



**HEARING BEFORE
THE U.S. INTERNATIONAL TRADE COMMISSION**

**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 (REVIEW)

October 27, 2016

**TESTIMONY AND MATERIALS IN SUPPORT OF CONTINUATION OF
ANTIDUMPING AND COUNTERVAILING DUTY ORDERS**

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APPLETON COATED LLC, AND THE UNITED STEEL, PAPER AND FORESTRY, RUBBER,
MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS
INTERNATIONAL UNION, AFL-CIO, CLC ("USW")**

**CERTAIN COATED PAPER SUITABLE FOR HIGH-QUALITY PRINT GRAPHICS USING
SHEET-FED PRESSES FROM CHINA AND INDONESIA
INV. NOS. 701-TA-470-471 AND 731-TA-1169-1170 (REVIEW)**

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

OCTOBER 27, 2016

STATEMENT OF MIKE WEINHOLD

**SENIOR VICE PRESIDENT, SALES, MARKETING, AND PRODUCT DEVELOPMENT
AND MEMBER OF THE OFFICE OF CHIEF EXECUTIVE**

VERSO CORPORATION

Good morning. My name is Mike Weinhold. I am the Senior Vice President, Sales, Marketing, and Product Development and member of the Office of Chief Executive, of Verso Corporation. I have been at Verso since 2006. I have 30 years of experience in the paper industry.

Verso is the largest producer of coated paper in North America with 4,800 employees spread over 10 locations in the United States. We produce Certain Coated Paper at our mills in Maine, Michigan, Maryland, and Wisconsin. In 2015, Verso acquired NewPage Holdings, Inc., one of the original petitioners in this case.

Before the orders went into effect in 2010, the U.S. market was subjected to an onslaught of imports from China and Indonesia at prices that undersold domestic producers by large margins. These imports had a devastating impact on our company. As you are well aware, paper manufacturing is highly capital intensive which means we have to run our mills at high utilization levels in to cover our fixed costs. Moreover, paper machines are designed to run

efficiently only if they run flat out, and cannot be easily shut on and off. As subject imports took more and more market share, we were forced to shutter paper machines in Rumford, Maine, and Luke Maryland, as well as a sheeting facility in Chillicothe, Ohio. We also had to permanently close an entire paper mill in Kimberly, Wisconsin. I believe that some of the ITC staff saw where this once vibrant mill stood on your visit to Appleton Coated at the end of August -- a sober reminder of what happens when unfair trade goes unchecked. The closure of these facilities resulted in the loss of hundreds of good-paying jobs, and many additional jobs that are supported by paper manufacturing facilities throughout this country.

Since the orders went into effect, we have seen the market stabilize and pricing levels improve, as subject imports essentially disappeared. In January of this year we voluntarily filed for Chapter 11 bankruptcy relief due to the unfavorable debt structure of our company. We emerged from bankruptcy in July better positioned to compete and grow our business profitably.

Headwinds remain however, which make us vulnerable to any increase in imports of Certain Coated Paper if the orders were revoked. As you know, there is a long-term secular decline in the demand for printing and writing papers. We have attempted to manage this decline by seeking to achieve a balance between supply and demand in the U.S. market. Unfortunately, this has resulted in our company making very difficult decisions that directly impacted our employees. In December of last year, we idled our paper machine in Wickliffe, Kentucky that produced, among other things, Certain Coated Paper. We then closed that mill permanently in the first quarter of this year. Even with this closure, the market remains oversupplied, and this situation would only be worse if the orders were revoked. While we do have some level of flexibility to produce other products on our paper machines, demand for those products face an even more significant decline, and are also less profitable than our sales of

Certain Coated Paper. We also have significant unused sheeting capacity at our sheeting facilities.

I remain extremely concerned about the ability of China and Indonesia to flood our market if the orders are revoked. Asia Pulp & Paper, in particular, has demonstrated a clear interest and commitment to the United States market by importing sheeter rolls into the U.S. One such converter that sells rolls from APP is Connemara Converting. This company, which has operations in California and Illinois, offers an array of coated sheeted product on its website. I believe that APP is using Connemara to reestablish its presence in the U.S. sheet-fed paper market. For example, an individual named Dennis Richards, worked for Connemara Converting from 2008 to 2012 according to his LinkedIn profile. He then went to work for APP and Global Paper Solutions, one of APP's importing arms. Among his jobs was to set up and qualify toll converters in the United States. After that, he helped Connemara Converting to set up their new converting operations in Ontario, California. Then he returned to work for APP and Papermax, another APP sales arm, overseeing U.S. converting operations. This year, Mr. Richards began consulting for another company called Hawk Converting in Lewisburg, Tennessee, which advertises APP product on their website.

I believe APP's efforts to reestablish its presence in the U.S. sheet-fed market by exporting sheeter rolls to U.S. converters is significant for two reasons. First, it shows that the company, with mills in both China and Indonesia, continues to be interested in participating in the U.S. market for coated sheets. Second, it shows that they are already establishing, re-establishing or maintaining their relationships in the marketplace to rapidly re-enter the sheet market if the orders are revoked.

While the volume of APP sheeter rolls currently entering the U.S. is unknown, repeal of the orders would lead to a rapid buildup of such paper in sheet form. It is much cheaper for APP to use its own sheeters to sheet its rolls and it is more efficient and cost effective to ship in sheet form versus roll form. If the orders are revoked, I expect Chinese and Indonesian producers will rapidly ship sheeted product to the U.S. in volumes that far exceed the volumes of sheeter rolls they are currently using to access our market.

The Indonesian industry claims one reason it would not increase exports if the orders are revoked is because the width of one of its machines at Pindo Deli is not well-suited for producing certain sheet sizes used in the U.S. As a preliminary matter, Indonesia seems to vastly overestimate how much of the market the two sheet sizes it cited account for . Furthermore, based on market intelligence, we believe the machines at Pindo Deli are in fact only a few inches different in width than some of our own machines, and therefore any waste sheeting that product would be easily minimized just as it is on our machines. The Indonesians also appear to exaggerate how hard it is to change shade. Changing shade on a machine is a routine matter that takes minutes and does not disrupt the production process in any way.

In light of existing and likely market conditions, the massive excess capacity in China and Indonesia, and the history of subject producers' aggressive pricing to achieve market share, I strongly urge you to vote to maintain the orders on both China and Indonesia. Thank you.

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OCTOBER 27, 2016

STATEMENT OF MARK GARDNER
PRESIDENT AND CEO
SAPPI NORTH AMERICA

Good morning. My name is Mark Gardner, and I am the President and CEO of Sappi North America. I started at Sappi in 1981, and I have worked in the coated paper part of the industry for more than 30 years, including on the production side as a mill manager. Sappi produces certain coated paper at two mills in the United States – one in Skowhegan, Maine, and one in Cloquet, Minnesota. I testified before the Commission in 2010 in support of imposing the orders on certain coated paper from China and Indonesia, and I appreciate the opportunity to appear before you again today to urge the Commission to keep these important orders in place.

Before the orders were imposed in 2010, imports from China and Indonesia were wreaking havoc on the domestic coated paper industry. At that time, rising subject imports were able to increase their market share in a rapidly declining

market through aggressive price undercutting. Domestic producers were forced to cut their own prices to try to maintain production volumes and capacity utilization rates on our highly capital-intensive equipment. Once those prices reached unsustainable levels, a number of domestic producers were forced to shut paper machines or entire mills.

In fact in 2009, Sappi had to make the very difficult decision to close down our mill in Muskegon, Michigan. As former managing director of the mill, it was especially painful to watch many of my friends and colleagues lose their jobs as a result. A mill that we had recently invested over \$100 million dollars in, which employed more than 550 workers in 2005, was lost for good.

Fortunately, the orders were imposed. The change in the market was dramatic. Even at the preliminary stage we saw a rapid change in subject producers' behavior, and we were able to recover some of our pricing and see volumes improve immediately. Chinese and Indonesian producers simply could not compete once their dumping and subsidies were offset by the orders.

Despite the relief the orders have provided, our market remains very challenging. The long-term secular decline in demand for certain coated paper continues. In Sappi's experience, the market for certain coated paper is even more price sensitive today than it was in the original investigation. Your pre-hearing staff report shows price is the most frequently cited of the top three deciding

factors by purchasers, and 16 out of 17 purchasers reported that price is “a very important” factor in their purchasing decisions. Merchants and printers are under enormous pressure to deliver cost effective product, as declining demand has made end users increasingly price-sensitive, and Grade 3 economy sheets have become a much larger portion of the market than they were six years ago. Domestic sheets and imported sheets are nearly indistinguishable, and the same is true for the Chinese and Indonesian sheets. As your staff report shows, more than 77% of responding producers, importers, and purchasers report that certain coated paper from China and Indonesia is always or frequently interchangeable with U.S. product.

