out thousands of tons of production as our commercial shipments continued to decline. We also closed our sheeting facility in Chillicothe, Ohio, which meant the loss of additional jobs.

Another consequence flowing from the impact of subject imports on NewPage is that we have been unable to make the kinds of capital investments in our plant and equipment that we need to make to remain globally competitive. As our questionnaire response indicates, the rate of depreciation of our assets greatly exceeds our capital expenditure levels. That is simply not sustainable for any extended period of time.

Happily, since we filed our petitions last September and the Department of Commerce issued its preliminary affirmative determinations last spring, imports of certain coated paper from China and Indonesia have nearly disappeared from the market. As the public prehearing staff report shows, their combined share of the market fell by more than two-thirds in the first

half of 2010 compared to the same period in 2009. And make no mistake about it, that decline is due directly to the preliminary antidumping and countervailing duties. Don't take my word for it. As Mr. Terry Hunley from Global Paper Solutions stated last March, "It [the preliminary duties] is damaging to us. . . . We will take product and put it into different markets. . . ."

The domestic industry has greatly benefited from this departure from the market. In the first six months of 2010, the industry's market share was 61 percent, compared to 50.9 percent during the same period in 2009. And NewPage is seeing some recovery in our prices.

However, we saw much the same thing happen in 2006 and 2007, when NewPage filed its petitions on coated free sheet. Following affirmative preliminary decisions by the Department of Commerce, imports from China and Indonesia fell off as those producers withdrew from the market. After the Commission issued its negative determination, the imports came right back in. I urge you not to let that happen again. The record in this case strongly supports affirmative determinations that grant badly-needed relief to the domestic industry from the harmful effects of dumped and subsidized imports. Thank you.

**ATTACHMENT TO
STATEMENT OF GEORGE F. MARTIN**

News Release



NewPage Media Contacts:
Shawn Hall, National Media Contact
937-242-9373 / 513-312-8549

NewPage Corporation
8540 Gander Creek Drive
Miamisburg, OH 45342

Shannon Semmerling, Wisconsin and Michigan Media Contact
715-422-4023 / 715-213-5072

Jason Bixby, Investor Relations Contact
937-242-9144 / 763-258-3105

FOR IMMEDIATE RELEASE

NEWPAGE CLOSES KIMBERLY, WISCONSIN FACILITY

MIAMISBURG, Ohio. – July 30, 2008 – NewPage Corporation today announced that it will close its Kimberly, Wisconsin, mill at the end of August. The Kimberly mill currently operates two paper machines, Nos. 96 and 97, which produce approximately 500,000 tons annually of coated freesheet paper used for a variety of commercial printing and specialty applications.

"The coated paper market is being hit with a slowdown in demand as the uncertain economy is reflected in a reduction in print advertising. At the same time, we are experiencing higher input costs for raw materials and transportation driven by oil and natural gas prices. To balance the somewhat reduced demand in a manner that helps us reduce costs, we are closing our mill in Kimberly, Wisconsin. We continue to work to offset the negative influences by raising prices and driving productivity programs harder. We have made sufficient progress with the integration of our recently acquired facilities and we now have more flexibility to respond to customer needs. We can readily meet our customers' needs with our remaining facilities and at the same time improve our cost advantage versus our peers," said NewPage Chairman and Chief Executive Officer Mark A. Suwyn. "We are proactively taking this step to stay on our committed path to achieve financial returns that exceed our cost of capital."

"We are committed to setting production levels to match demand without over-supplying the marketplace. We also believe it is imperative to continue to look for ways to lower our costs. While the Kimberly mill has first-class paper machines and is operated by an excellent workforce, it doesn't have a pulp mill to support the paper operations. Because purchased pulp has become extremely expensive, the cost to run that facility is much higher than making the same products at our other fully-integrated, lower-cost locations," said Richard D. Willett Jr., NewPage president and chief operating officer. "We now have the capacity and flexibility to produce a number of freesheet, supercalendered and groundwood grades on several different machines. For example, our Escanaba, Michigan and Rumford, Maine, mills which have traditionally

manufactured mostly coated groundwood grades, will now become swing mills producing both coated groundwood and freesheet products. Therefore, while we are idling 500,000 tons of coated capacity at the Kimberly mill, the effect is likely to be approximately 200,000 tons of coated freesheet and 300,000 tons of coated groundwood."

Approximately 475 employees will be affected by the shutdown of Kimberly. This is in addition to the 125 employees affected by the shutdown of Kimberly No. 95 paper machine in May 2008. "Our decision to close the mill is the result of a weak economy, the continued effects of low priced imported products and sky-rocketing costs. We realize these decisions have a significant impact on our employees and they are difficult to make. We will continue helping individuals at the Kimberly mill to stay focused on working safely so that no one gets hurt prior to the mill closing, while simultaneously assisting them in identifying new employment opportunities, offering Employee Assistance Programs or providing severance benefits to those who are displaced," said Michael T. Edicola, NewPage vice president, human resources.

To learn more about NewPage Corporation, visit www.NewPageCorp.com.

About NewPage Corporation

Headquartered in Miamisburg, Ohio, NewPage Corporation is the largest coated paper manufacturer in North America, based on production capacity, with \$4.7 billion in pro forma net sales for the year ended December 31, 2007. The company's product portfolio is the broadest in North America and includes coated freesheet, coated groundwood, supercalendered, newsprint and specialty papers. These papers are used for corporate collateral, commercial printing, magazines, catalogs, books, coupons, inserts, newspapers, packaging applications and direct mail advertising.

NewPage owns paper mills in Kentucky, Maine, Maryland, Michigan, Minnesota, Nova Scotia, and Wisconsin. These mills currently have a total annual production capacity of approximately 5.5 million tons of paper, including approximately 4.3 million tons of coated paper, approximately 920,000 tons of uncoated paper and approximately 300,000 tons of specialty paper, as well as approximately 3.2 million tons of pulp.

###

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF MARK GARDNER,
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SAPPI FINE PAPER NORTH AMERICA**

Good morning. I am Mark Gardner, President and CEO of Sappi Fine Paper North America. I am accompanied this morning by Jennifer Miller, our Executive Vice President for Strategic Marketing and Chief Sustainability Officer and Anne Ayer, our Vice President for Corporate Development and Chief Information Officer.

I have worked in the paper industry for nearly 30 years, having joined Sappi in 1981. I have worked in the coated paper part of the industry for nearly 25 years. Most of my experience is on the production side of the business, including Paper Mill Manager of our Somerset mill in Maine and Managing Director of our Muskegon mill in Michigan, which we closed in August 2009.

Speaking on behalf of all our employees in our two remaining coated paper mills in Cloquet, Minnesota and Skowhegan, Maine, I want to thank you for providing this opportunity to tell you first-hand about the economic harm that imports of unfairly dumped and subsidized coated paper from China and Indonesia have inflicted on Sappi over the last several years. The most direct evidence of that harm was the fact that we were finally forced to close our mill in Muskegon, Michigan last year. Having worked in that mill for a number of years, that decision

was especially painful for me because so many of my friends and colleagues lost their jobs. The Muskegon mill, largely a sheet mill, had been a pillar of the local economy on the eastern shore of Lake Michigan for more than 100 years. Sappi purchased the mill in 1994, and we had invested over \$100 million in capital over the last 10 years that made it a state-of-the-art facility. As recently as 2005, the mill employed more than 550 workers, but imports of coated paper from China and Indonesia were taking their toll.

In 2005, we were forced to cease production on one of the mill's two paper machines, and, as a consequence, close the pulp plant. This in turn resulted in 365 workers losing their jobs. Thereafter, the mill continued to operate with one paper machine, but it struggled to compete with low-priced imports from China and Indonesia. The dramatic jump in imports in the first half of 2009 right when demand was falling was the final death blow for the mill.

Early in 2009, we appealed to our merchant customers for new programs that would increase their purchases of Sappi coated paper in order to keep the Muskegon mill open. Regrettably, the Chinese and Indonesians were selling sheet product to the merchant customers or their competitors at extremely low prices. At that point, it became clear we were not going to be able to sell Muskegon product at sustainable margins, so we had to make the very painful decision to close the mill. We announced the closure of Muskegon on August 26, 2009. One hundred and ninety workers, many of whom had worked for decades at the mill, lost their jobs. While we were able to work closely with the union to ease the burden on these workers and their families, including through obtaining a certification for trade adjustment assistance, the devastation the closure has caused is undeniable.

