Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal

Investigation Nos. 701-TA-528-529 and 731-TA-1264-1268 (Preliminary)

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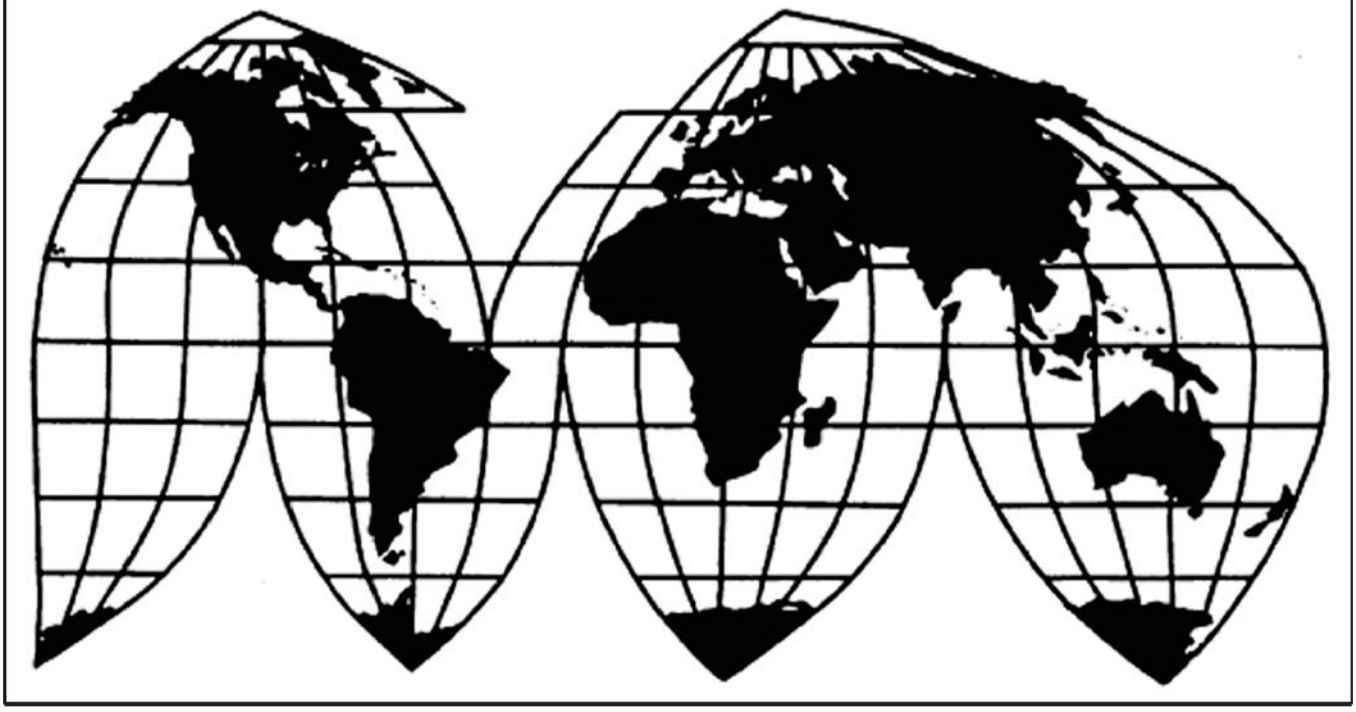
U.S. International Trade Commission



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CONTENTS

CONTENTS

CONTENTS

CONTENTS

Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-528-529 and 731-TA-1264-1268 (Preliminary)

CERTAIN UNCOATED PAPER FROM AUSTRALIA, BRAZIL, CHINA, INDONESIA, AND PORTUGAL

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)) ("the Act"), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Australia, Brazil, China, Indonesia, and Portugal of certain uncoated paper, provided for in subheadings 4802.56 and 4802.57 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value ("LTFV"), and that are allegedly subsidized by the governments of China and Indonesia.

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce ("Commerce") of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations, have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On January 21, 2015, a petition was filed with the Commission and Commerce by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Pittsburg, PA; Domtar Corporation, Ft. Mill, SC; Finch Paper LLC, Glen Falls, NY; P.H. Glatfelter Company, York, PA; and Packaging Corporation of America, Lake Forest, IL, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of certain uncoated paper from China and

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

Indonesia and LTFV imports of certain uncoated paper from Australia, Brazil, and Portugal. Accordingly, effective January 21, 2015, the Commission instituted countervailing duty investigation Nos. 701-TA-528-529 and antidumping duty investigation Nos. 731-TA-1264-1268 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of January 27, 2015 (80 FR 4311). The conference was held in Washington, DC, on February 11, 2015, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain uncoated paper ("uncoated paper") from Australia, Brazil, China, Indonesia, and Portugal that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the governments of China and Indonesia.[1]

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. Background

The petitions in these investigations were filed on January 21, 2015 by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW"), Domtar Corporation ("Domtar"), Finch Paper LLC ("Finch Paper"), P.H. Glatfelter Company ("Glatfelter"), and Packaging Corporation of America ("PCA"). Domtar, Finch Paper, Glatfelter, and PCA are each U.S. producers of uncoated paper and the USW represents workers employed by U.S. producers. Petitioners appeared at the staff conference and submitted postconference briefs.

The following respondents appeared at the staff conference and submitted postconference briefs: Australian Paper, a producer of subject merchandise in Australia, and Paper Products Marketing (USA), Inc. ("PPM"), an importer of subject merchandise from Australia; Asia Pulp and Paper ("APP"), a producer of subject merchandise in China and Indonesia; Portucel, S.A. and Portucel Soporcel, N.A. (collectively "Portucel"), producer and importer, respectively, of subject merchandise from Portugal; Suzano Papel e Celulose S.A. and Suzano Pulp and Paper America, Inc. (collectively "Suzano"), a producer and importer,

[1] Commissioner Kieff is recused from these investigations.

[2] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

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

respectively, of subject merchandise from Brazil; Chenming Paper Company ("Chenming"), a producer of subject merchandise in China; and China Paper Association, an association of producers of subject merchandise in China. Asia Symbol (Guangdong) Paper Co., Ltd. and GreenPoint Global Trading (Macao Commercial Offshore) Limited, producers of subject merchandise in China, and APRIL Fine Paper Macao Commercial Offshore Limited ("APRIL"), producer of subject merchandise in Indonesia, also participated in the staff conference.[4]

U.S. industry data are based on the questionnaire responses of nine producers that are believed to account for the vast majority of U.S. production of uncoated paper during the period of investigation (January 2011-September 2014).[5] U.S. import data are primarily based on official Department of Commerce ("Commerce") import statistics.[6] The Commission received usable responses to its questionnaires from 27 U.S. importers of subject merchandise, accounting for all or virtually all of U.S. imports of subject merchandise from Australia during the period of investigation; over 95 percent of U.S. imports of subject merchandise from Brazil; approximately 80 percent of U.S. imports of subject merchandise from China; over 80 percent of U.S. imports of subject merchandise from Indonesia; and all or virtually all of U.S. imports of subject merchandise from Portugal.[7]

III. Domestic Like Product

A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[8] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[9] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[10]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or

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[4] Respondents from Brazil, China, Indonesia, and Portugal filed a joint postconference brief. Included on the brief were Tjiwi Kimia, Indah Kia and Pindo Deli, producers of subject merchandise from Indonesia. The Brazilian Embassy also filed comments following the staff conference.