To address these challenges we had to reduce our headcount in 2014 to align with falling demand. We have expanded into new packaging products where demand trends are better, but it takes time, engineering, machine changes, and technical knowhow to enter new markets. If the orders are revoked and imports come flooding back into our market, we will run out of time to develop alternative products.

Your staff report shows that the domestic industry is already operating at less than 80 percent of capacity. This is a dangerously low operating rate that makes our industry highly vulnerable to injury if the orders are revoked.

Moreover, even if the orders are only revoked on Indonesia, the damage to our industry will be swift. RISI data show that Indonesia has more than 150,000 tons of excess coated freesheet capacity, enough to take away sixteen percent of our industry's domestic shipments without diverting product from other markets. The U.S. market, with prices that are significantly higher than the rest of the world, will be an extremely attractive market for them today, just as it was six years ago. Indeed, if China is kept out of our market but Indonesia is not, the U.S. will be an even more attractive market for them than it ever was before. Within 12 months of revocation, our industry would be facing the same rising volumes of extremely low-priced imports as we experienced during the original investigation.

For all of these reasons, we ask the Commission to maintain the orders on certain coated paper from both China and Indonesia.

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OCTOBER 27, 2016

**STATEMENT OF DOUG OSTERBERG
PRESIDENT AND CHIEF EXECUTIVE OFFICE
APPLETON COATED**

Good morning. My name is Doug Osterberg and I am the President and CEO of Appleton Coated. I have been with Appleton Coated for 37 years and had jobs in technical and manufacturing positions within the company, most recently as Director of R&D and technical services. I became President and CEO in 2013. Appleton Coated produces coated, uncoated, specialty and technical papers used in high-end commercial printing, textbook publishing, label papers and a variety of custom and specialty applications. A substantial portion of our production is certain coated paper. Our mill, which includes three paper machines and two sheeters, is located in Combined Locks, Wisconsin. We employ about 620 workers, including approximately 430 employees represented by USW Local 2-144.

In December 2014, the company was purchased by Virtus Holdings, a company formed by members of our own management team. The company's former owner, Sequana SA, had been trying to find a purchaser for several years, but due to poor market conditions, no one stepped forward until I and several of my colleagues in management decided to buy and run the mill ourselves. In order to keep the mill going we were forced to write down the value of our assets and to seek labor concessions from our workers.

Over the last several years, we have produced some uncoated printing paper to fill capacity, but demand is declining for these products as well. Moreover, the pricing on these other products is also low, and generally results in even lower margins than on our coated business. We are also developing other products to respond to the declining demand for coated paper, but this process will take some time to complete.

We are well below full capacity on our sheeters, and this capacity will be at risk if the orders are revoked. We are also vulnerable to renewed injury because we are still in catch up mode with respect to our capital expenditures. Paper production requires significant on-going capital investment, and we have recently only been able to make the minimum investments necessary to maintain our equipment. If low-priced imports from Indonesia and China come back into this market, we can expect our margins to degrade, and we will not be able to invest in new equipment and new products and continue our recovery.

If the orders are revoked, subject imports will rapidly reenter the U.S. market. APP's claim that its Indonesian mills will not re-enter the U.S. market because of differences in shade and sheet sizes are baseless. Appleton produces a wide range of shades on the same paper machines, and it only takes a few minutes to less than an hour to change from one shade to the next. The U.S. market also demands a wide variety of sheet sizes beyond the two stock sizes mentioned by APP in its brief, and there is no reason APP could not efficiently serve these sizes from all of its coated paper machines. I believe that an increase in imports from these countries may cause Appleton Coated to run out of time to repurpose our assets as demand declines in existing markets.

For these reasons, I urge you to keep the orders in place. Thank you.

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STATEMENT OF JON GEENEN
INTERNATIONAL VICE PRESIDENT
UNITED STEEL, PAPER AND FORESTRY, MANUFACTURING, ENERGY, ALLIED
INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION

Good morning. My name is Jon Geenen, and I am an International Vice President of the United Steelworkers union. I oversee collective bargaining and policy for our members that work in the paper industry. The USW is the largest industrial union in North America, with more than 850,000 members, and the paper industry employs more of our members than any other industry. Our union represents workers at nine of the companies that produce certain coated paper in the United States, accounting for the vast majority of domestic production.

I've been in the paper industry for more than 30 years. I started on the shop floor in a mill near my hometown in Wisconsin and worked my way up through the union. My wife worked at Appleton Papers for 25 years, and two of my daughters worked there to earn money for college. My brother was one of the many workers that lost their jobs when the Kimberly NewPage plant closed in

2008 due to rising imports of dumped and subsidized coated paper from China and Indonesia. More of our members lost their livelihoods when Sappi had to shutter its Muskegon, Michigan mill, and NewPage had to shut paper machines in Luke, Maryland, and Rumford, Maine.

The orders offered a vital lifeline to our members and their families. Unfairly traded imports receded from the market. Prices stabilized. And many workers were able to focus on making paper rather than looking for a new job and scrambling to make ends meet.

But our industry remains highly vulnerable. In a market where demand is on a long-term downward trend, and with global overcapacity, the domestic industry has been forced to make painful adjustments to try to bring the market into balance. In 2012, Mohawk and SMART closed their plants in Hamilton, Ohio. In 2014, Cascades shut its plant in Connecticut. In 2015, Catalyst idled its mill in Rumford, Maine, and today it is running on a scaled-back schedule. Finally, in 2016, Verso shuttered its mill in Wickliffe, Kentucky, eliminating more than 300 jobs and devastating the tiny town with a population of less than 700 people.

Our local union presidents at these mills are forced to take on the role of grief counselor and social worker for their members – a role they never thought they would have to play. Grown men and women that worked at the mill for decades feel stranded. Other jobs in the typical small rural towns where the mills

were located – like bus drivers, door greeters, grocery baggers – offer only a fraction of the wages the mill paid and few to no benefits. These are the kinds of jobs they will be working for the rest of their lives because they no longer can afford to retire. The shock, the despair, and the long-lasting damage that these types of closures cause is almost impossible to convey to people who haven't lived in a small town their whole life, worked hard at a job they loved their whole life, taken pride in the skill and ingenuity it takes to manufacture the products we use every day, and lost that livelihood forever through no fault of their own. The community as a whole also suffers as the mill's suppliers, small businesses, and local governments lose one of the pillars of the economy.

Even our members who have not lost their jobs have made large sacrifices to help this industry survive the structural challenges it faces. We have made wage and benefit concessions at a number of coated paper companies over the last six years, and collaborated to improve efficiency and workflow.

If the orders are revoked, all of the pain our members have endured will have been in vain. Too many of our members have already paid the price for Chinese and Indonesian producers' unfair trade practices. Without the orders, subject producers will once again pour huge volumes of coated paper into our market and use rock-bottom prices to seize market share. Our industry simply

cannot withstand such an onslaught. Even with all the adjustments we have made, we are still operating at only 80 percent of our capacity.

If the orders are revoked, it is inevitable that more of our paper machines and mills will close, far faster than they would otherwise to meet demand. More jobs will be lost, more lives will be devastated, and more communities will suffer.

Our members need your vote to keep these orders in place. Thank you.

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STATEMENT OF PAUL CLANCY
VICE PRESIDENT OF MARKETING AND BUSINESS DEVELOPMENT
VERSO CORPORATION

Good morning. My name is Paul Clancy and I am the Vice President of Marketing and Business Development at Verso Corporation. I have worked for Verso and its predecessor companies for 30 years, and I have 35 years of experience in the U.S. paper industry.

When the orders went into effect on coated paper from China and Indonesia, we saw a significant improvement in the market. As Mike Weinhold noted, Verso and its predecessor company, NewPage, saw better pricing and margins on sheeted coated paper, and we were able to regain business at certain key accounts that had previously been purchasing from Chinese and Indonesian suppliers.

The consolidation that we have seen among merchants and printers over the past five years will make it even easier for subject imports to enter our market if the orders are revoked. Against the backdrop of declining demand, consolidation has caused additional downward pressure on prices and has made positioning for volume even more intense. Even if only one or two large merchants sign on with Indonesian or Chinese suppliers, there will be an even more devastating impact on our market share than we experienced five years ago, as we now have fewer and fewer customers to whom we can sell that displaced product.

It is also important to note that several of the large U.S. merchants currently source non-subject product from APP. These relationships will pave the way for APP to get back into the U.S. market with subject paper. For example, one of the largest merchant supplier of coated paper in the U.S., has an exclusive supplier relationship with APP to provide a private label paperboard product. This competes with a product that we make called Productolith Points. Because APP is already selling to our key customers, it would be very easy for APP to expand their offerings at these merchants to include subject merchandise.

If the orders go away, imports from China and Indonesia will rapidly enter the U.S. market given the significant excess production in these countries. Capacity, which had skyrocketed before duties were imposed in 2010, has only continued to grow through 2015. In China, capacity to produce coated freesheet paper grew by 33 percent from 2006 to 2010, and then by another 23 percent between 2010 and 2015. Moreover, capacity utilization rates are below 80 percent in both countries according to industry publications, which means that producers there could ramp up even more production than the levels they are producing today.