It is also important to point out that the damage to Sappi from low-priced Chinese and Indonesian product goes well beyond the closing of Muskegon. It disrupts our ability to make

the kind of investments that are needed for us to remain a globally competitive producer of coated paper. Reinvestment pressures in this industry are enormous. Paper machines require periodic rebuilds, which cost tens of millions of dollars. Moreover, as noted in our questionnaire response, Sappi had given long and serious consideration to building a new paper machine for our mill in Cloquet, Minnesota. The machine would not have required any new pulping operations since we currently produce more pulp than our mills can consume. The new machine would have been supplied with our excess pulp, enabling us to produce product with much more value-added than pulp. We even went so far as to get the environmental assessments and permits for the project. However, the amount of capital needed for this investment could not be justified given the pricing conditions we were encountering in the market from dumped and subsidized Chinese and Indonesian coated paper. Simply put, prices were depressed so sharply by these imports that it made little economic sense to invest in even the most advanced and efficient new equipment.

Sappi's condition has improved since the Commerce Department imposed preliminary duties on Chinese and Indonesian imports, leading to their retreat from the U.S. market. In May of this year, we announced a price increase of \$1.50 per hundredweight for our Flo folio sheets and sheeter rolls. Flo is our economy coated sheet product. That increase went through and we announced another \$1 increase earlier this week. Our sales volumes in the first half of 2010 are more than 30 percent higher compared to the same period in 2009 and what was an operating loss in the first half of 2009 is once again a positive operating profit with our margin improving by almost 14 percentage points. We expect our conditions to remain strong, with the announcement just this week of another \$1.00 per hundredweight price increase on Flo.

In closing, there is no doubt in my mind that under conditions of fair trade, Sappi Fine Paper North America will continue to compete successfully with any other producer of coated paper, whether domestic or foreign. Our customers know that we produce a high-quality product that fully meets the needs of commercial sheet-fed printers and the businesses for which they produce annual reports, advertising brochures, direct mail and the like. Our customers also know that we manufacture our products with a firm commitment to worker and consumer safety and consistent with sound environmental practices. Ladies and gentlemen of the Commission, by making affirmative determinations in these investigations, you can help to ensure that we will continue to compete and flourish on a level playing field.

Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF SANDRA VAN ERT
PRESIDENT AND CHIEF EXECUTIVE OFFICER
APPLETON COATED**

Good morning Madame Chairman, Commissioners, and Commission staff. I am Sandy Van Ert, President and CEO of Appleton Coated, and I am joined here today by Greg Savage, Vice President for Commercial Sales. My predecessor as CEO, John Cappy, is also present. I have been with the company or its predecessor for 23 years, starting out as a internal auditor, in 1987. I am from Wisconsin Rapids and was born into a papermaking family.

Appleton Coated produces coated sheet in our mill in Combined Locks, Wisconsin. Our facility is state-of-the art. All of our manufacturing equipment is either new or has been completely rebuilt in the past fifteen years. Our mill houses three paper machines, including the newest paper machine of its type in the United States. In addition, we have two off-machine coaters, and two sheeters. We have the capacity to produce 400,000 tons of coated paper per year, and we have approximately 650 employees. Over the past 15 to 20 years, we have invested over \$500 million in our mill. Although we are not the biggest producer in the United States, ours is a very lean, flexible and efficient operation, with a focus on high-quality paper and excellent customer service. Imports from China and Indonesia have had a devastating effect on

the coated paper market in the United States. Unless offsetting duties are imposed, the health of our industry and of Appleton Coated are in jeopardy.

Coated sheet historically has been produced and sold in different grades. The higher the brightness level of the sheet, the higher the grade, and the higher the price. The primary focus of our business is in the higher end number one and number two papers, although we also produce an economy grade called Altima. Starting in the last half of 2008, we started to observe a big push of Indonesian and Chinese imports into the market that were being sold at prices that were 15-20 percent below prevailing market prices. Then in the first two quarters of 2009, imports from these countries really began to flood the market. The immediate effect was downward pressure on the pricing for number three sheets, which fell by about 200 dollars per ton between the second quarter of 2008 and the second quarter of 2009. The deterioration in the price for number three sheets resulted in widening price spread between number three sheets and the number one and two sheets. Within a calendar quarter or two we began to see price deterioration for the number one and number two grades as well, in the range of 150 to 200 dollars per ton for both text and cover product. Thus, although the imports were focused on the economy grade product, the impact soon translated into lower prices for the higher grades, as customers began to demand realignment of pricing between the grades.

The impact of these price declines negatively affected both our revenue and operating results. Moreover, due to lower cash availability, we were forced to curtail our capital expenditures to a level below our annual depreciation. This inability to reinvest in critical assets jeopardizes our ability to compete and to increase employment. In fact we restructured our business in 2008, resulting in the elimination of 69 employees; and we were also required to lay off 73 employees in 2009.

Since the imposition of duties this past Spring, however, we have seen a marked improvement in the market. Pricing is up, and so is our production. The provisional relief has helped us expand sales throughout the country including on the West Coast where we have a regional warehouse. But I am deeply concerned that if duties are not imposed to offset the dumping and subsidies, we will simply see Indonesian and Chinese product flood back into our market. First, there is a tremendous amount of new capacity that is coming on line in China within the next year -- two and a half million tons worth. And let me emphasize, this new capacity is not in the planning stages -- two of the new mills are already producing and the other two are under construction with production planned in the first half of next year. The Chinese market is not sufficiently developed to absorb all this new capacity and most of it will end up in our market, especially if the European Union imposes antidumping and countervailing duties as they are expected to. Secondly, APP already has a warehouse and distribution network in place in the form of their subsidiary, Eagle Ridge, that can quickly move increased volumes into the U.S. market. I'm sure that APP will likely say that Eagle Ridge has not been all that successful up until now, but that lack of success most likely is a consequence of the cases being filed last September. Eagle Ridge has also started a distribution network in Canada, and we understand from our Canadian contacts that APP has been particularly successful in grabbing market share through this new operation by selling at ridiculously low prices. That's the blueprint for their efforts in the United States if the petitioners are not afforded the relief sought by them in these cases.

I've reviewed your staff's report and believe it paints an accurate picture of the injury to our industry as a result of imports from China and Indonesia, and urge you to make an affirmative determination in this case. Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF LEO GERARD,
INTERNATIONAL PRESIDENT
UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY,
ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION**

Good morning Commissioners. As you know from my many appearances before this distinguished Commission, I am Leo Gerard, the International President of the United Steelworkers Union or the USW. Today I am accompanied by Jon Geenen, the union's International Vice President who oversees collective bargaining for our 110,000 members in the pulp, paper and forest products sector in the United States.

We are here today on behalf of USW members -- and all workers -- who produce the coated sheet products subject to these investigations across this country. Here today also are over 20 USW members who work at the mills producing these products and are employed by the petitioning companies. They are here today because they don't want to see their livelihoods destroyed from dumped and subsidized imports which -- no matter how hard they work or how

hard they try -- they cannot compete against. They *need* the trade remedy laws to work for them. With your permission, I would ask them to stand and be recognized by the Commission, as in the end it's all about people and their livelihoods. These members come from Escanaba, Michigan, Wisconsin Rapids, Wisconsin, Combined Locks, WI, Rumford and Skowhegan, Maine, Luke, Maryland, Cloquet, Minnesota and Wickliffe, Kentucky.

As the largest industrial union in North America we have time and time again borne the terrible consequences of deliberate industrial policies and unfair trade practices, like those of China, that ensure export markets are expanding for them and employment for their population is growing no matter the consequences to U.S. companies and workers. In the paper sector -- the second largest single sector for the USW -- the certain coated paper investigations before you are just the latest in a line of cases where some part of the U.S. paper industry has come under a relentless assault from dumped and subsidized imports, for example in lightweight thermal paper and lined paper. Indeed, the facts here reveal that imports of certain coated paper from both China and Indonesia have been dumped into our market at margins as high as 135 percent. These imports have benefited from massive subsidies received from their governments, including below market rate loans from state-owned banks, targeted tax exemptions, and input subsidies that make major inputs like timber and electricity much cheaper than the market.

Our companies and workers simply cannot compete with such foreign government largesse and they should not have to.

The facts are chilling – even in the midst of the greatest economic contraction since the Great Depression, and while demand in the U.S. market literally collapsed in 2009 for the coated sheet products at issue, subject imports increased by nearly nine percent. So, during the same time period, while we suffered from a decline in demand here of over 15 percent, Chinese and Indonesian imports increased – let me repeat – increased by nine percent. The investigations show that they were able to do so by engaging in massive and widespread underselling which they could do due to the massive subsidies they received. In fact, your public pre-hearing report shows that these imports undersold domestic producers more than 82 percent of the time by margins as high as 25 percent.