[5] Confidential Report ("CR") at III-2, Public Report ("PR") at III-2.

[6] CR/PR at IV-1. U.S. import data for China include U.S. imports from Hong Kong. U.S. import data for Brazil are based on reported U.S. commercial shipments of subject imports from Brazil. *Id*. at Table IV-3 note.

[7] CR/PR at IV-1.

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(4)(A).

[10] 19 U.S.C. § 1677(10).

"most similar in characteristics and uses" on a case-by-case basis.[11] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[12] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[13] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,[14] the Commission determines what domestic product is like the imported articles Commerce has identified.[15]

B. Product Description

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

> The merchandise covered by these investigations includes uncoated paper in sheet form; weighing at least 40 grams per square meter but not more than 150 grams per square meter; that either is a white paper with a GE brightness level of 85 or higher or is a colored paper; whether or not surface-decorated, printed (except as described below), embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions (Certain Uncoated Paper).

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

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

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

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

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

> Certain Uncoated Paper includes (a) uncoated free sheet paper that meets this scope definition; (b) uncoated groundwood paper produced from bleached chemi-thermo-mechanical pulp (BCTMP) that meets this scope definition; and (c) any other uncoated paper that meets this scope definition regardless of the type of pulp used to produce the paper.
>
> Specifically excluded from the scope are (1) paper printed with final content of printed text or graphics and (2) lined paper products, typically school supplies, composed of paper that incorporates straight horizontal and/or vertical lines that would make the paper unsuitable for copying or printing purposes. Imports of the subject merchandise are provided for under Harmonized Tariff Schedule of the United States (HTSUS) categories 4802.56.1000, 4802.56.2000, 4802.56.3000, 4802.56.4000, 4802.56.6000, 4802.56.7020, 4802.56.7040, 4802.57.1000, 4802.57.2000, 4802.57.3000, and 4802.57.4000. Some imports of subject merchandise may also be classified under 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.5000, 4802.62.6020, 4802.62.6040, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4811.90.8050 and 4811.90.9080. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigations is dispositive.[16]

Uncoated paper is generally used for paper in office and home copiers and printers, books, business forms, instruction manuals, inserts, flyers, brochures, and maps.[17]

C. Arguments and Analysis

Petitioners argue that the Commission should find a single domestic like product, coextensive with the scope of Commerce's investigations. They argue that this single like

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[16] *Certain Uncoated Paper from the People's Republic of China and Indonesia: Initiation of Countervailing Duty Investigations*, 80 Fed. Reg. 8598, 8602-03 (Feb. 18, 2015); *Certain Uncoated Paper from Australia, Brazil, the People's Republic of China, Indonesia, and Portugal: Initiation of Less-Than-Fair-Value Investigations*, 80 Fed. Reg. 8608, 8616 (Feb. 18, 2015). In a footnote, Commerce observed that:

> One of the key measurements of any grade of paper is brightness. Generally speaking, the brighter the paper the better the contrast between the paper and the ink. Brightness is measured using a GE Reflectance Scale, which measures the reflection of light off a grade of paper. One is the lowest reflection, or what would be given to a totally black grade, and 100 is the brightest measured grade. "Colored paper"' as used in this scope definition means a paper with a hue other than white that reflects one of the primary colors of magenta, yellow, and cyan (red, yellow, and blue) or a combination of such primary colors.

[17] CR at I-3, PR at I-3.

product should not include any other type or form of paper.[18] For purposes of the preliminary phase of the investigations, respondents from Brazil, China, Indonesia, and Portugal do not dispute petitioners' domestic like product arguments.[19] Respondents from Australia do not address the definition of the domestic like product.

Based on the record, we define a single domestic like product consisting of certain uncoated paper that is coextensive with the scope of the investigations.

Physical Characteristics and Uses. Uncoated paper consists of cut-size sheets and folio sheets. Cut-size sheets are produced in standard sizes of 8.5 x 11 inches (letter size), 8.5 x 14 inches (legal size) and 11 x 17 inches. Folio sheets are larger than cut-size sheets and have various dimensions; one common size of folio sheets is 17 x 22 inches. More than 90 percent of U.S. shipments of uncoated paper consists of cut-size sheets. More than 95 percent of uncoated paper is sheeted and sold as finished sheets by paper producers; the remainder is sold in the form of sheeter rolls to independent converters, which sheet the rolls and sell the finished sheets. Important physical characteristics of uncoated paper include brightness, basis weight, opacity, smoothness, and caliper.[20]

Petitioners assert that the coating on coated free sheet paper gives it a better printing surface – in terms of brightness, smoothness, and gloss – than uncoated paper.[21] Comparing uncoated paper to groundwood paper, petitioners contend that the Commission has in previous investigations found the two products to be distinct in terms of physical characteristics and uses.[22] They further contend that uncoated paper with a basis weight within the scope of the investigations has different physical characteristics and uses than the lighter or heavier uncoated paper, which either will not perform well or are not economical to use in typical copying or imaging applications.[23]

Manufacturing Facilities, Production Processes and Employees. Most U.S. producers of uncoated paper are integrated operations, producing these products in one continuous process from the harvested log to the intermediate pulp product to the final paper product.[24] Petitioners claim that uncoated paper within the scope definition shares some common manufacturing facilities, production processes, and employees with uncoated paper sold in rolls, but a number of companies only produce uncoated free sheet paper in rolls and lack the equipment to sheet and package their rolls into subject uncoated paper.[25] Petitioners also

[18] Petition at I-13; Petitioners' Postconference Brief at 6.

[19] Respondents' Joint Postconference Brief at 3.

[20] CR at I-9 – I-10, PR at I-7 – I-8.

[21] Petition at I-14.

[22] Petition at I-14; *see Coated Groundwood Paper from Belgium, Finland, France, Germany, and the United Kingdom*, Inv. Nos. 731-TA-487, 488, 489, 490, and 494 (Final), USITC Pub. 2467 (Dec. 1991), at 4.

[23] Petition at I-15; Petitioners' Postconference Brief at 7. Basis weight is measured in grams per square meter ("gsm").

[24] CR at I-12, PR at I-9.