APP is by far the largest global producer, and it can and will easily switch supply from one country to another if the orders are revoked on Indonesia but not China. Revocation will be an open invitation for APP to redirect its Indonesian mills' significant capacity to the high-priced U.S. market. Indonesia has eleven paper machines that make coated paper and others that make coated packaging paperboard. Without the orders in place, our market will once again become a dumping ground for Indonesian paper. The merchants and printers who accepted the paper in the original investigation, will be more than happy to repeat those trends if the orders are revoked.

Thank you. I am happy to answer any questions.

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STATEMENT OF FRANCIS E. HANNIGAN
VICE PRESIDENT, COATED PAPER AND PACKAGING
SAPPI NORTH AMERICA

Good morning. My name is Deece Hannigan, and I am the Vice President for Coated Paper and Packaging for Sappi North America. I have been with the company for 28 years. I am currently responsible for leading our coated and packaging business units, which include certain coated paper. Based on my experience in the U.S. coated paper market, I am convinced that high volumes of Chinese and Indonesian certain coated paper would rapidly re-enter the U.S. market at damaging low prices if the orders are removed. There are several reasons for this.

First, Chinese and Indonesian producers have massive capacity, have significant excess capacity, and are export-oriented. APP, for example, is one of the largest paper companies in the entire world.

Second, as they have in the past, they will incentivize the US paper merchants through price to inventory large quantities of their product, to

compensate for the long transit times from Asia, giving the Chinese and Indonesian producers a broad distribution and sales network in a relatively short period of time. This import inventory will occupy a large amount of the merchants' warehouses, forcing domestic producers to carry the high cost of servicing a market that relies on fast service of small quantities.

Third, APP has already set up its own quasi-merchant in the form of Charta Global. Charta Global, which is the exclusive source for APP's Indonesian product, announced just four months ago that it was merging with PaperMax and Global Paper Solutions, the import arms for APP's Chinese mills. The result will be a single, coordinated access point for all of APP's Chinese and Indonesian paper in the United States. As Charta Global stated when the merger was announced, it will be a "unique operator" and "premier and powerful ally" with "unprecedented capabilities" in the U.S. market. A month after that announcement, Charta Global announced new product offerings across the U.S., including coated products. Their website lists a new coated label product with the phrase "coming soon."

In the original investigation, the fact that APP was setting up its own import and distribution arm in the U.S., Eagle Ridge, was an important factor in the Commission's affirmative threat determination. Eagle Ridge ceased operations shortly after APP retreated from the market after the orders were imposed. Charta

Global is the new Eagle Ridge. It poses the exact same threat Eagle Ridge did, and it is now poised to help APP flood back into the market if the orders are revoked.

Fourth, Chinese and Indonesian producers have vividly demonstrated their continued interest in the North American market through their behavior in Canada and Mexico after the orders were imposed in the U.S. In Mexico, for example, imports from China and Indonesia jumped over six times from 2010 to 2015, at the expense of U.S. producers. Thus, if one wants to understand the certain challenges from China and Indonesia that we will face if the orders are revoked, we only need to look at the experience of our neighbors to the North and South.

I understand that respondents are urging the Commission to discount these facts and instead find that their lack of an FSC certification would block them from re-entering the U.S. market. Nothing could be further from the truth. Their lack of certification did not prevent them from increasing exports to our market before the orders were imposed. An FSC certification is not a prerequisite to participate in the U.S. market. Your pre-hearing staff report shows that over three quarters of purchasers report that FSC certification is only somewhat important or not important to their purchasing decisions. And 88 percent of purchasers reported that they or their customers only sometimes or never make purchasing decisions solely based on an FSC or similar certification. Only a small minority of end users

requires an FSC certification. Some Chinese producers have FSC certifications, and APP already has another major certification, PEFC.

China and Indonesia will price their product well below sources like Korea and Europe. That was true in the original investigation and remains true today in markets where they compete.

For all of these reasons, we hope you will vote to keep these orders in place.

Thank you.

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STATEMENT OF MICHAEL BAKER
VICE PRESIDENT PUBLISHING PAPERS AND PRICING
APPLETON COATED

Good morning. My name is Mike Baker and I am Vice President for Publishing Papers and Pricing at Appleton Coated. I have been with Appleton Coated for 29 years. I have had responsibility for pricing for our coated freesheet segment since 1996.

Before the orders went into effect in 2010, coated sheet prices were declining rapidly. Since then, we have seen coated sheet prices in the United States stabilize, and there has been an overall reduction in import market share. We believe that had the duties not gone into place, Appleton Coated would have had to curtail a significant amount of capacity. If the orders were revoked, we would expect to experience a loss of sales volume and would suffer notable price erosion as competitors fight to maintain market share. This would impact our volume and margins impacting our ability to invest in capital expenditures and R&D.

One development in our industry that makes us more vulnerable now to imports from China and Indonesia is the significant consolidation we have seen with our merchant and printer customers. For example, since 2010, Quad Graphics and RR Donnelly, two large national printers, acquired many other small local and regional printing companies. In addition, the two largest distributors in the U.S., xpedx and Unisource, merged to form Veritiv in 2014. Such

consolidation has given these customers even greater leverage to demand the lowest prices. Moreover, we have seen our distributor customers devote a greater share of their warehouse space to imports, which has forced domestic producers to be increasingly responsible for their own warehousing.

Finally, if imports of subject product from China and Indonesia resume, we will begin to see deterioration in pricing and our market position within six months. Although we sell some of our product pursuant to contracts, pricing in these agreements can be renegotiated. If a customer asks us to lower our prices due to the presence of lower-priced product in the market, we have to entertain such requests, or risk losing business. For Appleton and our industry, it is critical that the orders be maintained.

Thank you.

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STATEMENT OF FRANK KERR
ACCOUNT EXECUTIVE
VERSO CORPORATION

Good morning. My name is Frank Kerr, and I am an account executive for Verso Corporation. I am based in Verso's office in Ontario, Canada, where I oversee our sales in Canada, all tonnages imports from our U.S. mills.

When the orders on Certain Coated Paper from China and Indonesia were imposed in late 2010, producers in those countries rapidly increased their exports of certain coated paper to the neighboring Canadian market. In mid-2011, just months after the orders were imposed, an APP representative stated the company was committed to doubling its presence in Canada, was adding sales people, and was expanding geographically, intending to have a "full and complete" footprint across Canada by the end of the year.

Canadian import statistics show these plans were successful. Overall from 2010 to 2015, Canadian imports from China and Indonesia increased by 76 percent, from 38,000 metric tons to 67,000 metric tons.

APP has also targeted the Canadian market with direct distribution through its own sales offices and warehouses, much as it planned to do in the U.S. with Eagle Ridge before the orders

were imposed. APP is now the largest supplier of Certain Coated Paper in the Canadian market by a wide margin.

U.S. mills have been the primary losers in the Canadian market. Annual U.S. exports to Canada fell by 33,000 metric tons, or 42 percent, from 2010 to 2015. We face direct competition with Chinese and Indonesian product across many of our accounts in Canada. This includes many of the same large merchants that also operate in the U.S. These customers tell me that the prices APP quotes are far below market prices. In fact, in most cases the APP price to the final end user is significantly below our own price to the merchant, and this is before the merchant's own mark-up. Verso has lost significant sales volumes in Canada due to this aggressive competition from China and Indonesia, based on our inability to meet their low prices. We have been forced to make sales at a loss to maintain some of the volume that remains.

If the orders are revoked, subject foreign producers are well-positioned to swiftly re-enter the U.S. market with massive volumes at cut-throat prices. With their existing infrastructure and relationships in Canada, I estimate significant volumes of their product could be in the U.S. market very rapidly if the orders are revoked. The only way to prevent the U.S. market from suffering the same damage we have seen in Canada is to keep the orders in place.

Thank you.

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STATEMENT OF GREG HARVEY
PRESIDENT
UNITED STEELWORKERS LOCAL 676

Good morning. My name is Greg Harvey, and I am the President of USW Local 676, which represents 525 workers at Verso's mill in Luke, Maryland.

The Luke mill has been in existence since 1888, more than 125 years. I am a third-generation papermaker. My grandfather and my father both worked at the Luke mill. I have worked there for 33 years, and been President of the local for seven years. My son is now the fourth generation of our family to work at the mill.

Some of the Commission staff who have been to visit the Luke mill can appreciate that it is the economic engine for the small rural communities that surround it. In addition to the hundreds of direct jobs the mill supports, everyone from wood suppliers to the local coffee shops and schools depend on the mill for their survival.

When Chinese and Indonesian imports of coated paper were flooding the market at unsustainably low prices, we had to shut one of the paper machines at

Luke. The orders that were imposed in 2010 have been vital to our mill's continued survival.