The harm to workers from such unfair trade has been devastating. The public pre-hearing report shows employment, wages paid and hours worked all suffered serious declines. Two mills that employed about 1,000 workers in Muskegon, Michigan and Kimberly, Wisconsin also were shutdown during the period at issue. And a paper machine in Rumford, Maine was shut down while other mills also withdrew production volume. Most of these mills are in rural areas and are the very lifeblood of their communities. When they are shuttered the entire community suffers, including small businesses, which depend on the mills and our

workers for their livelihoods too. In fact, the Commerce Department estimates that every direct job in the paper industry supports 2.2 additional jobs. And this is even more devastating when the country faces a national unemployment rate of 9.5% in an economy still struggling to gain a foothold. Few jobs are out there, and USW members – like the ones here today – don't want to see their jobs erased due to deliberate unfair trade practices by China and Indonesia and due to no fault of their making. Indeed, since 2007, our members have seen the loss of approximately 10,000 paper jobs, about half of which are in “white paper” operations (that is other than newsprint), and since 2002 these same members have seen approximately 60,000 jobs lost in the entire pulp, paper and forest products sector.

So, once again, our fate rests with the enforcement of the trade remedy laws. And in these investigations we see that preliminarily the laws are working as intended. After Commerce imposed preliminary duties, Chinese and Indonesian producers largely left the U.S. market, after which the industry's fortunes started to turn around. Some USW members who had been laid off have been called back to work. That means they can once again afford to put food on the table and support their families. There is some glimmer of hope. Clearly, affirmative final determinations by the Commission in these cases would keep us going on the right track and would show our members and America that the trade laws can be strictly enforced and work for them.

On behalf of all of our members in this industry, I urge you to make affirmative findings, which are supported by the evidence in these cases.

Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF GREG SAVAGE
VICE PRESIDENT, COMMERCIAL SALES
APPLETON COATED**

Good morning. My name is Greg Savage and I am Appleton Coated's vice president for commercial sales. Most of our sales of coated sheet are short-term contracts, although that phrase includes agreements and understandings that are not always reduced to writing. A relatively significant share of our sales are on a spot basis.

As Sandy has told you, Appleton Coated has been badly injured by the unfair imports from China and Indonesia. As our company's vice president for commercial sales, I have personally been in the trenches, so to speak, doing battle in the coated sheet market with the Chinese and Indonesian product. Over the last several years, we saw more and more merchants and printers who had previously bought Appleton Coated sheet fill more and more of their inventory with Chinese and Indonesian coated sheet, reducing the floor space and working capital available for our product. And it's not difficult to understand why. Depending on the grade and the product, we saw imported sheets being marketed at as much as \$200 to \$240 a ton lower than our product. Appleton's experience thus mirrors that reported by purchasers that is summarized in the Public Prehearing Staff Report (page V-20, Table V-7) that the vast majority

of product from China and Indonesia undersold domestic mills throughout the period of investigation.

While Appleton has worked with its customers throughout the period to find ways to be competitive with the subject imports, including by reducing our prices, we simply could not cut our prices all the way down to Chinese and Indonesian levels.

For much of the period, raw material costs, including pulp, were increasing in price on the spot market which put significant pressure on domestic mills to get higher prices on their product. As demand started to slow in late 2008, pricing pressures on pulp became less but the price aggression from producers in China and Indonesia intensified. Prices continued their decline in 2009.

I see that APP's attorneys argue that the price declines in 2009 were due to the black liquor tax credit. I totally disagree. Let me give you just one reason why. As one of the Petitioners' customer witnesses testified at the Preliminary Staff Conference, "we started to see prices from China falling precipitously at the end of last year [2008]. * * * before this black liquor tax credit was in force. November, December last year, we were really seeing product pricing moving down." That quote appears on page 109 of the staff conference transcript.

That was also our experience as a domestic producer – we saw a ramp up of deep discounting in the fourth quarter of 2008 before anyone got a black liquor tax credit, a widening of underselling and a surge of imports from the subject countries in the first half of 2009. Those events forced Appleton Coated to respond and we assume was true for other domestic producers as well. We saw no appreciable effect from the black liquor tax credit. As a non-integrated producer, we, of course, were not eligible for the credit ourselves. Nor was the movement of pulp prices inconsistent with the types of gyrations we have experienced with changes in demand

in the market in recent years. So I join Sandy and all of the other witnesses here today in asking you to make affirmative determinations in these investigations. Under conditions of fair competition, Appleton Coated believes that it has a bright future here in America. Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF JENNIFER MILLER,
EXECUTIVE VICE PRESIDENT, STRATEGIC MARKETING AND CHIEF
SUSTAINABILITY OFFICER
SAPPI FINE PAPER NORTH AMERICA**

Good morning. I am Jennifer Miller, Sappi Fine Paper North America's Executive Vice President for Strategic Marketing and Chief Sustainability Officer. I have been with Sappi since 1996. My responsibilities include managing the profit and loss of the coated paper business for North America, including marketing, product management and pricing. I join Mark in thanking you for the opportunity to tell you about the devastating harm that dumped and subsidized imports of certain coated paper from China and Indonesia have caused Sappi.

As your staff's public pre-hearing report makes clear, price is a very important factor in the coated sheet market. While most customers would rank quality as the most important factor in their purchasing decisions, the fact is that the quality of Chinese and Indonesian certain coated paper is very comparable to Sappi's coated sheet. Chinese and Indonesian sheet products are made on world class machines, perform consistently on press and are made to world class specification. Consequently, price is always an important determining factor in who gets the sale.

Coated sheet imports from China and Indonesia compete directly against our sheets for shelf space in merchant warehouses and in downstream printer markets. Since inventory is one of the biggest costs faced by sheet merchants, even a small difference in price and terms can create a significant incentive to stock imported sheet, particularly when credit is tight. Importantly, once imported sheet is stocked in a merchant's warehouse, the product's lead times are comparable to that of Sappi's and can and do serve the needs of even small commercial printers. Because of these dynamics, imports from China and Indonesia have in recent years increased their share of the U.S. market even as demand contracted.

This wave of imports has put intense price pressure on our products. Since 2006, sheet from China and Indonesia sold in the economy segment has been priced well below our comparable economy grade. By March of last year they were undercutting prices for our comparable product by 20 to 30 percent or more.

In order to respond to the Chinese and Indonesian prices, Sappi drastically reduced the prices for our Flo product in February 2009. And we continued to reduce prices. As our questionnaire response shows, Sappi's prices for Flo fell by nearly \$110 per ton between the fourth quarter of 2008 and the third quarter of 2009. Eventually, the price differential between our economy sheet and our high-end sheet lineup had widened so much that in September 2009 we were forced to re-set the prices for our high-end sheets to bring them back into line with our economy grade sheet. If you take a look at our questionnaire response, you will see that between the second and fourth quarters of 2009, the prices for our high-end sheets fell by more than \$200 a ton. In short, the harm caused to Sappi by imports of dumped and subsidized coated sheet from China and Indonesia was very real and very significant.

Before closing, I want to briefly address the issue of like product and APP's argument that coated web rolls should be included as well as coated sheet. As the Commission staff no doubt will recall, this issue was discussed extensively during the preliminary investigation staff conference. For your convenience, attached to my statement are the relevant excerpts of the petitioners' witness testimony and answers to questions from the conference transcript. We at Sappi strongly believe that the Commission got it right in its preliminary determination when it decided that web rolls were not part of the like product. Nothing in the record that I have reviewed, including APP's arguments from its public prehearing brief, warrants any change in that outcome. Thank you.

**ATTACHMENT TO
STATEMENT OF JENNIFER MILLER**

Like Product Excerpts from Transcript of Preliminary Staff Conference
10-14-2009

(1) Page 15, line 8 – Page 19, line 6

MR. DORN: Respondents ask what's changed since the last case? Well, I'll tell you what's changed. The scope has changed, and the starting point for the Commission's like product analysis is the scope definition. The statute directs the Commission to determine "which domestic like product is like or, in the absence in the like, most similar in characteristics and uses with the article subject to an investigation."

Application of the six like product factors confirms that web rolls are not like the articles subject to investigation, which is certain coated paper, which I'll refer to as CCP. First, physical characteristics and use. Unlike the Commerce Department, which now rejects end use in scope definitions, the Commission is required by statute to consider end use in defining the like product.

There is no question that CCP and web rolls have different end uses. CCP is used in sheet-fed presses, and web rolls are used in web-fed presses. Those different end uses dictate substantially different physical characteristics of the two products. To begin with, CCP is in sheet form and web rolls are in roll form. Sheets are sold in cartons or skids with typical orders in the thousands of pounds. Web rolls are sold in big, jumbo rolls which can weigh up to five tons each with typical orders in the thousands of tons.