[25] Petition at I-20 – I-21.

maintain that uncoated paper and coated paper are generally produced in distinct manufacturing facilities using different production processes and production employees.[26]

Channels of Distribution. Uncoated paper is sold mainly to distributors, although it is also sold to end users.[27] Petitioners assert that uncoated groundwood paper and web rolls, as well as lighter and heavier weight uncoated paper, are sold to different end users.[28]

Interchangeability. Petitioners maintain that domestically produced uncoated paper within the scope definition is generally interchangeable. They also contend that uncoated paper is generally not interchangeable with other types of paper. The predominant use for uncoated paper is as copy paper, while coated paper and groundwood paper are not used as copy paper. Uncoated paper in rolls cannot be used in office and home office copiers and printers. Petitioners also claim that uncoated paper within the scope of these investigations is not interchangeable with uncoated paper of less than 40 gsm or more than 150 gsm, due to the difficulty of running the lighter weight paper through a copier or printer, as well as the sheet handling and flimsy feel of the lighter weight paper. The stiffness of the heavier weight paper makes it difficult to run it through a copier or printer as well.[29]

Producer and Customer Perceptions. Petitioners contend that all domestically produced uncoated paper shares the same customer and producer perceptions, and that customers and producers view uncoated paper as distinct from coated paper. They also maintain that customers and producers view uncoated paper as different from groundwood paper. Uncoated paper is made by a chemical pulping process and groundwood paper is made by a mechanical pulping process.[30] According to petitioners, customers and producers perceive uncoated paper and uncoated rolls to be distinct products that are used in distinctly different types of printers. Customers and producers also perceive uncoated paper within the scope to be different from uncoated paper of less than 40 gsm or more than 150 gsm. In particular, petitioners contend, customers and producers perceive uncoated paper of less than 40 gsm to be a niche product that is difficult to produce and market and that is not used in office copiers and printers. They perceive uncoated paper of more than 150 gsm to be a low volume product that also is not used in office copiers and printers.[31]

Price. Petitioners argue that subject uncoated paper generally sells at higher prices than uncoated groundwood paper.[32] They also state that subject uncoated paper sells for more than uncoated paper in rolls because of the added conversion costs. Because the cost per pound of lighter weight uncoated paper is significantly higher than the cost per pound of subject uncoated paper, the former command higher prices. Similarly, the heavier weight uncoated

[26] Petition at I-20 – I-21.
[27] CR/PR at Table II-1.
[28] Petition at I-17 – I-18.
[29] Petition at I-16 – I-17; Petitioners' Postconference Brief at 7-8.
[30] Petition at I-18 – I-19; Petitioners' Postconference Brief at 9-10.
[31] Petition at I-19 – I-20; Petitioners' Postconference Brief at 10.
[32] Petition, Exh. I-9.

paper commands higher prices than the subject uncoated paper due to the lower volumes of production for the former, the niche applications it serves and its greater raw material usage.[33]

Evidence in the record of the preliminary phase of these investigations indicates that all uncoated paper described by the scope definition shares the same physical characteristics and uses; is made in common manufacturing facilities using the same production processes and production employees; is generally interchangeable; is sold in the same channels of distribution; and shares the same customer and producer perceptions. Petitioners' contentions that there are differences in these factors, when comparing uncoated paper described by the scope to groundwood paper, uncoated paper in rolls, or heavier or lighter weight uncoated paper, are not disputed. In view of the foregoing, for purposes of these preliminary determinations we define a single domestic like product that is coextensive with the scope of these investigations.

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[34] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

A. Production-Related Activities

We consider whether independent converters, which are primarily toll producers, qualify as domestic producers. In deciding whether a firm qualifies as a domestic producer of the domestic like product, the Commission generally analyzes the overall nature of a firm's U.S. production-related activities, although production-related activity at minimum levels could be insufficient to constitute domestic production.[35]

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[33] Petition at I-22.

[34] 19 U.S.C. § 1677(4)(A).

[35] The Commission generally considers six factors: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. *Diamond Sawblades and Parts Thereof from China and Korea*, Inv. Nos. 731-TA-1092-1093 (Final), USITC Pub. 3862 (July 2006), at 8-11. Although petitioners take no position on whether or not the independent converters should be included in the domestic industry, they note that they likely perform sufficient production activities to be considered U.S. producers. They also observe that their operations and financial data are unlikely to have any discernible impact on the domestic industry's aggregate data. Petitioners' Postconference Brief at 13. No other party takes a position as to whether or not the independent converters should be included in the domestic industry.

More than 95 percent of uncoated paper is sheeted and sold as finished sheets by paper producers; the remainder is sold in the form of rolls to independent converters, which sheet the rolls and sell the finished sheets.[36] Typically, independent converters only convert sheeter rolls for specialty cut-size products, such as those with perforations or punched holes, or special size folio sheets.[37]

There is limited information in the record of the preliminary phase of these investigations on this issue. Relative to the operation of integrated firms, the operations of independent converters (or sheeters) dedicated to producing uncoated paper are small.[38] In 2011, the value of the total net assets of ***, the sole independent converter that provided this information, was $***; its net assets were $*** in 2012, and $*** in 2013.[39] The total value of net assets for the integrated firms was $*** in 2011, $*** in 2013.[40] *** capital expenditures totaled $*** in 2011, $*** in 2012, and $*** in 2013; they totaled $*** in January-September ("interim") 2013 and $*** in interim 2014.[41] The value added to sheeter rolls by toll conversion was *** percent in 2011, *** percent in 2012 and *** percent in 2013; it was *** percent in interim 2013 and *** percent in interim 2014.[42] *** reported *** production and related workers in 2011, *** in 2012, and *** in 2013; it reported *** in interim 2013 and *** in interim 2014.[43] The record contains limited information as to the degree of technical expertise required for conversion operations, although it seems to be relatively simple.[44] The principal input used in the conversion of uncoated paper is sheeter rolls. It is unclear what percentage of these rolls was sourced domestically, although it appears to have been the vast majority.[45]

In view of the foregoing, particularly the large amount of value added by conversion, and because no party argues to the contrary, we include independent converters in the domestic industry.

B. Related Parties

We must also determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise

[36] CR at I-10, PR at I-7.

[37] Petition at I-5.

[38] CR at VI-21, PR at VI-12.

[39] CR/PR at Table VI-5. ***, along with *** and ***, are independent converters. *** is an integrated producer that also engages in conversion services. *See* Domestic Producer Questionnaire responses of ***.

[40] CR/PR at Table VI-5.

[41] CR/PR at Table VI-4.

[42] CR at VI-21 – VI-25, PR at VI-12 – VI-14.

[43] Domestic Producer Questionnaire Response of ***.

[44] *See* CR at VI-21 – VI-25, PR at VI-12 – V-14.

[45] *See* CR at VI-21 – VI-23 & nn. 17-20, PR at VI-12 – VI-13 & nn.17-20; *see also id*. at Table III-5.

or which are themselves importers.[46] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[47]

International Paper is a related party because it is related to International Paper Brazil, a Brazilian producer/exporter of the subject merchandise. International Paper also ***.[48]

International Paper accounted for *** percent of U.S. production of uncoated paper in 2013. As such, it is the second largest domestic producer.[49] International Paper ***.[50] International Paper *** on the petition;[51] it identified negative effects it experienced caused by subject imports.[52]

***. In view of these factors, we do not find that circumstances are appropriate for its exclusion.

Accordingly, we define the domestic industry to include all U.S. producers of uncoated paper.