Even with the orders in place, our mill has endured two bankruptcies. The first was in 2011 through 2012, when the mill was owned by NewPage, and the second was earlier this year after the mill was acquired by Verso. While the bankruptcies helped stabilize the company's financials, they came at a significant cost.

During the first bankruptcy, we had to negotiate new contracts to help the company emerge in a stronger position. We made significant concessions on retiree benefits. None of the mill's new employees are entitled to the defined benefit pensions our retirees depend upon; instead, they only get a defined contribution plan. We also forewent any wage increases and agreed to efficiency improvements to strengthen the mill's performance. But even this was not enough. In 2016, NewPage's new owner, Verso, filed for bankruptcy again. Our current contract is up on December 1st, and I have just returned from a very difficult bargaining session to try to minimize the concessions our members will have to make to keep the company viable.

While one might assume a company emerging from bankruptcy is in a healthy position, companies still have many creditors they need to satisfy, all of whom demand even higher interest rates and tighter repayment covenants to secure

their investment. This means the company must not only demand concessions from workers, but that it is also severely constrained in its ability to make needed capital investments. Our mill is already running its sheeters below capacity and short of the manpower we need to run the mill full-out.

There is a short window for us to improve our performance and prove to our remaining investors and creditors that the company is a sound long-term investment. Our union is always recommending improvements to increase productivity and efficiency, even if it means fewer jobs for our members. If the orders are revoked, and low-priced coated paper imports surge back into our market, the window we have to succeed will close shut.

The Luke mill needs a level playing field to survive. Without continued relief from unfair trade, my son may be the last in our family to work there, together with hundreds of our friends and colleagues whose families depend on the mill. Your vote to maintain the orders will make all the difference to the Luke mill and our industry as a whole. Thank you.



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

Presentation on behalf of petitioners Verso Corporation, S. D. Warren Company d/b/a Sappi North America, Appleton Coated LLC, and the United Steelworkers Union

Stewart and Stewart
King & Spalding LLP

U.S. International Trade Commission
Public Hearing
October 27, 2016

Overview

- I. Domestic Like Product and Industry
- II. Cumulation
- III. Conditions of Competition
- IV. Likely Volume
- V. Likely Price Effects
- VI. Likely Impact

Domestic Like Product and Industry

- Neither petitioners nor APP Indonesia contest the domestic like product found in the original investigation:
Certain coated paper and paperboard for high quality graphics whether for commercial printing or packaging and including sheeter rolls.
- Subject to possible modification of the record, petitioners do not believe that it is appropriate to exclude any domestic producer from the domestic industry.

Cumulation: China Discernible Adverse Impact

- Imports from China will have more than a discernible adverse impact if the orders are revoked.
- Since 2010, the Chinese CCP industry has:
 - Added more than 2 million tons in new capacity
 - Seen excess capacity increase to over 1.2 million tons
 - Increased exports to the world by 23.5%

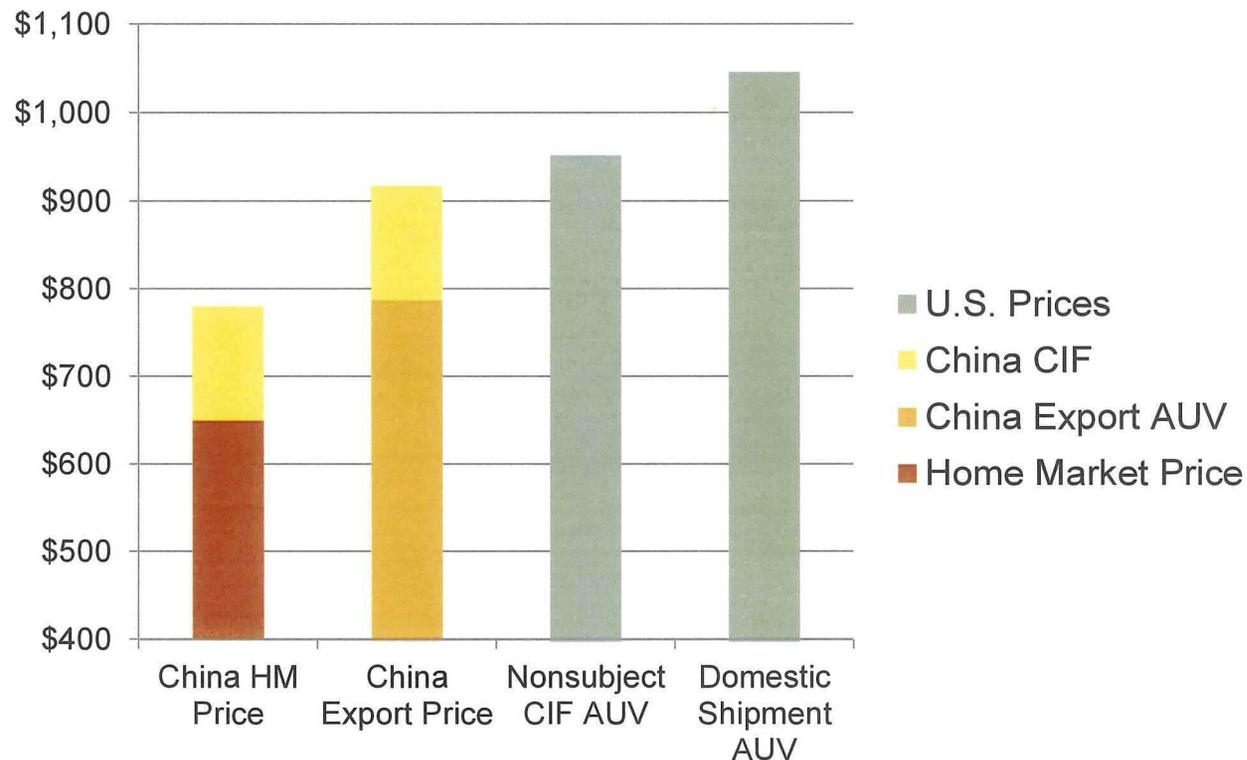
Cumulation: China Discernible Adverse Impact

The U.S. remains a highly attractive market for China

- APP has aggressively targeted Canada and Mexico to become the dominant supplier
- APP is shipping sheeter rolls from China to U.S. converters
 - A number of U.S. converters are handling APP product
 - Automated Ship Manifest (AMS) data show imports of coated rolls from China in the first 8 months of 2016 by all major APP import arms
 - PaperMax
 - Global Paper Solutions
 - Charta Global
- APP has consolidated its U.S. import arm for both China and Indonesia under Charta Global

Cumulation: China Discernible Adverse Impact

U.S. prices are up to 34% higher than China's 2015 home market and export AUVs, adjusted for CIF charges



Sources: China home market price, RISI; China Export AUV, Public PSR Table IV-8; CIF Charges, 2015 U.S. imports from China under HS 4810; Nonsubject CIF AUV, U.S. imports under 4810.14 & 4810.19; Domestic Shipment AUV, Public PSR Table C-1.

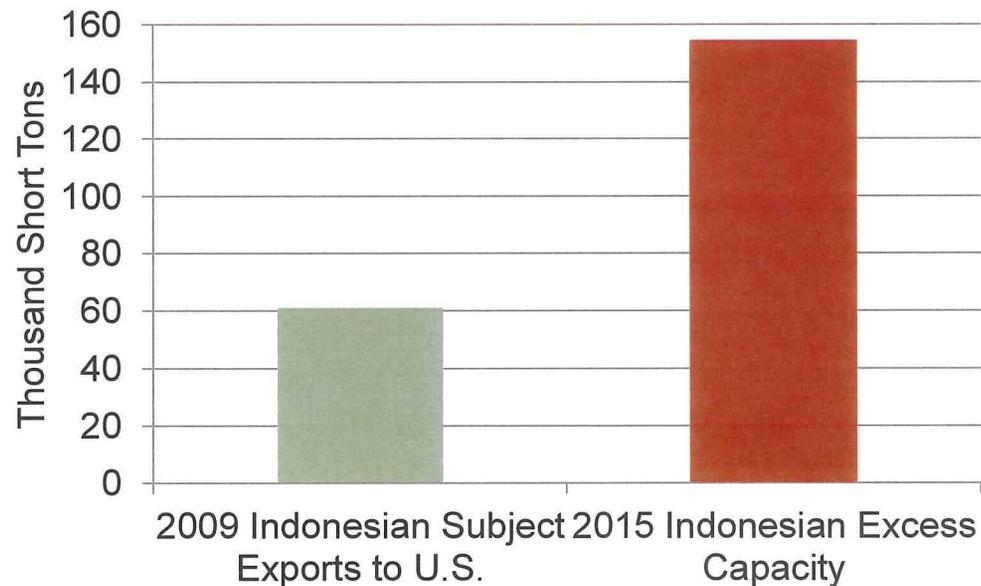
Cumulation: Indonesia Discernible Adverse Impact