The characteristics of the paper also differ. Web rolls have a lower moisture content, a more porous surface and different coatings than CCP in order to withstand the heat set web printing process and prevent blistering of the paper. CCP has a higher moisture content to prevent curl development and the buildup of static charges that can cause paper jams in sheet-fed presses.

In addition, CCP is produced to tighter specifications for mechanical condition such as flatness. CCP is produced to accommodate high tact inks that would not be used in web-fed presses. In addition, CCP is used in some higher basis weights not offered in web rolls, and web rolls are used in some lower basis weights not offered in CCP. Finally, CCP is typically used in smaller print runs, and web rolls are typically used in larger print runs.

Second, web rolls and CCP are not interchangeable. Web rolls are used on web-fed presses, and CCP is used on sheet-fed presses. The finished form of web rolls is a roll, and the printing is done on the roll. The finished form of CCP is sheet, and the printing is done on the sheet. Producers do not want web rolls for sheeting and use on sheet-fed presses, and they do not want sheet rolls to be used on web presses.

Third, web rolls and CCP have different manufacturing facilities, production processes and production employees. Obviously web roll production does not involve any sheeting operations. Verso Paper and West Linn Paper are domestic producers of coated free sheet paper in web rolls, but they do not have the sheeting equipment required to produce CCP. They do not make CCP.

In addition, Petitioners have some paper mills that only produce web rolls. Even the mills that produce both products, some paper machines are dedicated to the production of web

rolls because they are engineered for lower basis weights not used in sheets or they cannot meet the tighter tolerances for mechanical consistency needed for sheets.

Even where both products are produced on the same paper machines, the manufacturing processes differ. The same paper machines will use different recipes -- that is fiber content, moisture content, porosity of paper and coating formulations -- to produce web rolls and CCP.

Fourth, the channels of distribution are not the same. CCP is generally sold to merchants who hold the sheets in inventory for resale and shipping to the printers. In contrast, web rolls are generally shipped directly from the paper mills to the printers, even when the sale is made by the merchant. In addition, web rolls, unlike CCP, are often sold to publishers who contract with printers for printing their paper.

Fifth, customers and producers perceive significant differences between CCP and web rolls. Customers buy web rolls to run on web-fed presses, and customers buy CCP to run on sheet-fed presses. Producers do not want the product to be used on a press type other than that specified.

In addition, customers tend to buy CCP for smaller volume, higher quality print jobs and for higher basis weight applications not available with web-fed presses. In contrast, customers typically buy web rolls for higher volume print jobs and for lower basis weight applications not available from sheet-fed presses. Finally, CCP costs more to make, has a higher value and has higher prices in the market than web rolls. Thank you.

(2) Page 27, line 16 – Page 31, line 11

MS. MILLER: Good morning. My name is Jennifer Miller, and I am the Executive Vice President of Strategic Marketing for Sappi Fine Paper North America. I have been with Sappi since 1996, and I currently manage the profit and loss of the coated paper business for North America, including marketing, product management and pricing.

Today I want to explain certain aspects of the coated paper market in the U.S. and how rising imports of coated sheet from China and Indonesia have injured our company. Sappi produces and sells certain coated paper as defined in the petition. That is a sheet product. We also sell coated free sheet paper in web rolls.

There are important differences between certain coated paper and web rolls. These differences are dictated by the two very different printing processes, service requirements and end uses for sheet-fed and web products. Indeed, these differences are so distinct that we manage them as separate business lines. I oversee one marketing director for web and another marketing director for sheet products.

Web rolls are for use in web presses, which are large printing machines designed to handle high volume runs at high speeds. Typically web printers are larger operations, more like a manufacturing plant than a small print shop. They print magazines, catalogs and other mass market products, which tend to have more regular production schedules and do not demand premium quality photographic reproduction.

A single web roll can weigh between one and five tons, and a typical order size from a web customer would be several thousand tons. We ship our rolls directly to the printers, often in rail cars.

Certain coated paper is produced and sold for use on sheet-fed presses. A typical sheet-fed printer is a small, independent undertaking. They must adjust press settings, ink, paper and timing to accommodate each job. Sheet-fed presses specialize in very high-end direct mail and brochures, which demand superior photographic reproduction and special varnishing and finishing techniques.

A typical order from a sheet-fed printer would be in the tens of thousands of pounds, nowhere near the thousand ton orders we send to web presses. Delivering sheets to these small print shops is more complex than loading web rolls on a rail car. Sheets are delivered in skids or cartons and transported by truck to the many urban and suburban areas across the country where sheet-fed print shops are located.

Because of this logistical complexity, Sappi, like other mills, sells its sheet product through paper merchants. The paper merchants serve a vital function in the sheet market. The orders from a single sheet-fed printer will vary from day to day, depending on the print jobs they are running, and meeting those orders in time requires a merchant who can inventory our sheet product and deliver it promptly.

Because of their different end uses, web rolls and sheets have different physical properties. One is a roll for use in web presses. The other is a sheet for use in sheet-fed presses. In addition to their different forms and sizes, the paper used to make each product is different. The paper used in web rolls has lower moisture, higher porosity and is generally lighter weight in order to run optimally on web press and not blister in the press' heat set process.

The paper used in sheeter rolls, by contrast, has higher moisture levels and different mechanical properties in order to run through a sheet-fed press without curling or losing print and color fidelity.

We have different product formulations for web rolls and sheeter rolls to ensure they perform on the different presses they are intended for. We do not warrant our web rolls for use in sheet-fed presses.

In our Somerset plant we have two machines dedicated solely to web production. They are engineered to make lower basis weight papers that we do not offer in sheet. While some of our paper machines can produce either web or sheeter rolls, we use different recipes to produce each type of product to achieve the physical characteristics needed for each end use.

In our experience, sheeter roll production is generally more expensive than web roll production because of the tighter mechanical specifications required. On average, it costs us about \$200 more per ton to make sheeter rolls versus web rolls. In addition, of course, sheet must go through the additional production process of sheeting to become a finished product while web rolls are finished products in their roll form.

(3) Page 37, line 5 – Page 38, line 19

MR. SAVAGE: Good morning. My name is Greg Savage, and I'm the Vice President for Commercial Sales at Appleton Coated. Appleton Coated produces coated paper at our facility in Combined Locks, Wisconsin. The facility is state-of-the-art, and all of our manufacturing equipment is new or has been rebuilt in the past 15 years. Imports from China

and Indonesia have had a direct negative impact on our business, and we believe that injury will continue unless relief is provided in this case.

Appleton Coated produces both web rolls and sheets, and most of our product includes at least some BCTMP pulp. As has already been discussed, web rolls on the one hand and sheet on the other are two distinct products with two distinct end uses. Even when we offer the same type of product in both web and sheet form, the paper will be manufactured differently in web than it is in sheet.

Paper produced for web rolls has different moisture content and other properties to provide heat resistance in the web-fed presses. Paper produced in sheets will have more moisture to avoid paper curl and static charges in sheet-fed presses. For this reason, we do not guarantee our product for use in a printer for which it is not intended. In short, we view sheets and web rolls as distinct markets.

Our mill is not an integrated mill, which means we buy pulp on the open market, including BCTMP pulp. BCTMP is a lower cost fiber that can impart important physical attributes to paper such as bulk. In our experience, it is possible to make coated paper with more than 10 percent BCTMP pulp that will meet all of the specifications typically associated with coated free sheet in terms of brightness and other qualities demanded by the printer.

As long as the right recipe is used, BCTMP will not compromise the quality of the final paper product. For all of these reasons, imported product from China and Indonesia made with BCTMP pulp is highly interchangeable with domestic coated product.

(4) Page 45, line 17 – Page 46, line 25

MR. HEDERICK: Good morning. I'm Jeff Hederick, Vice President of Strategic Development and Sourcing, Unisource Worldwide, Inc. Unisource is a leading independent marketer and distributor of commercial printing papers and related supplies and equipment in North America.

We have dozens of locations across the country, thousands of employees and relationships with nearly every type of coated paper supplier and customer in the marketplace. Unisource has been in this business for nearly 50 years, and I joined the company three years ago after more than 16 years of experience in the paper industry.

First, I want to confirm what others have said regarding the differences between web rolls and sheets. As one of the nation's largest distributors, it is our experience that sheet printers typically only purchase sheet product and web printers purchase web rolls. I estimate that about 90 percent of our customers do only one or the other with only a small minority having dual capabilities.