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[53] In the

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[46] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.,* 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[47] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:
(1) the percentage of domestic production attributable to the importing producer;
(2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e*., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
(3) the position of the related producer vis-à-vis the rest of the industry, *i.e*., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g*., *Torrington Co. v. United States*, 790 F. Supp. at 1168.

[48] CR at III-3, PR at III-3, CR/PR at Table III-8. Petitioners argue that ***. Petitioners' Postconference Brief at 13. No respondent has addressed the issue of related parties in this preliminary phase of the investigations.

[49] CR/PR at Table III-2.

[50] CR at III-12, PR at III-9, CR/PR at Table III-8.

[51] CR/PR at Table III-2.

[52] CR at VI-27, PR at VI-14.

[53] 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

January-December 2014 period, subject imports from Australia accounted for 7.9 percent of total imports of uncoated paper by quantity; subject imports from Brazil accounted for 22.7 percent; subject imports from China accounted for 14.3 percent; subject imports from Indonesia accounted for 23.9 percent; and subject imports from Portugal accounted for 16.3 percent.[54] We therefore find that imports from each of the subject countries are not negligible.

VI. Cumulation

For purposes of evaluating the volume and effects for a determination of reasonable indication of material injury by reason of subject imports, section 771(7)(G)(i) of the Tariff Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with the domestic like product in the U.S. market. In assessing whether subject imports compete with each other and with the domestic like product, the Commission generally has considered four factors:

(1) the degree of fungibility between subject imports from different countries and between subject imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;

(2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;

(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and

(4) whether the subject imports are simultaneously present in the market.[55]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.

Petitioners argue that imports from all subject countries should be cumulated.[56] Respondents argue to the contrary.[57]

The threshold requirement for cumulation is satisfied because petitioners filed the antidumping duty and countervailing duty petitions with respect to all subject countries on the

[54] CR at IV-9, PR at IV-7 – IV-8.

[55] *See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-80 (Final), USITC Pub. 1845 (May 1986), *aff'*d, *Fundicao Tupy, S.A. v. United States*, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

[56] Petition at I-22; Petitioners' Postconference Brief at 18.

[57] Australian Paper and PPM's Postconference Brief at 9; Portucel's Postconference Brief at 3; Respondents' Joint Postconference Brief at 5.

same day, January 21, 2015.[58] As discussed below, we find a reasonable overlap of competition between and among subject imports from Australia, Brazil, China, Indonesia, and Portugal and the domestic like product.

Fungibility. The record in the preliminary phase of these investigations indicates that uncoated paper is at least moderately fungible, regardless of source. All responding U.S. producers reported that product from all sources was "always" interchangeable and most responding importers reported that product from all subject countries was either "always" or "frequently" interchangeable with the domestic like product and product from other subject sources.[59] All responding U.S. producers also reported that differences other than price were only "sometimes" or "never" significant. However, most responding importers reported that there were either "always" or "frequently" differences other than price between the domestic like product and subject imports from Australia, China, and Indonesia, as well as between subject imports from Brazil and Indonesia, Australia and China, Australia and Indonesia, and China and Indonesia.[60] Nonetheless, no importers reported that product from any source was "never" interchangeable with product from another.[61]

The market participants' general perceptions of interchangeability establish, at least for purposes of the preliminary determinations, that any quality distinctions or distinctions in environmental certifications between subject imports from Brazil and Australia, on the one hand, and imports from other subject sources or the domestic like product, on the other, are not of sufficient magnitude to support a finding that the products are not fungible.[62] We find that the record of the preliminary phase of these investigations indicates a sufficient degree of

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[58] None of the statutory exceptions to cumulation is applicable.

[59] Interchangeability may be limited by differences in basis weight and characteristics such as opacity, stiffness, brightness, and print resolution. CR at II-15 – II-16 & nn.27-28, PR at II-11 & nn.27-28, CR/PR at Table II-7; Tr. at 123 (Ms. Esserman).

[60] CR at II-17, PR at II-11 – II-12, CR/PR at Table II-8. These differences include lead time, transportation, technical support and availability, inventory to U.S. warehouses to service business like a domestic mill, environmental concerns, product variety, customer preference, weight, brightness, forestry practices, age of machinery, scale/efficiency of production, long-term viability, quality, supply chain and sales strategy, better paper performance, and reliance on availability. CR at II-17 – II-18, PR at II-12.

[61] CR/PR at Table II-7.

[62] Australian Paper manufactures recycled uncoated paper that is accompanied by environmental certification. Australian Paper and PPM's Postconference Brief at 11-12. Brazilian producer Suzano claims that all of its paper is certified as coming from forests that provide, *inter alia*, environmental benefits. Suzano's Postconference Brief at 14.

Additionally, Australian respondents' argument that they offer a limited product range is unpersuasive. While they argue that they only supply letter-size paper to the U.S. market, respondents generally contend – and the pricing data indicate – that letter-size paper is the predominant uncoated paper product sold in the U.S. market. *See generally* CR at V-4 – V-6 and Figures V-1 – V-3, PR at V-3 – V-4 and Figures V-1 – V-3.

fungibility between and among subject imports from each subject country and the domestic like product to support a finding of "reasonable overlap" under this factor.

Channels of Distribution. Most domestically produced product and subject imports were sold mainly to distributors. While uncoated paper from China was mainly sold to end users, a significant percentage was sold to distributors throughout the period of investigation.[63] Consequently, the record in these preliminary phase investigations does not corroborate the arguments of Australian Paper, PPM, and Portucel that subject imports from Australia and Portugal are characterized by distinct channels of distribution.

Geographic Overlap. Most responding U.S. producers reported selling uncoated paper to all regions in the contiguous United States, as did importers from all subject countries.[64]

Simultaneous Presence in Market. Subject imports from all countries were present in the U.S. market every month during the period of investigation.[65]

In sum, the relevant antidumping duty and countervailing duty petitions were filed on the same day, and the record indicates that there is a reasonable overlap of competition between and among subject imports and the domestic like product, notwithstanding certain differences that respondents contend limit fungibility. We therefore cumulate subject imports from Australia, Brazil, China, Indonesia, and Portugal for purposes of our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

VII. Reasonable Indication of Material Injury by Reason of Subject Imports

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[66] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[67] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[68] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant

[63] In 2011, *** percent of subject imports from China were sold to distributors, while *** percent was sold to distributors in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table II-1.

[64] CR at IV-12, PR at IV-9 – IV-10, CR/PR at Table II-2.

[65] CR at IV-12 , PR at IV-9, CR/PR at Table IV-4.

[66] 19 U.S.C. §§ 1671b(a), 1673b(a).