- Imports from Indonesia will have more than a discernible adverse impact if the orders are revoked.
- There have been no closures of CCP machines or equipment in Indonesia since 2010
 - 2015 Indonesian Safeguard Investigation shows no changes to installed capacity from 2010 through 2013 (Pet. PreHB Ex. 39)
 - There are some indications that capacity may have increased, including RISI data and APP Annual Reports (Pet. PreHB Exs. 31 & 33-35)

Cumulation: Indonesia Discernible Adverse Impact

There has been a large increase in excess capacity

- Indonesian Safeguard shows capacity utilization declining 8% from 2010 to 2013
- RISI data show excess coated freesheet capacity nearly tripling to reach 154,000 tons in 2015



- This is enough excess capacity to eliminate 16% of the domestic industry's shipments without diverting product from other markets

Cumulation: Indonesia Discernible Adverse Impact

- The U.S. market will be a very attractive market for this excess Indonesian capacity
- APP's Indonesian mills are export-oriented, and exports to the Americas are important to each of the mills

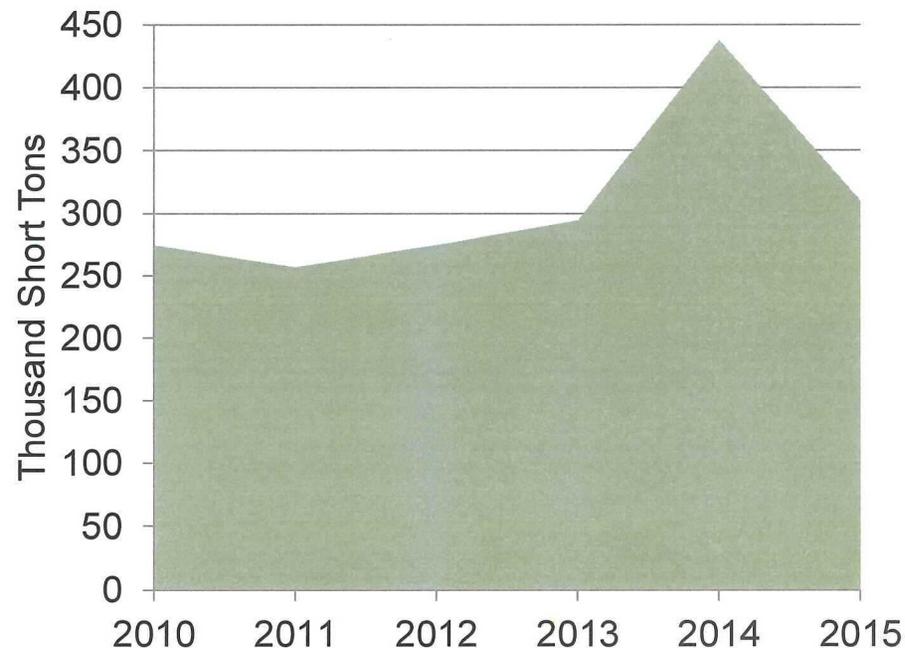
	Twiji Kimia	Indah Kiat	Pindo Deli
Export Revenue % Sales	65.7%	50.4%	63.5%
Americas % Exports	14.3%	7.7%	15.6%
Americas % Home Market	27.4%	7.8%	27.2%

Source: APP Mills' Annual Reports (2011 latest available for Pindo Deli; others are for 2015);
Pet. PreHB Exs. 33-35.

Cumulation: Indonesia Discernible Adverse Impact

The U.S. remains a highly attractive market for Indonesia
Indonesia's total exports of pulp and paper products to the U.S. surged 59%
from 2010 to 2014, before petitions on uncoated paper in early 2015

U.S. Imports from Indonesia under HS 48

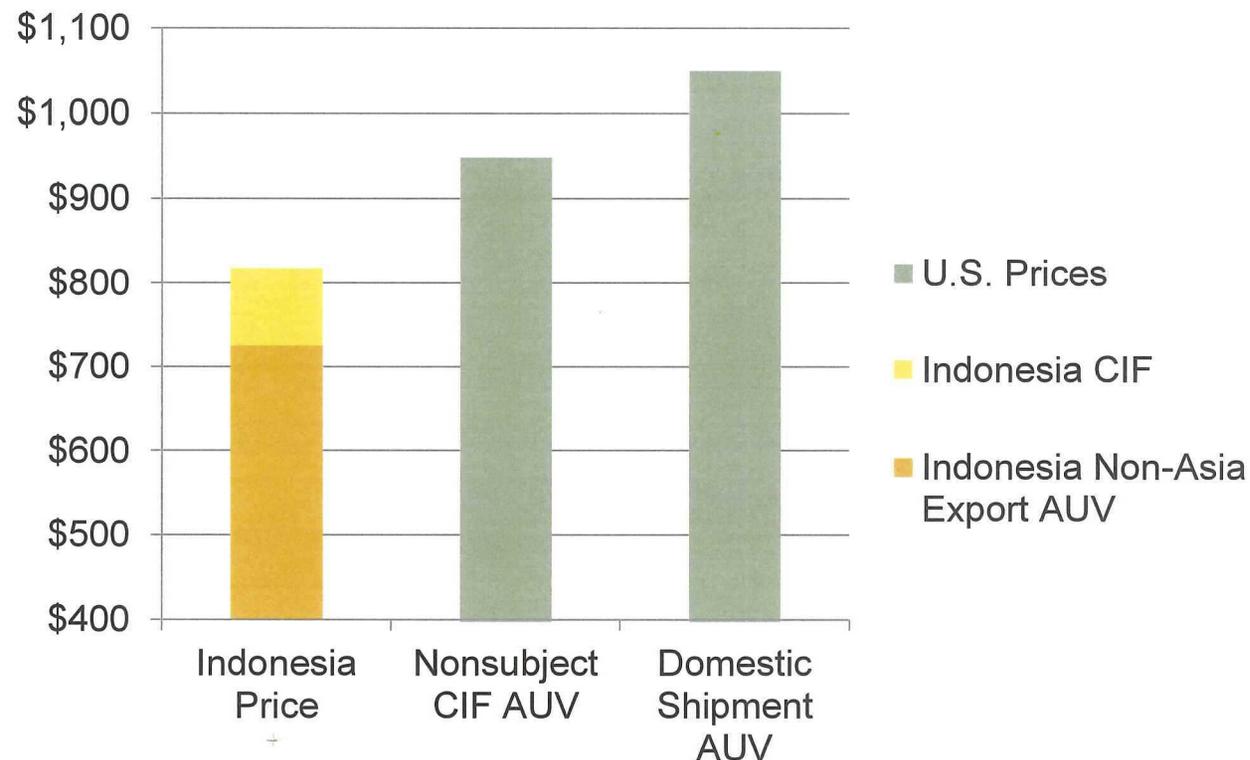


Cumulation: Indonesia Discernible Adverse Impact

- APP Indonesia has continued to show interest in the U.S. CCP market
- APP is shipping sheeter rolls from Indonesia to U.S. converters
 - A number of U.S. converters are handling APP product
 - AMS data show Charta Global has been importing coated rolls from Indonesia since 2015
 - The AMS data also show that Pindo Deli has been the largest Indonesian exporter of coated rolls to the U.S., accounting for 76 to 96% of exports
- APP has consolidated its U.S. import arm for both China and Indonesia under Charta Global, which offers CCP product in sheets and rolls

Cumulation: Indonesia Discernible Adverse Impact

Indonesia claims it is focused on exports to the Asian region, but U.S. prices in 2016 are up to 28% higher than Indonesia's non-Asian export prices, even after adjusting for CIF charges on Indonesia's exports to the U.S.

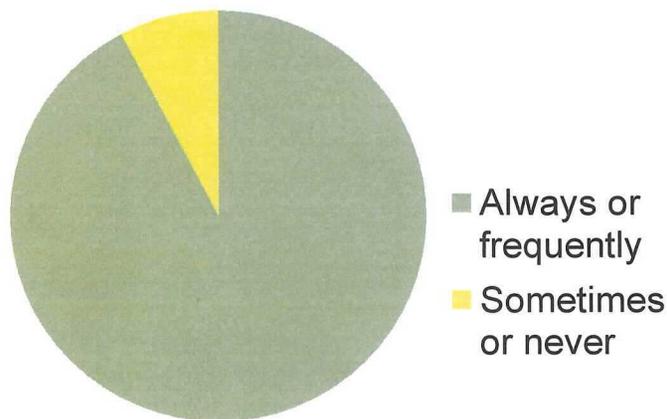


Sources: Indonesia Export AUV, Indonesia Export Statistics; CIF Charges, 1H 2016 U.S. Imports from China under HS 4810; Nonsubject CIF AUV, U.S. Imports of 4810.14 & 4810.19; Domestic Shipment AUV, Public PSR Table C-1.