The two products are not used interchangeably, and they have very different physical properties such as moisture content dictated by their different end uses. Unisource also handles a small volume of sheet rolls, but these are held mainly as safety stock for when we do not have a certain size of sheet available.

In addition, I want to confirm that subject imports made with BCTMP pulp are interchangeable with domestic coated free sheet. You could have Chinese product with up to 20 percent BCTMP and it would be largely indistinguishable from domestic coated products.

(5) Page 48, line 18 – Page 50, line 8

MR. CREW: Good morning. My name is Don Crew, and I'm the President of Clampitt Paper. Clampitt is an independent paper distributor with six warehouses and 12 stores throughout the states of Texas and Oklahoma. I've been in the paper industry business close to 40 years, both on the mill side and distribution.

In addition to selling sheets and web from mills to printers, we also convert sheeter rolls into sheets for our customers. About 25 percent of our business is converting. We operate seven sheeters with sheeters located in each of our markets. The sheeters are designed to provide customers just-in-time service of custom sizes.

Our converting business does not compete with the sheet conversions that occurs at the mills. Our sheeters are much smaller than the mill sheeters and handle much lower volume. There's a certain amount of waste that results from converting rolls to custom sizes which does not occur at the mill. This means prices for our converted product are higher than prices for sheets direct from the mill. Our customers are willing to pay this price when they need custom sizes with a quick turn and cannot find those sizes already in stock.

We do sell web rolls. There are important differences between web and sheets. While we take title to the web rolls to make the sale, almost all web rolls ship direct from the mill to the printer. The vast majority of sheet products, by contrast, is bought in bulk by us, stocked on our floor and sold and shipped in small quantities from our warehouse to the customers.

Most importantly, we do not convert any web rolls into sheets. We only sheet sheeter rolls. If we were to try to convert web rolls to sheets, we would expose our customers to printing difficulties due to the different moisture levels and other physical differences between web and sheet. Mills only warrant web rolls for web presses, and they only warrant sheet and sheeter rolls for sheet-fed presses.

(6) Page 51, line 19 – Page 54, line 17

MR. GRAFF: Good morning. My name is Michael Graff. I'm the President and CEO of Sandy Alexander, a national printer headquartered in Clifton, New Jersey. I have a Bachelor of Science degree in Printing Technology, and I've worked in the printing industry for 30 years.

Sandy Alexander is one of the nation's most respected printers. We provide both web printing and sheet-fed printing, and we service many Fortune 500 companies in a broad array of industries. We have three printing facilities, and we have sales offices throughout the country.

Our company prides itself on its environmental profile. Our chain of custody is certified by the Forest Steward Council and the Sustainability Forestry Initiative. Our facilities are 100 percent wind powered. We are ISO 14000 certified, and we participate in Climate Leaders and we have won several awards from the EPA for our environmental stewardship.

As the only printer here that runs both web and sheet-fed, I would like to address some of the differences between the two. We tend to use our web presses for higher volume printing jobs as they run much more quickly than sheet-fed presses and can print both sides of the paper at once. The web press is also more expensive to start up and requires more material to run. For us, it is not worth absorbing these start-up costs for a job that will print fewer than 50,000 copies.

While our sheet-fed presses can also handle some high volume runs, they are well suited for smaller jobs. This is because of their lower start-up cost, slower speed and a wider range of sheet sizes and calipers that it can accommodate and the fact that they generally only print one side of the sheet at a time.

Because web presses have fixed cutoff for the web size, jobs run on web presses are usually standard range that will not result in excessive waste once the job is printed and finished. Sheet-fed presses, by contrast, can accommodate a wider range of sheet sizes. Web presses also tend to use paper within a lighter caliper or thickness to ensure the runability. We do not run paper with a thickness of over nine points on our web presses. Our sheet-fed presses, by contrast, can run paper up to 40 caliper points, depending on the press.

To perform optimally, paper used in the web printing process and the sheet-fed printing process must have different physical properties. We use only web rolls on our web presses, and we use only sheets on our sheet-fed presses. While web rolls could theoretically be sheeted and put through a sheet-fed press, the differences in the paper would severely compromise the final quality of the product. That is why the mills only warrant the paper intended for the application.

One of the most important differences between web rolls and sheet is moisture content. A web roll has to be able to withstand the heat setting of ink in the web press, which requires a low moisture level in the paper to avoid the blistering. Sheets, by contrast, must have enough moisture to withstand the greater exposure to ambient humidity without hurting the final print quality. In short, the two types of papers are not interchangeable.

(7) Page 56, Line 9 – Page 57, line 25

MR. SANDSTROM: Good morning. My name is Jim Sandstrom, and I am President of HM Graphics, a sheet-fed printer located in Milwaukee, Wisconsin. HM Graphics is one of the top sheet-fed printers in the country. We have won numerous industry awards for our superior quality and service, and we serve many Fortune 100 companies.

Our print shop is one of the largest consumers of high-grade coated sheet in the country. My father, John Sandstrom, founded HM Graphics 40 years ago, and I am proud to carry on the tradition of excellence he instilled in the company.

The sheet-fed printing business is fundamentally different than the web offset business that prints on web rolls. As Mr. Graff explained, web printers generally print high volume jobs where the web provides important economics of scale. A web press can print 30,000 to 50,000 sheets an hour printed on both sides. Our top-of-the-line sheet-fed presses can print a maximum of about 7,000 an hour printed on one side.

In addition, we can achieve a much higher quality finish and final image on a sheet-fed press than is generally available on web presses. We have had much more flexibility in terms of coatings and special treatments we can apply in a sheet-fed press. Because the web printing process is so fast, printers generally cannot lay down a lot of ink on a web press. On a sheet-fed press we have the time to build deeper images with more ink application one side at a time.

Web rolls and sheets also have distinct characteristics that make them suitable for their different end uses. Sheets have to have the right moisture level to print properly. Dry sheets create a lot of problems in the production process. If a merchant sold me a web cut into sheet for

use on my sheet-fed presses and I had a quality claim on that paper, the mill would not honor that claim. Web and sheet are simply too different to be used in similar applications. In addition, sheet-fed projects tend to have a much faster job turnaround than do web print projects.

(8) Page 63, line 16 – Page 70, line 11

MR. CASSISE: Mr. Dorn, I guess I'll ask you some questions about like product since you spent so much time talking about it. I know you also addressed the issue at Commerce in your October 2 submission, and you argued that the Commission is not bound to prior like product determinations, especially when the scope language is different, and also you make the observation that the Commission found that there was limited competition between web rolls and sheet.

But all of that being said, just from a factual standpoint, and I guess I'm asking one of the questions that Respondents wanted me to ask, which is is there anything different factually since 2006 in the web roll versus sheet market?

MR. DORN: I think that if you look at what the Commission just said recently in the Retail Carrier Bags case from Indonesia and Taiwan and Vietnam it said that, "Even with respect to investigations involving precisely the same scope, the Commission makes its determinations based on the record of each investigation, including the argument of the parties."

In the prior investigation in 2006 and 2007, Petitioners filed a petition where they had a scope and they said that the like product should be commensurate with the scope. Nobody disagreed with it. There was really very little argument about it. It really wasn't an issue.

Here we've defined the scope entirely differently. We've excluded rolls, so the starting point for the analysis is night and day from what we had in 2006 and 2007, plus we provided a plethora of factual information in our presentation today addressing all the six factors that the Commission considers, which clearly show that certain coated paper is different from web rolls.

And I would also say that we were, you know, in effect invited down this road by the Commission's determination in 2007 when it accepted the arguments of the Respondents, who said that web rolls are not interchangeable with sheets. They said they're entirely separate markets. So we listened to the Commission. We refiled the case in order to target the precise products that are causing damage to this industry.

As you know, the legislative history provides that the Commission should not dicker with like product in a way to create an industry that masks the harm being caused by the imports. We think we've got it right this time in defining the scope so it matches up with the products that are causing harm.

MR. STEWART: If I could just add a comment from a different perspective on a different set of cases?

Over my career there have been a number of tapered roller bearing investigations. The first one was viewed as covering tapered roller bearings zero to four inch in outside diameter, a second case covered just tapered roller bearings used in railroad applications, and the third case covered all tapered roller bearings that weren't covered by outstanding orders, which became known as the over four inch size. There were no changes in the products in those cases, but there were different concerns that the domestic producers who brought those cases had.

This is a situation where, as far as we know, 100 percent of the problem being faced in the market is with sheets and so the domestic industry has done what international trade agreements and domestic law envision, which is we have brought a case against the product that is causing the harm, and we've identified the domestic industry that is being harmed.