[67] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[68] 19 U.S.C. § 1677(7)(A).

economic factors that bear on the state of the industry in the United States.[69] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[70]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[71] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[72] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[73]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[74] In performing its examination, however, the Commission need not isolate

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[69] 19 U.S.C. § 1677(7)(C)(iii).

[70] 19 U.S.C. § 1677(7)(C)(iii).

[71] 19 U.S.C. §§ 1671b(a), 1673b(a).

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

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

[74] SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or (Continued…)

the injury caused by other factors from injury caused by unfairly traded imports.[75] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[76] It is clear that the existence of injury caused by other factors does not compel a negative determination.[77]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[78] [79] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[80]

(…Continued)
dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

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

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

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

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

[79] Vice Chairman Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission (Continued…)

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[81] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[82] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

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

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(…Continued)
is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas. *Mittal Steel* explains as follows:

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

542 F.3d at 878.

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

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

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

factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[83]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[84] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[85]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

U.S. demand for uncoated paper depends on the demand for written or printed paper materials that use uncoated paper. Reported end uses include office/personal/school copying or printing, books, business forms, instruction manuals, inserts, flyers, brochures, and maps.[86] Petitioners report that ***.[87]

The parties agree that U.S. demand is declining.[88] This decline is due to competition from electronic media, such as smartphones, tablets and e-readers, as well as increasing reliance on online bill paying, email, and electronic recordkeeping, along with electronic documents and marketing materials in place of printed versions.[89] These shifts to electronic media may have little to do with the cost of uncoated paper; rather, they reflect falling costs and increasing conveniences of electronic media.[90]

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

[84] We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

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

[86] CR at II-10, PR at II-7.

[87] CR at II-10, PR at II-7.

[88] Petition at I-25; Petitioners' Postconference Brief at 17 & Answers to Staff Questions at 7; Respondents' Joint Postconference Brief at 5.

[89] Petition at I-25; Petitioners' Postconference Brief at 17; Respondents' Joint Postconference Brief at 5.

[90] CR at II-10, PR at II-7. Respondents from Brazil, China, Indonesia, and Portugal agree with petitioners that demand for uncoated paper has been in decline for more than 10 years. Respondents' (Continued…)

As measured by quantity, apparent U.S. consumption was 4.8 million short tons in 2011, 4.7 million short tons in 2012, and 4.6 million short tons in 2013. It was 3.4 million short tons in both interim 2013 and interim 2014.[91]

2. Supply Conditions

During the period of investigation, the U.S. market was supplied by the domestic industry, subject imports, and nonsubject imports. The domestic industry was the largest supplier to the U.S. market, and its market share fell steadily over the period. Cumulated subject import market share increased steadily,[92] while nonsubject market share was small and decreased over the period.[93]

The domestic industry closed uncoated paper production in a number of facilities over the period of investigation at plants owned by ***, Mohawk, Boise, Georgia-Pacific, and International Paper.[94] Some of the resultant loss in capacity was repurposed for the production of other products, such as fluff pulp.[95]

These capacity reductions principally affected the industry's papermaking capacity, although slitting (sheeter) capacity declined as well during interim 2014. U.S. producers' papermaking capacity declined 2.0 percent in 2012 and 1.5 percent in 2013, ending 3.4 percent lower in 2013 than in 2011; it was 11.0 percent lower in interim 2014 than in interim 2013.[96] Between 2011 and 2013, ***, reduced production and led the industry's papermaking capacity declines. The shutdown of one of International Paper's mills was largely responsible for the reduction in papermaking and slitting capacity between the interim periods.[97]

Nine of 25 responding importers as well as two of nine responding U.S. producers reported supply constraints during the period. The U.S. producers attributed these constraints to overcommitting to customers in July 2013, which led to subsequent allocations to these customers, and two- to three-month short-term supply shortages due to planned maintenance

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(…Continued)
Joint Postconference Brief at 5; Petition at I-24. According to respondents, the decline in demand will not reverse or slow. Respondents' Joint Postconference Brief at 5.

[91] CR/PR at Table IV-5.

[92] As measured by quantity, U.S. producers' market share was 87.2 percent in 2011 and fell to 86.6 percent in 2012, then fell to 84.2 percent in 2013. It was 84.6 percent in interim 2013 and 79.4 percent in interim 2014. CR/PR at Table IV-6. As measured by quantity, cumulated subject import market share increased from 8.5 percent in 2011 to 9.6 percent in 2012, and increased further to 12.0 percent in 2013. It was 11.5 percent in interim 2013 and 17.2 percent in interim 2014. *Id*.

[93] As measured by quantity, nonsubject import market share was 4.3 percent in 2011, and 3.8 percent in 2012 and 2013. It was 3.8 percent in interim 2013 and 3.4 percent in interim 2014. CR/PR at Table IV-6.

[94] CR at II-6, III-4 – III-5, III-6 – III-7, PR at II-5, III-3 – III-4.

[95] Tr. at 42 (Mr. Bray), 173 (Ms. Drake).

[96] CR at III-4, PR at III-3.

[97] CR at III-4 – III-5, PR at III-3 – III-4. Slitter capacity totaled 5.4 million short tons in 2011, 5.3 million short tons in 2012, and 5.4 million short tons in 2013. It was 4.1 million short tons in interim 2013 and 3.8 million short tons in interim 2014. CR/PR at Table III-4.

and unplanned outages. Importers, on the other hand, ascribed these situations to a number of other causes, including U.S. producers' capacity closures and the consolidation of U.S. distributors and domestic mill allocations.[98]

Canada was the only sizeable supplier of nonsubject imports during the period and these imports were supplied from an affiliate of Domtar.[99]

3. Substitutability

Petitioners claim that uncoated paper is a commodity-like product that competes on the basis of price. It is typically sold in the United States in standard sizes, such as 8.5 x 11 inches (letter size), 8.5 x 14 inches (legal size) and 11 x 17 inches. Letter and legal size sheets account for 84 percent of the U.S. market, according to petitioners, and this high degree of standardization makes uncoated paper a substitutable, price-sensitive product regardless of source.[100] Respondents, however, maintain that different product characteristics make certain products more suitable for particular uses and that nonprice factors play an important role in purchasing decisions.[101]

The record in the preliminary phase of these investigations suggests a high degree of substitutability between domestically produced uncoated paper and uncoated paper imports from subject sources. All responding U.S. producers reported that product from all sources was "always" interchangeable and most responding importers reported product from all countries was either "always" or "frequently" interchangeable.[102] At the same time, there is evidence that nonprice factors, including branding, environmental certifications, brightness, opacity, and stiffness,[103] have some effect on purchasing decisions.[104]

4. Other Conditions

The production of uncoated paper is capital intensive. Petitioners estimate a new paper machine would cost over $600 million; a new greenfield pulp mill would cost over $1 billion.[105]

The main raw materials used in production of uncoated paper include paper pulp, recycled fibers (used in recycled paper), a range of chemicals, starch, and energy. Most

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[98] CR at II-5 – II-6, PR at II-4 – II-5.