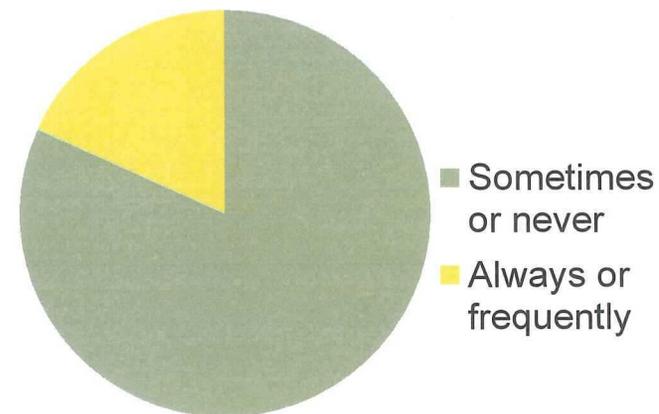
Cumulation: Reasonable Overlap in Competition

CCP from China and Indonesia remains fungible

Product from China and Indonesia is interchangeable



Significance of differences other than price between product from China and Indonesia



They will continue to overlap geographically, be simultaneously present, and be sold through the same channels of distribution, just like in the original investigation.

Cumulation: Same Conditions of Competition

CCP from China and Indonesia will compete under similar conditions in the U.S. market if the orders are revoked

	China	Indonesia
Excess Capacity	✓	✓
Increase in Excess Capacity since 2010	✓	✓
Export-Oriented	✓	✓
Volume Increase in POI	✓	✓
Majority Underselling in POI	✓	✓
Exited U.S. Market Only Due to Orders	✓	✓
Affiliated through APP	✓	✓
Represented by Charta Global	✓	✓

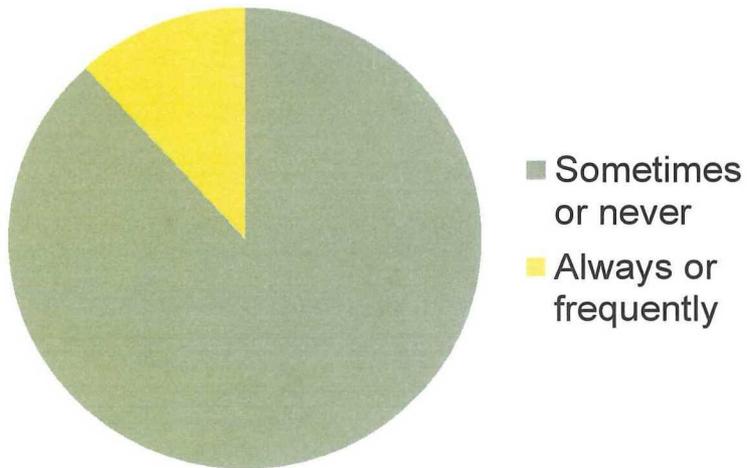
Cumulation: Same Conditions of Competition

- Nothing will prevent Indonesia from competing under the same conditions as Chinese product in the U.S. market if the orders are revoked
- All three of APP's mills in Indonesia can and do produce CCP
- Shade
 - Indonesia produced shades demanded in the U.S. before and can do so again
 - Domestic mills produce a wide range of shades and can switch between shades on the same machine within minutes
- Sheet size
 - The U.S. market demands a wide range of sizes, not just the two cited by APP
 - Each of APP's mills can produce rolls that can be economically converted into U.S. sheet sizes, just as they did in the original investigation

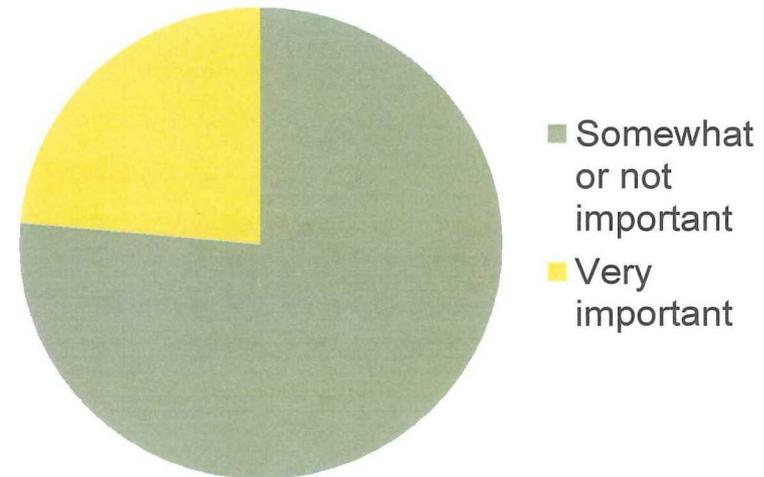
Cumulation: Same Conditions of Competition

Lack of an FSC certification poses no barriers to APP

Purchasers who make decisions based on an environmental certification



Importance of environmental certification as a purchasing factor



Other Chinese producers are FSC certified

Cumulation: Same Conditions of Competition

Even for the small minority of purchasers that do care about environmental certification, APP is working to serve their demands.

- In 2014, APP pledged to halt all deforestation
- As a result, a number of major customers resumed purchasing from APP, including Staples (uncoated paper)
- APP is currently in the process of re-associating with FSC
- APP already has a PEFC certification, which is advertised as being comparable to FSC

Cumulation: Same Conditions of Competition

- As in the original investigation, affiliation will allow APP to switch sourcing between China and Indonesia
- Though China and Indonesia have displayed different export trends during the POR, this appears to be the result of APP's strategy to let Chinese mills offload excess capacity even in markets that Indonesian mills would like to serve
- If orders are revoked on Indonesia but not China on this basis, it will make the U.S. market even more attractive to APP Indonesia, leading it to not only target the U.S. with its excess capacity but to shift product from markets where it currently has to compete with China

Conditions of Competition

Supply and Demand

- Demand has continued its long-term secular decline
- Subject imports have largely exited the market due to the orders
- Domestic producers have shut machines and mills to try to bring the market into balance
- While non-subject imports have risen modestly, they are higher-priced than subject imports

Conditions of Competition

Substitutability

- More than 75% of firms report domestic and subject CCP are frequently or always interchangeable
- 90 to 100% of purchasers report domestic and subject product usually or always meets minimum quality specs
- Most purchasers report domestic and subject product are comparable across most factors
- Most firms report difference other than price are never or only sometimes significant

Conditions of Competition

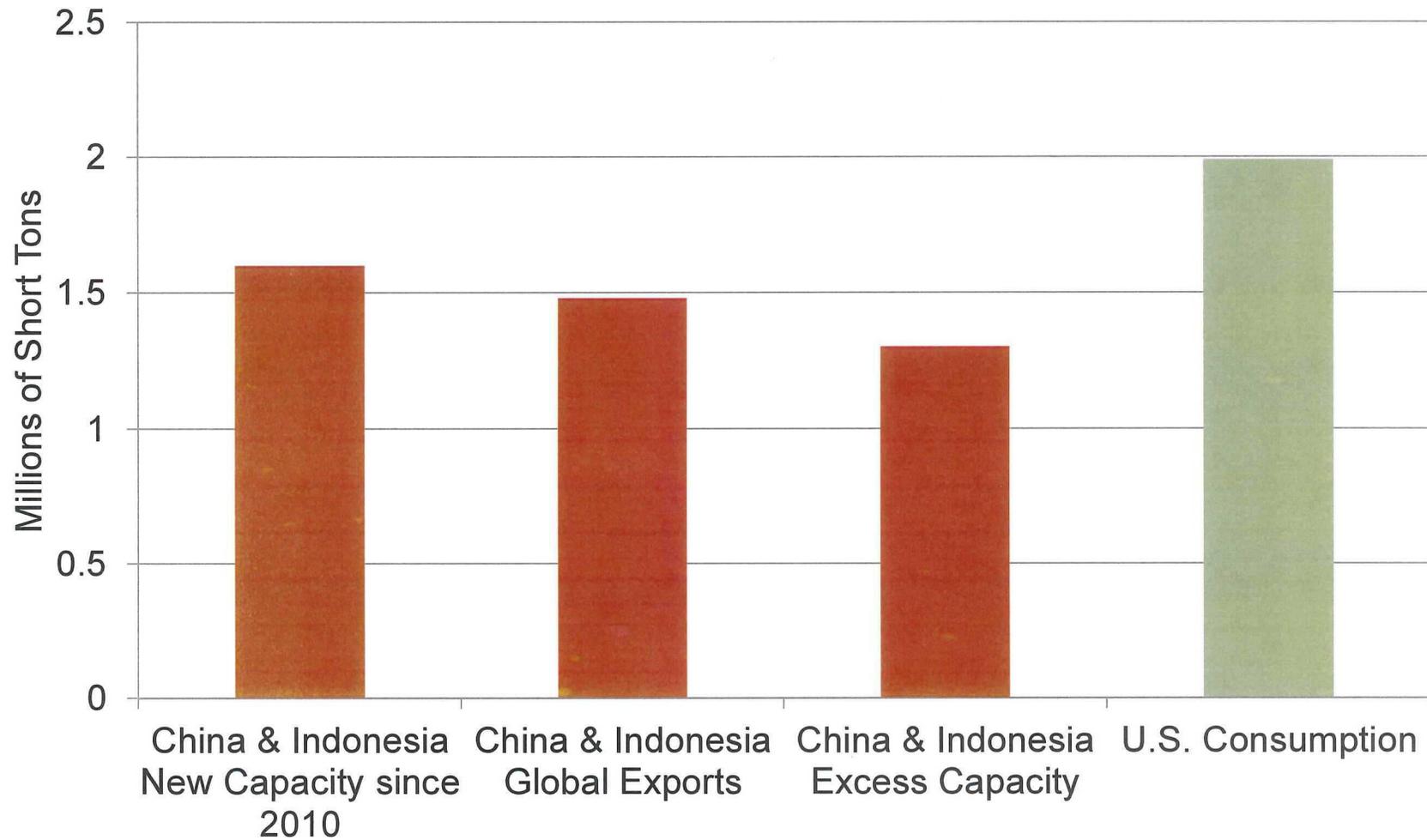
Importance of Price

- Most sales are still through distributors and negotiated transaction-by-transaction
- Large merchants and printers have consolidated since 2010, increasing pricing leverage
- Price is the most frequently cited top-three purchasing factor
- 94% of purchasers report price is a “very important” purchasing factor