As the statute says and as Joe reviewed, the starting point in like product is product which is like that which is subject to investigation.

MR. CASSISE: And I understand all that, but that wasn't my question. It was more of a factual question. I'll just give you an example.

There was testimony in the hearing in the final phase of the 2007 investigation where you had industry witnesses stating that there was an increasing interchangeability between web rolls and sheet. Has there been an increase in interchangeability since 2006 or hasn't there?

MR. STEWART: Would you like to hear from the industry folks?

MR. CASSISE: Sure.

MS. DeFILIPPO: Can you turn on your microphone, please? Thank you.

FEMALE VOICE: I apologize. I think Mike spoke to it briefly in his testimony, but Sappi certainly hasn't seen a significant or noticeable increase in the interchangeability of web and sheet in print jobs, but, Mike, I think maybe if you want to reiterate what you had said in your testimony, which is there might be a very small sliver.

MR. GRAFF: I mean, there is a distinct difference between the two. I mean, there is no meaningful interchangeability.

MR. CASSISE: And you don't see a shift in the market?

MR. GRAFF: I have not seen a shift at all, no.

MR. CASSISE: Again, in the final phase hearing there was testimony by another witness that many printers, and we have some printers here that could answer this question. Many printers were adopting this dual capability of sheet and web printing. Has that significantly shifted in the last three years?

MR. GRAFF: Just so I define the question, do printers provide both services or is the paper interchangeable between the two processes?

MR. CASSISE: You as a printer. Do you have both web and sheet presses?

MR. GRAFF: Yes.

MR. CASSISE: And do you see more and more firms adopting this dual capability?

MR. GRAFF: No.

MR. CASSISE: I guess do you have more competitors than you did three years ago that could provide --

MR. GRAFF: Just the contrary. It's ever more segregated, as the cost of entry into the web market is significant. You could be talking just for the machine is \$7 to \$10 million just for a single web press, plus all the support material behind it, whereas a comparable sheet-fed press is -- you can get into a sheet-fed press for \$1 million, \$1.5 million.

MS. MILLER: But subject to check, and we do do relatively sophisticated market segmentation, but looking at the AF Louis list of printers in the U.S., I think less than eight percent of commercial printers have dual web and sheet capability.

MR. CASSISE: Okay. Thank you.

MR. NELSON: If I think back on that testimony, there was a concern during that time that a new technology that was starting called CutStar technology where the sheet-fed process had a roll loaded on the front end could very well take off, which has not happened. It is still a very, very small, fringe part of the marketplace.

MR. CASSISE: Okay.

MR. DORN: Mr. Cassise, I might also mention that the Commission in its final determination said that the Commission found that there was "limited competition between web roll and sheet products and that the limitations on competition show no signs of disappearing," which I think is confirmed here today.

And the Commission also found to the extent that there was any evidence of use of web rolls in sheet-fed presses or vice versa, such examples "would not be indicative of overall conditions in the U.S. coated free sheet market."

So while there might have been some fringe, you know, switching back and forth, that's certainly the far exception to the rule, and when that happens the practice is not even covered by warranties from the mills.

I would emphasize that, you know, there were no arguments to create separate like products in the prior case. I mean, the Petitioners came in and said we had a scope and what product is like the products in the scope. Well, starting from that basis point it was logical to say that it's all one like product, but now we have a totally different playing field.

MR. CASSISE: All right. And Chairman Aranoff asked that question at the hearing whether there should be two like products, and Respondents argued no.

MR. DORN: Correct.

(9) Page 81, line 13 – Page 86, line 25

MS. ROTH-ROFFY: Now I have a number of questions related to the coated paper and web rolls. Now I understand that each type of paper is designed to meet the requirements of the different presses, but what I don't understand exactly is actually what the paper goes through when it goes through the different printing processes. I'm hearing about heat sets, and then I'm also hearing with the sheet press is static, it sounds like there's different types of drying processes. Would you explain the differences to me, Mr. Graff?

MR. GRAFF: Michael Graff, Sandy Alexander. There is very distinct differences. If you can imagine a heat set web press of continuous rolls feeding the press running approximately, as we stated earlier, 40,000 to 50,000 rotations an hour. The ink is put down, the ink is more solvent based, it's a much softer ink, you can pour it. It goes into the printing press and it's applied to the paper as this paper's traveling approximately 1,500 feet a minute into a drier.

So it is a heat-set, that's the reference that we use, the heat-set ink, meaning the ink responds to heat to set on the sheet. And then it goes into a chill station with refrigerated, very cold water, that takes what now is like a wax on the paper and hardens it. So the temperatures are in the 300 plus degree range going into this oven, so it's a very very -- and it's shocking to the paper because it's flying through the press at a high speed.

So if there's excess moisture within that sheet or more moisture than tolerance, that moisture will try to escape the sheet in a very fast fashion as you would expect, it's heated very quickly. That would cause the paper to explode and blister. The steam can't escape at a controlled rate so it'll damage the sheet, ultimately severing the web most likely, and causing a complete failure of the sheet, causing a paper claim. So that's the basics of the printing process for web.

The process for sheet-fed is very very different. It goes into the press as an individual cut piece of paper, if there is an imbalance in the moisture content between the ambient moisture, as I stated, and that actual sheet, everyone knows that if you wet a piece of paper it immediately curls up. Well it's going to do the same thing upon being subjected to the conditional moisture in a room, and we won't be able to take that piece of paper and submit it to the printing press, it'll end up curling and creating all sorts of handling problems.

Albeit slower, to watch a sheet-fed press run, nowadays our presses are running 15,000, 18,000 sheets an hour, so that cycle time is very very fast and any imperfection in that sheet will cease production, hence create a paper claim because of curling and it can't handle the sheet. The actual printing process as it's a much tackier ink as earlier described, it's much more viscous ink.

The process of applying it is similar, but when it gets to the sheet the actual process of curing the ink on the sheet is done through what's called oxidation and absorption. So it's actually drying by the exposure to air. So the tolerances and drying apparatus are a little bit different, considerably different. It's not subjected to the high heat, it just sits in the room and dries like paint on a wall.

MS. ROTH-ROFFY: Thank you, that was very helpful.

MR. GRAFF: Okay.

MR. SANDSTROM: Excuse me. Jim Sandstrom from HM Graphics. I'd like to add in the sheet process also why the stability of the sheets are important. In the web process it's printing both sides at the same time. In the sheet process, the high majority of the time that sheet has to go through the press a second time to print the back side of the sheet. So stability of the sheet's exceptionally important.

And why the relative humidity of the sheet's very, because the sheet can actually change sizes if it does not maintain the proper humidity. So there's a whole set of other issues that happen on the sheet side of it if you don't have the right humidity, and why it's so important to have a stable sheet of paper. You'd never print the back side of the sheet properly and have fit in registration the way you'd like to have it.

MS. ROTH-ROFFY: Thank you. Are there standard moisture levels for web rolls versus free sheets or does that vary according to the printers?

MR. STEWART: Why don't we let the mills do that, but our understanding is that this is

kind of like your grandmother's special recipe, she knows it, no one else knows it. Each of the companies have their own way of doing what they do to get the product to perform, and those tend to be carefully guarded secrets just like grandma's roast beef or whatever it is they make.

MR. NELSON: Barry Nelson, NewPage. I think it's important to note that it's target related, and those targets can change based on time of year. So if you think of the moisture during the winter months in northern Wisconsin or upper Michigan versus the summer months, you may run to different targets during the course of the year as well. So the important part to Jim's point is dimensional stability and relative humidity balance for sheets. For rolls you run a bit drier and you run to more porous coating formulations so that moisture in the sheet as it goes through that web offset heater, that drying oven, can escape without blistering the sheet.

MS. MILLER: Jennifer Miller for Sappi. And I can confirm that Sappi has very distinct moisture targets depending on whether we're making web rolls or sheets as well as different product formulations, as I said, different recipes that you use when you're making web rolls as opposed to sheets. And as I testified earlier, in general given the greater demands on our sheet product that Jim and Mike have described, it costs us roughly \$200 a ton more to make sheet product than web product.

MS. ROTH-ROFFY: In the petition it's stated that coated paper and sheets is sold both to merchants and printers, while web rolls are more often directly sold to printers. My question is, would you consider free sheet a more commodity like product rather than web rolls more specialized giving sizes of printers, or is it really each one is a special recipe?

MR. NELSON: Barry Nelson with NewPage. I think the point we were making on distribution was the shipment of paper, not necessarily the sale, was different. So web rolls can very well be sold to a merchant, who then in turn sells it to a printer. The distribution goes directly from the mill to the printer, not by way of the merchant's warehouse. So I think that answers?