[99] CR at III-12, VII-34, PR at III-9, VII-20, CR/PR at Table III-8.

[100] Petition at I-24.

[101] Respondents' Joint Postconference Brief at 10.

[102] CR at II-15, PR at II-10.

[103] CR at II-15 – II-16 & nn.27-28, PR at II-11 & nn.27-28; Respondents' Joint Postconference Brief at 10-12. We intend to examine further the importance of these nonprice factors in any final phase of these investigations.

[104] Responding U.S. producers reported that for all country pairs, there were either "sometimes" or "never" differences other than price. Responding importers were more mixed, and the large majority of importers reported that there were "sometimes," "frequently," or "always" differences other than price between subject imports and the domestic like product and between subject imports from each source. CR/PR at Table II-8.

[105] Petition at I-25; Petitioners' Postconference Brief at 18.

producers manufacture paper pulp for their own use. As a share of the cost of goods sold ("COGS"), raw material costs changed by only a small amount, from 54.9 percent to 54.4 percent from 2011 to 2013.[106]

Most uncoated paper is sold from inventories for both domestic producers and importers.[107] Accordingly, lead times from purchase to delivery are fairly short.[108]

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[109]

Apparent U.S. consumption decreased steadily over the period of investigation. It declined 2.1 percent in 2012 and 2.6 percent in 2013, ending 4.6 percent lower than in 2011. It was 2.4 percent lower in interim 2014 than in interim 2013.[110]

At the same time, the volume of cumulated subject imports increased steadily; it was 34.9 percent higher in 2013 than in 2011, and was 45.7 percent higher in interim 2014 than in interim 2013.[111] Cumulated subject import market share also increased. As measured by quantity, cumulated subject import market share increased from 8.5 percent in 2011 to 9.6 percent in 2012, and increased further to 12.0 percent in 2013. It was 11.5 percent in interim 2013 and 17.2 percent in interim 2014.[112] In contrast, as measured by quantity, U.S. producers' market share was 87.2 percent in 2011, 86.6 percent in 2012, and 84.2 percent in 2013. It was 84.6 percent in interim 2013 and 79.4 percent in interim 2014.[113] Cumulated subject imports increased their market share primarily at the expense of the domestic industry.

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[106] CR/PR at V-1. Six of nine responding producers reported that raw material costs were increasing and three reported that raw material costs fluctuated. Most (14 of 24) responding importers reported that raw material costs had fluctuated, six reported that raw material costs increased, three reported no change and one reported that raw material costs decreased. *Id*.

[107] CR at II-15, PR at II-10.

[108] CR at II-15, PR at II-10. U.S. producers' lead times from inventories ranged from one to seven days and produced-to-order lead times ranged from seven to 28 days. Importers' lead times ranged from one to 15 days from U.S. inventories, one to 120 days from overseas inventories and five to 130 days for produced-to-order lead times. *Id*.

[109] 19 U.S.C. § 1677(7)(C)(i).

[110] CR/PR at Table IV-5. As measured by quantity, apparent U.S. consumption was 4.8 million short tons in 2011, 4.7 million short tons in 2012, and 4.6 million short tons in 2013. It was 3.4 million short tons in both interim 2013 and interim 2014. *Id*.

[111] CR at IV-4, PR at IV-4. The quantity of subject imports rose from 404,819 short tons in 2011 to 449,560 short tons in 2012, then to 546,008 short tons in 2013. It totaled 395,728 short tons in interim 2013 and 576,696 short tons in interim 2014. CR/PR at Table IV-5.

[112] CR/PR at Table IV-6.

[113] CR/PR at Table IV-6.

For purposes of these preliminary determinations, we find that the cumulated volume of subject imports, and the increase in that volume, are significant both in absolute terms and relative to consumption in the United States.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[114]

As discussed above, both the domestically produced and subject uncoated paper products sold in the U.S. market typically are sold in the same physical forms for the same applications, and are generally regarded by market participants as interchangeable. In light of these considerations, we find for purposes of our preliminary determinations that price is an important factor in purchasing decisions.[115]

The Commission collected quarterly pricing data on three uncoated paper products.[116] Eight U.S. producers and 20 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[117]

Product 1 reflected approximately 97.2 percent of all sales for which pricing data were collected, and we therefore focus our analysis on that product.[118] The pricing data show that prices of cumulated subject imports of Product 1 were below those for U.S.-produced product in 55 of 75 instances. The quantity of subject imports in underselling comparisons was 995,748 short tons, while the quantity involved in overselling comparisons was 436,430 short tons.[119] Margins of underselling ranged from 0.3 to 18.5 percent and margins of overselling ranged from 0.4 to 18.7 percent for Product 1.[120] Given the high frequency and substantial margins of

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[114] 19 U.S.C. § 1677(7)(C)(ii).

[115] *See also* Petitioners' Postconference Brief at 1.

[116] The pricing products were: Product 1 – uncoated paper, weighing 20 lb. (75 gsm), with dimensions of 8½ x 11 inches, and with GE brightness greater than 90; Product 2 – uncoated paper, weighing 50-60 lb. (74-89 gsm), with dimensions of 23 x 35 inches and with GE brightness greater than 90; and Product 3 – uncoated paper, weighing 50-60 lb. (74-89 gsm), with dimensions of 25 x 38 inches and with GE brightness greater than 90).

[117] CR at V-5, PR at V-3.

[118] *Compare* CR/PR at Figure V-1 *with* CR/PR at Figures V-2 – V-3; *also compare* CR/PR at Table V-3 and D-1 *with* Tables V-4 and V-5.

[119] CR/PR at Table V-3.

[120] CR/PR at Table V-3. Overall, the pricing data show that subject import prices were below those for U.S.-produced product in 151 of 183 instances; margins of underselling ranged from 0.1 to (Continued…)

underselling and the fact that price is an important consideration in purchasing decisions, we find the underselling to be significant. Moreover, this underselling correlates with shifts in market share from the domestic like product to subject imports.[121]

Prices for domestically produced Product 1 generally trended downward through 2013, declining 4.8 percent, increased during the first two quarters of 2014, then declined in the third quarter of 2014. Prices were lower during the third quarter of 2014 than during the first quarter of 2011. Over the period of investigation, price declines for subject imports of Product 1 ranged from 3.0 to *** percent.[122] During this period, subject imports gained market share and undersold the domestically produced product in most quarters.

The domestic industry argues that its prices were depressed. It points to efforts to raise prices in 2014 in response to the International Paper closure of its mill, increased raw material

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(…Continued)
28.8 percent. In the remaining 32 instances, subject import prices were between 0.0 and 84.9 percent above prices for the domestic product. CR at V-18, PR at V-9. The quantity of subject imports in underselling comparisons was 1,072,485 short tons, while the quantity involved in overselling comparisons was 450,367 short tons. CR/PR at Table V-7.