Likely Volume

- In the original investigation, subject imports increased by 15,289 short tons as demand was declining, reaching 18.3% market share in 2009
- With unfair trade practices offset by the orders, subject imports have virtually exited the market
- If the orders are revoked, the volume of cumulated subject imports is likely to be significant

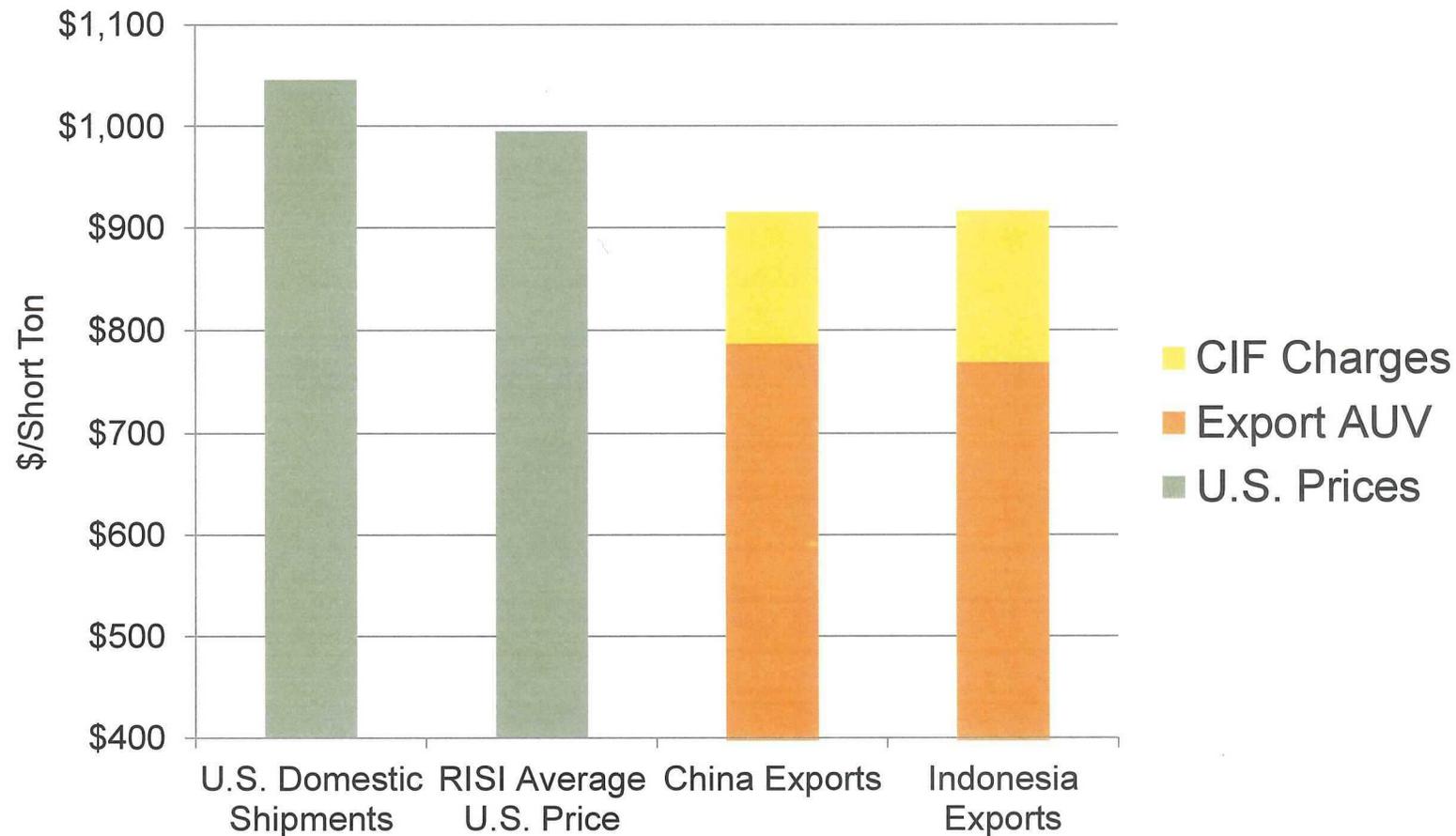
Likely Volume



Likely Volume

- The U.S. will be a very attractive market if the orders are revoked
 - China and Indonesia remain highly export-oriented
 - China is subject to AD & CVD orders in Europe and an AD order in Argentina
 - U.S. demand is projected to decline more slowly than demand in Europe and Japan
 - China's own demand is also projected to decline, and the *Jakarta Post* reported earlier this month that its growing domestic paper industry is overshadowed by falling demand
 - Prices in the U.S. market are significantly higher than all other major markets

Likely Volume



Sources: 2015 U.S. Domestic Shipments, Public PSR Table C-1; 2015 RISI Price, Pet. PreHB Ex. 42; 2015 export AUVs, Public PSR Tables IV-8 & IV-13; CIF Charges, 2015 imports from China & Indonesia under HS 4810.

Likely Volume

- Subject producers' exports to Canada and Mexico offer a preview of the volumes likely to enter the U.S. market if the orders are revoked
 - APP announced its intent to double its presence in Canada within months of the orders
 - In Canada, APP has its own warehouses and salesforce, and it sells directly to end users
 - APP has relationships with major merchants in both countries, including those with U.S. operations
 - U.S. producers have lost export sales in both countries due to competition with APP
 - Canada's combined imports from the two countries rose 76% from 2010 to 2015; Mexico's increased more than six times over

Likely Volume

Four months ago, Charta Global announced it would be the single import and sales arm for APP's Chinese and Indonesian mills.

“The new company, to be re-launched as Charta Global will create a premier and powerful ally for all of North America’s paper, board, graphical and packaging needs Charta Global will now be able to streamline best-in-class quality, supply chain, and volume, but with added value”

-- Charta Global Merger Announcement (June 22, 2016)

APP's Eagle Ridge was found to support an affirmative threat determination in the original investigation; Charta Global similarly supports an affirmative likely volume determination now.