MS. ROTH-ROFFY: It does, thank you.

(10) Page 203, line 8 – Page 204, line 25

MR. DORN: So what do Respondents do in this case, which they try to do in a lot of cases? They try to change the industry, try to change the scope of the case. So Mr. Hunley says we gerrymandered the scope.

Well, we went back and looked at what Mr. Hunley told you back in 2006 about this industry. He said where by definition, because it runs so fast across the presses, is subject to a lot of heat in order to make sure the ink's set before the product comes off the press.

As a result, that web product has a different formulation in that sheet, which makes it a very distinct and separate product from your typical sheet-fed press papers.

Even today, look at slide 18 of Winston & Strawn's presentation, you'll see there "subject imports do not compete with domestic rolls." And the ITC, in the prior determination, found in fact interchangeability was really at the fringe. It just didn't happen as a practical matter; that rolls and sheets were separate. In fact, that was a major factor in the Commission making a negative determination in that case. Because the earlier case was focused on a scope that included rolls.

We learned our lesson. We changed the scope. We are now focusing on the product that's causing the problem, and that's sheets. And when you apply the like-product factor analysis starting with the scope, including only sheets, the answer is pretty obvious that the domestic like product is confined to sheets.

And even Mr. Hunley, I mean, in response to the very good questions that were asked by the staff, admitted that there are different physical characteristics in end uses. He said most printers do not have dual capabilities to go with a web or sheet-fed. And he said even for those that do have dual capabilities, the ones they use web rolls on their web presses, and they use sheets on their sheet-fed presses.

So this is a very clear case of bright-line five or six factors, you'll find domestic like products that includes certain coated paper.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF BARRY R. NELSON
SENIOR VICE PRESIDENT, SALES
NEWPAGE CORPORATION**

Good morning. I am Barry Nelson, Senior Vice President of Sales for NewPage Corporation. I have worked in the paper industry for more than 20 years and I have been with NewPage since its creation. I am responsible for sales of all NewPage paper products with the exception of some specialty paper items.

Historically, the domestic industry producing coated sheet enjoyed certain competitive advantages vis-à-vis imports in terms of superior logistics and supply chain advantages. These advantages enabled us to earn small premiums of \$40 to \$60 per ton. However, those advantages have been overwhelmed by what can only be described as wholly irrational pricing of dumped and subsidized Chinese and Indonesian imports. We have seen subject imports undersell our product by as much as \$150 to \$160 per ton. And, while most of the subject imports consisted of what is known as economy grade coated paper, the price pressure was not isolated to the economy segment of the market. As subject imports depressed prices for economy grades, the price margins between the grades broadened, creating pressure on higher grades. When the floor starts to drop, it eventually brings the rest of the market down with it.

Rising volumes of subject imports and a steep decline in demand due to the recession left NewPage facing a dilemma: either reduce prices to meet the competition from dumped and subsidized imports or cede market share. As you have heard from George, NewPage had been reducing its capabilities by closing paper machines and mills and taking enormous volume out of production. Rather than close more mills and throw more employees out of work, we decided instead to reduce our prices dramatically to maintain volume. As the pricing data in our questionnaire response shows, between the third quarter of 2008 and the fourth quarter of 2009, we cut prices on some of our products by as much as 20 percent to compete with the subject imports. But such a strategy, while stemming the loss of volume, can only go so far. In 2009, we had reduced prices to the point that we were selling our economy sheets at a loss. Not surprisingly, as our producer questionnaire response shows, what had been positive operating returns in 2007 and 2008 had turned into substantial operating losses in 2009. Our company and industry have undeniably been injured by the Chinese and Indonesian imports and badly need the relief that orders would provide.

Finally, I want to comment on the issue of web rolls versus coated sheet and a statement on page 20 in the respondents' public prehearing brief. The sentence reads: "It is common knowledge that NewPage ships large quantities of web rolls to Pro Con Converting which sheets these web rolls for the sheet fed market or rewinds them to smaller width rolls for HSWO printing." That statement was made by Mr. Hanscom from Eagle Ridge Paper. Mr. Hanscom is mistaken. While ProCon does convert some sheets for NewPage, those are sheeter rolls, not web rolls. NewPage does not sell web rolls to any customer that we would warrant for use in sheet fed presses. Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF DAVID MCGEHEE
PRESIDENT, MAC PAPERS**

Good morning. My name is David McGehee. I am the president of Mac Papers. Our company's headquarters are located in Jacksonville, Florida and we are the largest merchant-distributor of fine papers, envelopes and graphic supplies in the southeast United States. Since our company's founding in 1965, we have continued to institute programs that allow us to offer the industry's finest products and most responsive services — first, fast and accurate. I personally have worked in the paper business for some 35 years.

Our sales total about \$425 million a year and we ship more than 100,000 tons of paper annually. We currently have about 650 employees. Our company has 20 branch/office warehouse locations as well as 20 Mini Macs which are paper stores for walk-in customers.

Coated paper is a very important part of our business, accounting for approximately 45 percent of our annual shipments by volume. Most of the coated sheet that we sell is shipped direct from our warehouses to our customers, who consist primarily of commercial printers and tax-supported businesses such as mailing houses.

I am here today in support of the petitioners and the imposition of antidumping and countervailing duties on Chinese and Indonesian coated paper for one simple reason. The

imports of their products have completely disrupted our business and our industry. The APP companies' market strategy can be summed up in six words: Use price to buy market share. Ten years ago, we took out an ad in the local papers announcing, "Mac Papers chooses NOT to do business with Communist China Paper Manufacturers." We did not want to support mills that paid their workers 61 cents an hour, that violated environmental guidelines, and whose government violated WTO rules and regulations and manipulated its currency. Unfortunately, beginning in 2007, we had to "eat crow" because these unfair imports were underselling other sources by 15 to 18 percent and the product quality was quite good. In order to remain competitive, we started sourcing from Indonesia. Then we discovered we could get the product at even cheaper prices from China. We had to do this because all of our competitors were buying the same imports. In a market where price is incredibly important, those margins of underselling were simply too large to ignore.

I understand that APP has argued that Chinese and Indonesian imports are not the reason why domestic prices have declined. I could not disagree more. Things have gotten so bad that our customers who would normally buy uncoated paper find they can buy coated paper for less. Simply put, these unfair imports have turned our market upside down.

Finally, I note that APP claims imports are excluded from participating in Paper Direct Buy programs. I disagree. Mac Papers participates in such programs and we have used APP coated sheet in them.

Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF MIKE FREELAND,
PRESIDENT, FIELD PAPER COMPANY**

Good morning members of the U.S. International Trade Commission. I am Mike Freeland, president and owner of Field Paper Company. Our company was founded in 1916 and I've been with the company for 24 years. Four years ago, I became the sole owner of the business. We are headquartered in Omaha, Nebraska and have two warehouses – one in Omaha and the other outside Des Moines, Iowa, with a combined 100,000 square feet of storage space. We have 53 employees altogether and we source from about 20 vendors of paper, both domestic and foreign. Our company's sales total about \$30 million a year. More than 90 percent of our sales are to commercial printers in Nebraska and Iowa.

We first started to see Chinese and Indonesian certain coated paper enter our market around 2004 or 2005. These imports were priced as much as 35 percent below domestic coated paper. We finally started to buy Gold East coated paper in 2006 because we felt we had to in order to remain competitive. That's because price is very, very important to our customers. We compete against large, national distributors such as Xpedx, so we need to take advantage of every competitive factor that we can. If we had not started to buy these imports, we may not have been able to stay in business.

Over the years, we bought more and more Gold East paper and less and less domestic paper. Before we started buying Gold East paper in 2006, about 99 percent of the coated paper we bought was from domestic producers. By 2009, that was down to about 50 percent, with most of the other 50 percent being Gold East.

It's important to point out that our domestic suppliers work hard to find ways for their paper to be more price competitive with these imports. For example, instead of shipping three or four truckloads of coated paper to us every week, one of our domestic suppliers was able to bring down their price significantly by shipping 15 truckloads at one time on a monthly basis. While that means more inventory carrying costs for us, the reduced price made it worth it. But the problem is this. No domestic producer of coated paper can stay in business very long selling just economy grade sheets at heavily distressed prices. If you're a domestic producer selling a lot of No. 3 coated paper at \$52 a hundredweight, you also need to be able to sell a No. 1 sheet for \$88 or a No. 2 sheet for \$77 a hundredweight. But that's tough to do when the imports under investigation are selling in the mid-forties to upper 40's. The imported coated sheet is very good quality so many of our printers' end-user customers don't see a meaningful difference in the printed product. And if they can't tell the difference, they have no reason to pay a higher price for a higher grade sheet.