For Product 2, the pricing data show that subject import prices were below those for U.S.-produced product in 52 of 57 instances. Margins of underselling ranged from 0.1 to 27.1 percent. Margins of overselling ranged from 1.3 to 9.1 percent. CR/PR at Table V-4. The quantity of subject imports in underselling comparisons was 45,870 short tons, while the quantity involved in overselling comparisons was 7,589 short tons. *See id.* at Table V-4.

For Product 3, the pricing data show that subject import prices were below those for U.S.-produced product in 45 of 51 instances. Margins of underselling ranged from 1.1 to 21.5 percent. Margins of overselling ranged from 0.0 to 84.9 percent. CR/PR at Table V-5. The quantity of subject imports in underselling comparisons was 30,867 short tons, while the quantity involved in overselling comparisons was 6,348 short tons. *See id*. at Table V-5.

We note that respondents assert that pricing products 2 and 3 are not representative of uncoated paper sales in the U.S. market. Respondents' Joint Postconference Brief at 32. In any final phase of these investigations, we invite the parties in their questionnaire comments to suggest different pricing products that are more representative of market sales.

[121] *Compare* CR/PR at Table V-3 *with* CR/PR at Table IV-6. Subject import market share rose from 8.5 percent in 2011 to 12.0 percent in 2013, and was 17.2 percent in interim 2014 as compared to 11.5 percent in interim 2013. The domestic industry's market share fell from 87.2 percent in 2011 to 84.2 percent in 2013, and was 79.4 percent in interim 2014 as compared to 84.6 percent in interim 2013. CR/PR at Table IV-6.

[122] CR/PR at Tables V-3, V-6. Prices for domestically produced products 2 and 3 increased, by *** and *** percent, respectively over the period. Prices for subject imports of product 2 decreased *** percent (except for one country for which prices increased by *** percent); prices for subject imports of product 3 increased from *** percent. *Id.* at Tables V-4, V-5, V-6. Respondents argue that the Commission should consider annual average unit values ("AUVs") in analyzing price trends. *See* Respondents' Joint Postconference Brief at 31-33. We do not agree that an annual aggregate price is sufficient to inform our price trend analysis and that it would instead mask shorter-term price movements and effects.

costs, and an improving economic climate after nearly three years of price declines.[123] However, as underselling continued in 2014 and subject imports increased sharply, the industry was not able to sustain these increases. We find for purposes of the preliminary phase of these investigations that price depression existed during the period of investigation. In any final phase of these investigations, we intend to examine factors other than the subject imports, including demand trends and capacity reductions, that may have affected prices in the U.S. market.[124]

All eight responding producers reported that they had to reduce prices or roll back announced price increases, and that they lost sales. Most purchasers did not respond to requests to confirm or deny specific lost sales or revenues allegations, although two purchasers did confirm $3.7 million in lost sales.[125] In addition, three of five responding purchasers reported that they had shifted purchases of uncoated paper from U.S. producers to subject imports since 2011; all three purchasers stated that price was the reason for the shift. Four purchasers reported that U.S. producers had reduced prices to compete with subject imports since 2011.[126]

Accordingly, based on the record in the preliminary phase of these investigations, we find the price underselling by the subject imports to be significant and that the prices of the domestic like product were depressed throughout most of the period of investigation, while subject import volume and market penetration increased. We thus find for the purposes of these preliminary determinations that subject imports had significant effects on prices of the domestic like product.

E. Impact of the Subject Imports[127]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered

[123] Petitioners' Postconference Brief at 25.

[124] The domestic industry's ratio of COGS to net sales increased from 2011 to 2013. In interim 2014, the ratio of COGS to net sales was lower than it was during interim 2013, but higher than it was in 2011 and 2012. Average COGS/net sales was 77.3 percent in 2011, 79.7 percent in 2012, and 83.9 percent in 2013. It was 83.0 percent in interim 2013 and 81.8 percent in interim 2014. CR/PR at Table VI-1.

[125] CR at V-19, PR at V-9 – V-10, CR/PR at Table V-8.

[126] CR at V-19, PR at V-10.

[127] In its notice initiating the antidumping duty investigations, Commerce reported estimated dumping margins ranging from 49.90 percent to 222.46 percent for uncoated paper from Australia; 89.60 percent to 172.07 percent for uncoated paper from Brazil; 243.65 percent to 271.87 percent for uncoated paper from China; 12.08 percent to 66.82 percent for uncoated paper from Indonesia; and 2.23 percent to 22.59 percent for uncoated paper from Portugal. 80 Fed. Reg. at 8614.

"within the context of the business cycle and conditions of competition that are distinctive to the affected industry."

The domestic industry producing uncoated paper experienced declines over the period of investigation in numerous performance indicators. The industry's production of uncoated paper, its shipments, its market share, and its employment levels all declined between 2011 and 2013, were lower in interim 2014 than interim 2013. The industry's profitability fell sharply between 2011 and 2013, and, although operating profits were somewhat higher in interim 2014 as compared to interim 2013, the ratio of income to net sales in interim 2014 remained below the 2011 level. As described below, we find for purposes of the preliminary phase of these investigations a causal connection between these negative developments and the volume and price effects of the subject imports. We intend to examine in any final phase of these investigations the extent to which trends in the volume of imports and the indicators of the domestic industry's performance may be tied to the decrease in apparent U.S. consumption of uncoated paper.

Most domestic uncoated paper is produced by firms that make rolls on paper machines and process the rolls on slitters into finished sheets. The Commission collected data on producers' capacity and production with respect to both rolls and finished sheets. U.S. producers' overall production capacity, which includes papermaking (*i.e*., roll) capacity shared by uncoated paper and certain other paper products, decreased from 9.0 million short tons in 2011 to 8.8 million short tons in 2012, then to 8.7 million short tons in 2013; it was 5.8 million short tons in interim 2014 as compared to 6.6 million short tons in interim 2013.[128] Slitter capacity was relatively unchanged between 2011 and 2013, but was lower in interim 2014 than in interim 2013.[129] Papermaking production fell from 8.7 million short tons in 2011 to 8.4 million short tons in 2012 and 2013; it was 6.3 million short tons in interim 2013 and 5.5 million short tons in interim 2014.[130] Capacity utilization for papermaking remained at or above 95 percent throughout the period of investigation.[131]

Capacity to make finished uncoated sheets on slitters rose slightly from 5.3 million short tons in 2011 to 5.4 million short tons in 2013; it was 8.5 percent lower in interim 2014 (3.8 million short tons) than in interim 2013 (4.1 million short tons).[132] Production of finished uncoated sheets declined steadily from 4.4 million short tons in 2011, to 4.3 million short tons in 2012, and to 4.2 million short tons in 2013; production was 2.9 million short tons in interim

[128] CR/PR at Table III-3.

[129] CR/PR at Table III-4. The domestic industry's slitter capacity was 5.4 million short tons in 2011, 5.3 million short tons in 2012 and 5.4 million short tons in 2013. It was 4.1 million tons in interim 2013 and 3.8 million tons in interim 2014. *Id.*

[130] CR/PR at Table III-3.