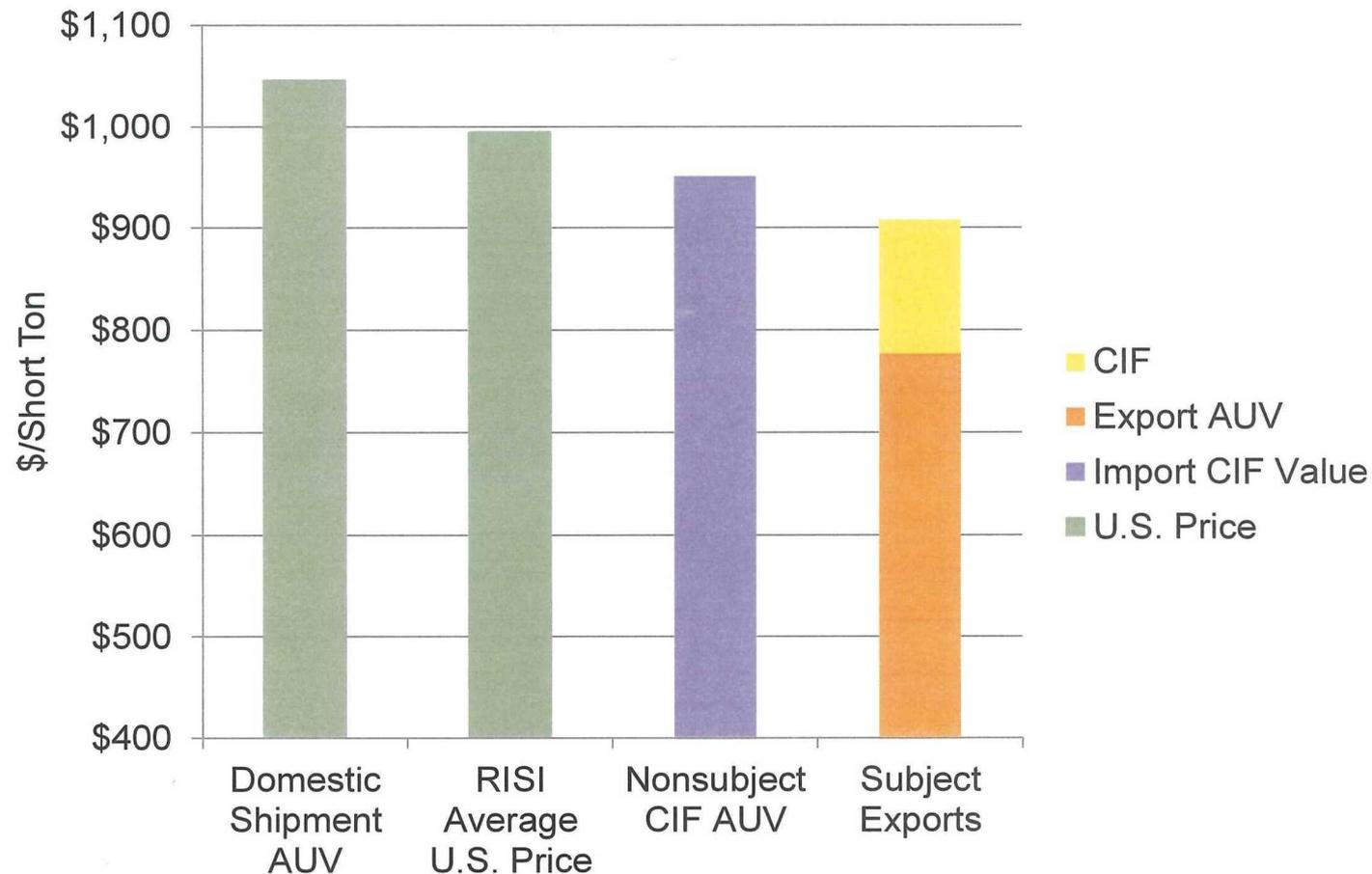
Likely Volume

- APP is already shipping sheeter rolls to U.S. converters to serve the U.S. market for CCP in sheets
- The market is accepting APP sheeter rolls for sheet-fed press applications
- Sheeter roll imports are restrained by the higher cost of shipping paper in roll form and paying for conversion in the U.S.
- If the orders are revoked, these costs will disappear and the volume of imported sheets will rapidly increase

Likely Price Effects

- In the original investigation, subject imports undersold the domestic like product in 82.8% of comparisons, at margins ranging as high as 25.2%.
 - Today, subject export unit values plus CIF charges are below U.S. prices, including nonsubject import prices.
 - Market intelligence indicates that APP is offering certain coated paper in Canada (whether from China or Indonesia) at even lower prices, as low as \$750 - 770/short ton delivered to the end user.
- While the Commission found some evidence of price depression by imports in the original investigation, it also found that the “black liquor” tax credit caused prices to decline.
- APP has used price undercutting to drive down prices and gain market share in Canada and Mexico, and it will do the same in the U.S. if the orders are revoked.

Likely Price Effects



Sources: 2015 U.S. Domestic Shipments, Public PSR Table C-1; 2015 RISI Price, Pet. PreHB Ex. 42; 2015 Nonsubject CIF AUV, U.S. imports under 4810.14 & 4810.19; Subject Export AUV, Public PSR Tables IV-8 & IV-13; CIF Charges, 2015 imports from China & Indonesia under HS 4810.

Likely Impact

- Though the orders had important benefits for the domestic industry, the industry remains vulnerable
- Demand is projected to continue its gradual decline, necessitating more reductions in capacity
- The market remains very price-sensitive, and merchants are larger and more consolidated than before
- The industry is highly capital-intensive, forcing machines and mills to close when operating rates become unsustainable

Likely Impact

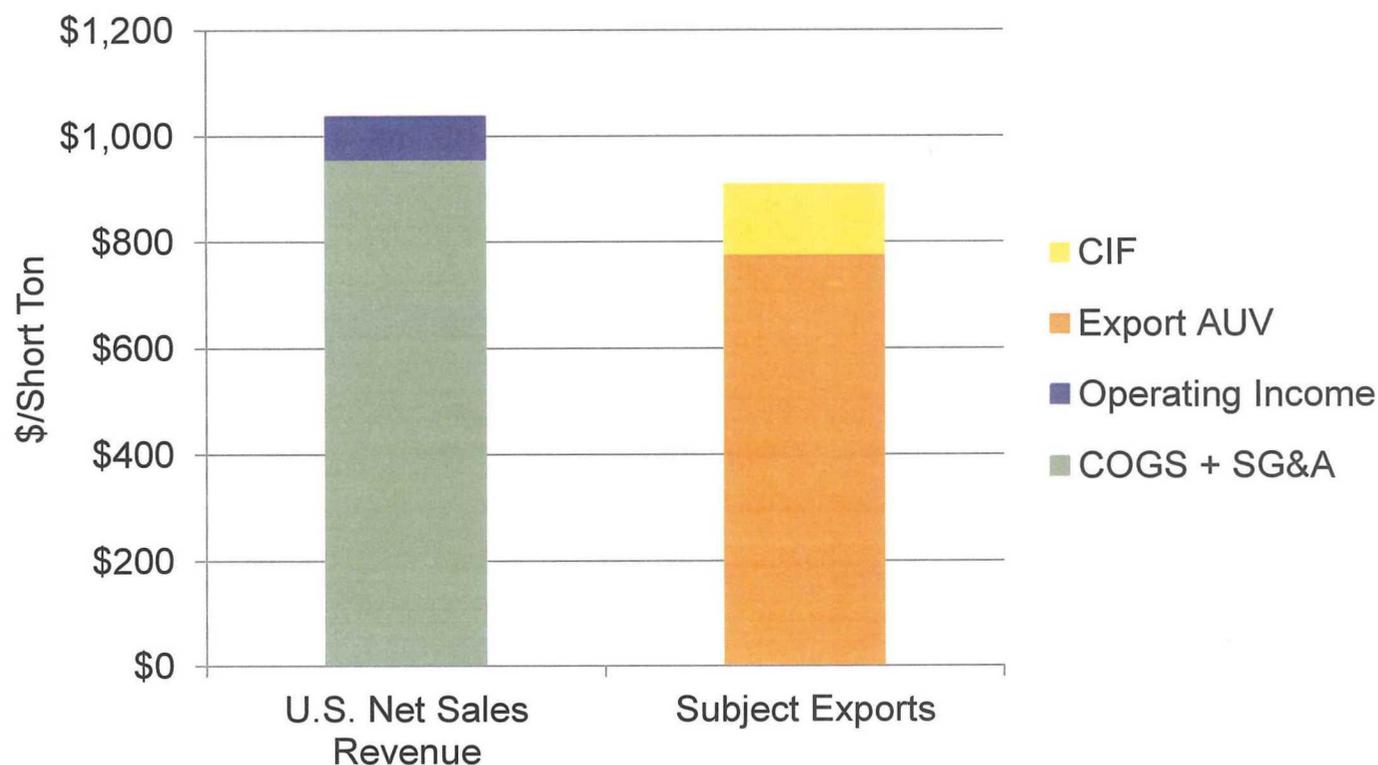
- Despite closures since 2010, the industry's capacity utilization rate was just 79.4% in 2015, lower than in the original investigation
- While operating margins initially improved after the orders were imposed, in 2015 the industry's operating margin was just 7.9%, similar to the margin at the beginning of the investigation period
- The largest domestic producer went through two rounds of bankruptcy since 2010
- Workers have made a number of concessions to help keep the domestic industry viable
- The industry has been unable to make needed capital expenditures

Likely Impact

- If the orders are revoked, subject producers will once again use aggressive underselling to gain market share and drive down prices
- Domestic producers will once again be forced to lower prices to make sales or to sacrifice volume
- In the original investigation, the Commission found that it took about three months for domestic prices to fall in response to increased underselling (Pub. 4192 at 32)
- As prices fall, the domestic industry's financial performance will deteriorate

Likely Impact

Even a relatively modest decline in prices would be enough to eliminate the industry's operating income



Sources: 2015 U.S. Industry Data, Public PSR Table III-14; Subject Export AUV, Public PSR Tables IV-8 & IV-13; CIF Charges, 2015 imports from China & Indonesia under HS 4810.

Likely Impact

- There is no black liquor tax credit to shield the domestic industry from material injury if the orders are revoked
- As shipments decline, mills and machines will be forced to close much more rapidly than the gradual decline in demand would otherwise require, eliminating jobs and harming communities
- For all of these reasons, the Commission should vote to maintain the orders on both China and Indonesia