Field Paper's experience with the imports under investigation here shows that the industry can't survive, let alone thrive, with dumped and subsidized import competition keeping prices depressed. If these imports can get close to half of our business in the space of a few years, as they have, it's not difficult to imagine the same is occurring or will occur at other merchants around the country. Let me be clear. There are some cost advantages in reduced inventory carrying costs and the like in carrying domestic product vs. imports. But an operation

like ours can't support domestic mills where large price differences exist as they have in recent years. Eliminate the dumping and the subsidies and you eliminate their artificial competitive advantage. And then my buying decisions are likely to involve a great deal more domestic coated paper.

Finally, I understand that APP claims their product does not compete with domestic coated sheet because they don't produce custom-sized product. All I can say is that Field Paper has bought customized sheet from Gold East from day one.

Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF GEORGE SCHOEDINGER
VICE PRESIDENT, BUSINESS DEVELOPMENT
UNIVERSAL PRINTING COMPANY**

Good morning Madame Chairman and Commissioners. I am George Schoedinger, Vice President for Business Development for Universal Printing Company in St. Louis, Missouri. Universal Printing has been in business since 1939. We are ranked among the top 100 printing companies in the United States with a staff of more than 200 dedicated graphic arts professionals. Our facilities include a state-of-the-art prepress department, one of the industry's newest sheet-fed pressrooms, and a bindery that includes saddle stitching, perfect binding, folding, and a multitude of other finishing services. We serve the printing needs of customers nationwide from our sales offices in St. Louis, Missouri, New York, New York, and Dallas, Texas.

I started in the printing business in 1989, first selling printing to customers for a commercial printing company. In 1997, I started my own print business called Pinnacle Print. I sold that business to another printing company in 2005 and started working for Universal Printing full time in 2006. My responsibilities cover purchasing and managing the company's sales force so I know the market very well.

The printing industry is under tremendous competitive pressures from alternative media such as electronic media. That means we have to be able to produce printed products at the lowest possible cost. Coated paper from China and Indonesia quickly became accepted by commercial printers such as Universal Printing because it was 20 to 30 percent cheaper than domestic coated paper. Major merchants such as Spicers, Shaughnessy and Unisource supplied us with the imported paper and we found that it met our customers' needs. Because of the enormous difference between Chinese and Indonesian prices on the one hand and domestic prices on the other, the Chinese and Indonesian producers were setting the market and the domestic mills were desperately trying to keep up.

Finally, let me tell you what I believe will happen if the petitioners should happen to lose this case. The Chinese and Indonesian producers will once again flood the market with low-priced product as they have most of this past decade. The depressed prices will make it difficult for domestic mills to stay in the market long term and we will see continued closure of domestic mills or the inability to reinvest in keeping the mills efficient. This is the biggest downside of dumped Asian product—that the domestic mills will be stripped of their ability to manufacture and we will lose yet one more manufacturing industry here in America. As someone who happens to believe that buying from domestic companies is good for our economy, I ask you to help ensure that doesn't happen by providing relief from the unfair trade practices found by the Commerce Department. Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF MIKE MARCIAN,
PRESIDENT, CORPORATE PRESS**

Good morning. My name is Mike Marcian and I am president of Corporate Press, which is located in nearby Lanham, Maryland. We are a commercial printer that has been in business for nearly 60 years. I started working in the printing business in 1973. I am also a former chairman of the Printing Industries of America.

Corporate Press has 175 employees and between \$28 and \$30 million in sales every year. About 50 percent of our business is in coated paper, specifically coated sheet. A lot of our customers are in the direct mail business. We also print monthly magazines, annual reports, covers for books, advertising inserts and even some coated newsletters. We buy our coated paper from merchant distributors, not direct from the mills.

The printing industry has always been very focused on price. It is a high-volume, low margin business where the barriers to entry by new competitors are low. But we're also an industry that is consolidating as larger printing companies buy up smaller ones that are struggling to get by. We belong to an organization called Independent Printers Worldwide or IPW for short. IPW was organized in 1998 to help its members streamline their procurement process to achieve efficiencies and cost savings in purchasing equipment, supplies, materials and services.

IPW makes it possible for a company like Corporate Press to remain independent while greatly boosting our bargaining leverage with our vendors. So, whether you're a large printing outfit with numerous locations throughout one or more regions of the country or a smaller shop like ours, price matters a great deal.

Corporate Press first started buying imported coated paper from Asia about five or six years ago. We started with Korean paper and then shifted to Chinese. We bought it because it was priced about 20 percent below what domestic coated paper was selling for. At the outset, the quality of the paper was a little suspect but it has improved significantly since then and today is entirely comparable to domestic coated sheet. Initially, I didn't particularly care whether we bought Chinese or domestic coated paper so long as the quality was acceptable. My buying decisions were based entirely on price.

Our major merchant distributor is Unisource which has worked more broadly with IPW. When domestic producers, specifically NewPage, lowered their price to be more competitive with imported product at Unisource last year, we were able to obtain more domestic product for our needs. With unemployment in this country over 9 percent, I am personally pleased that I can source more domestic product. However, in a low margin business, our company like most other printers have to buy competitively priced product when quality is acceptable as all of the domestic and imported product from China and Indonesia is. Imposition of antidumping and countervailing duty orders will ensure that competition for our domestic mills is at fair prices and will make it easier for companies like Corporate Press and IPW's other members to source more domestic coated sheet at competitive prices while helping save jobs in America. Thank you.

**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 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

SEPTEMBER 16, 2010

**STATEMENT OF SETH KAPLAN
PRINCIPAL AT THE BRATTLE GROUP**

Good Morning. I am Seth Kaplan, a principal at The Brattle Group. I have been asked by counsel for Petitioners to examine the effect of subject imports, the recession, and other supply and demand drivers on domestic CCP prices over the period of investigation. I approached this task in three ways. First, I used statistical techniques to measure how subject imports, non-subject imports, and the recession affected domestic CCP prices adjusted by the price of pulp, CCP's single largest material input. The analysis is similar to looking at the factors that drive the metal margin in investigations involving steel products. The Commission has often favored this approach because price trends can be deceptive when the underlying *input* prices are volatile as with both steel and paper. Second, I looked at what purchasers and other parties said about the role of subject imports and the recession on U.S. producer prices. Finally, I conducted a financial analysis to determine whether the industry has suffered a cost-price squeeze. The results of my analysis show that subject imports caused material injury to the domestic industry.

The econometric analysis is attached as Exhibit 5 to Petitioners' pre-hearing brief. Using over eight years of quarterly data from widely relied upon sources, I found that subject imports

had a statistically significant negative effect on U.S. producer price margins. To a lesser degree, non-subject imports also negatively affected domestic producer price margins. Finally, demand was positively correlated with prices. Thus, both subject imports and the recession contributed to the decline in U.S. producer price margins over the POI. In a companion analysis, I also found CCP prices fell significantly more than web roll prices, a result supporting the earlier finding.

Next, I examined statements made by purchasers to Commission staff investigating lost sales and lost revenue allegations. The great majority of purchasers stated that "U.S. producers have reduced their prices in order to compete with subject imports." Purchasers reported the price depressing effects of subject imports regardless of whether they confirmed or denied an individual lost sales or lost revenue allegation. Note that they did *not* say that domestic and subject CCP prices both fell due to the recession but, rather, that subject process *caused* domestic prices to fall. This is consistent with the purchasers' perception that domestic and subject imports are highly substitutable. It is further supported by purchasers identifying price as the second most important factor (after quality, for which domestic and subject coated sheet are comparable) in purchasing decisions and the fact that 29 of the 32 purchasers surveyed listed price as a very important factor in choosing their CCP supplier.

Finally, I examined whether the domestic industry was suffering from a cost-price squeeze. The Commission has found the existence of a cost-price squeeze is powerful evidence of price suppression. In this investigation, average unit values fell while per unit costs increased. The resulting decline in gross profits is further evidence of the negative effect of dumping and subsidization on domestic producer prices and the consequent harm evidenced by the industry's financial condition. The financial analysis is attached as Exhibit 2 to Petitioners' pre-hearing brief.

In conclusion, I examined the effects of subject import volumes on domestic prices and price margins using three complementary methods – econometric analysis; review of the Commission record; and financial analysis. Each of these methods has led me to conclude that subject imports caused material injury to the domestic industry by depressing prices, suppressing sales, and causing financial distress. I would be happy to answer any questions.