[131] Capacity utilization declined from 96.0 percent in 2011 to 95.1 percent in 2012, then rose to 96.3 percent in 2013; it was 95.1 percent in interim 2014 as compared to 96.2 percent in interim 2013. CR/PR at Table III-3.

[132] CR/PR at Table III-4.

2014 as compared to 3.2 million short tons in interim 2013.[133] Slitter capacity utilization declined throughout the period. Slitter capacity utilization was 82.2 percent in 2011, 79.8 percent in 2012 and 78.2 percent in 2013; it was 75.5 percent in interim 2014 as compared to 76.3 percent in interim 2013.[134]

U.S. producers' U.S. shipments followed the same trend as production and fell from 4.2 million short tons in 2011 to 4.0 million short tons in 2012, and then to 3.8 million short tons in 2013; they totaled 2.7 million short tons in interim 2014 as compared to 2.9 million short tons in interim 2013.[135] Because domestic producers' shipments declined at a greater rate than the decrease in apparent U.S. consumption, domestic producers' market share declined steadily over the period. As measured by quantity, domestic producers' market share declined from 87.2 percent in 2011 to 86.6 percent in 2012, then to 84.2 percent in 2013, and was 79.4 percent in interim 2014 as compared to 84.6 percent in interim 2013.[136]

Industry employment indicators decreased steadily over the period. The number of production and related workers was 7,447 in 2011, 7,185 in 2012 and 6,925 in 2013; there were 6,290 workers in interim 2014 and 7,104 in interim 2013.[137] Wages paid decreased irregularly between 2011 and 2013, and were lowest at the end of the period.[138] By contrast, productivity rose each year from 2011 to 2013 and was higher in interim 2014 as compared to interim 2013.[139]

The domestic industry's key financial indicators deteriorated over the period. The value of total net sales fell steadily from 2011 to 2013, and was lower in interim 2014 as compared to interim 2013.[140] Operating income declined substantially between 2011 and 2013, and was slightly higher in interim 2014 than in interim 2013.[141] The ratio of operating income to net sales fell by 7.0 percentage points from 2011 to 2013, and was 1.0 percentage point higher in

[133] CR/PR at Table III-4.

[134] CR/PR at Table III-4.

[135] CR/PR at Table IV-5.

[136] CR/PR at Table IV-6. Inventories increased irregularly between 2011 and 2013, but were lower in interim 2014 as compared to interim 2013. End-of-period inventories were *** short tons in 2011, *** short tons in 2012, and *** short tons in 2013; they totaled *** short tons in interim 2014 as compared to *** short tons in interim 2013. CR/PR at Table III-7.

[137] CR/PR at Table III-9.

[138] Wages paid were $514.4 million in 2011, $516.3 million in 2012 and $511.1 million in 2013; they totaled $339.2 million in interim 2014 as compared to $395.1 million in interim 2013. CR/PR at Table III-9.

[139] Productivity was 280.9 short tons per 1,000 hours in 2011, 281.3 short tons per 1,000 hours in 2012 and 284.9 short tons per 1,000 hours in 2013; it was 284.0 short tons per 1,000 hours in interim 2014 as compared to 270.2 short tons per 1,000 hours in interim 2013. CR/PR at Table III-9.

[140] Total net sales were $4.6 billion in 2011, $4.4 billion in 2012 and $4.1 billion in 2013; net sales were $2.9 billion in interim 2014 as compared to $3.1 billion in interim 2013. CR/PR at Table VI-1.

[141] Operating income was $759.2 million in 2011, $625.1 million in 2012 and $388.3 million in 2013; it was $339.7 million in interim 2014 and $332.4 million in interim 2013. CR/PR at Table VI-1.

interim 2014 than in interim 2013.[142] Capital expenditures decreased between 2011 and 2013, and were slightly lower in interim 2014 as compared to interim 2013.[143] Research and development expenses declined irregularly from 2011 to 2013, and were slightly lower in interim 2014 as compared to interim 2013.[144]

As discussed above, we have found the volume of cumulated subject imports and the increase in the volume and market share of those imports to be significant over the period of investigation. Further, the cumulated subject imports undersold the domestic like product to a significant degree, and throughout most of the period of investigation, prices for the domestic like product declined as subject import volumes increased. The domestic industry also lost market share. This led to reduced sales, which combined with lower prices, led to lower revenues. The reduced revenues also led to declines in the domestic industry's financial performance during most of the period. Accordingly, we find, for purposes of the preliminary phase of these investigations, that the significant and increasing volume of subject imports, at prices that undersold the domestic like product and had adverse price effects on the domestic like product, had a significant impact on the domestic industry by reducing its shipments, revenues, and financial performance.

We have considered the role of declining demand over the period of investigation in potentially explaining the trends in import volumes and domestic industry performance. Respondents assert that the domestic industry's strategy of downsizing in the face of falling demand helped to draw in imports to satisfy purchasers' requirements.[145] Petitioners assert that subject imports played a significant role in any plant or equipment shutdowns.[146] In any final phase of these investigations, we intend to examine the extent to which reductions in papermaking and slitting capacity were due to the long-term decline in demand as respondents contend or to increased subject imports, as petitioners claim. We intend to examine, through purchaser questionnaires and other information, whether purchasers are moving to subject imports because of the unavailability of domestic supply. For purposes of these preliminary determinations, we find that the declines in market share observed throughout the period of

[142] The operating income ratio declined from 16.6 percent in 2011 to 14.3 percent in 2012, then to 9.6 percent in 2013. It was 10.7 percent in interim 2013 and 11.7 percent in interim 2014. CR/PR at Table VI-1.

[143] Capital expenditures were $229.7 million in 2011, $264.1 million in 2012 and $215.8 million in 2013; they were $147.3 million in interim 2014 and $147.9 million in interim 2013. CR/PR at Table VI-4.

[144] Research and development expenses were $*** in 2011, $*** in 2012 and $*** in 2013; they were $*** in interim 2014 and $*** in interim 2013. CR/PR at Table VI-4.

[145] Respondents' Joint Postconference Brief at 5-9, 20-25. They assert that domestic producers began to implement this approach well before the period of investigations, and did not identify the role of subject imports in public statements announcing the shutdown.

[146] Petitioners' Postconference Brief at 32-38. Petitioners point to various contemporaneous indications by company executives of the role of imports in the closures. Petitioners also point out that the capacity reductions resulted in the certification of workers at seven mills for Trade Adjustment Assistance administered by Commerce.

investigation and capacity utilization at the end of the period, as well as the extensive underselling, cannot be fully explained by the declines in demand.

In conducting our impact analysis, we have also considered the role of nonsubject imports so as not to attribute injury from them to subject imports. The volume and market share of nonsubject imports decreased over the period. The market share of nonsubject imports, as measured by volume, was 3.4 percent in interim 2014 as compared to 3.8 percent in interim 2013.[147] By contrast, the market share of subject imports increased throughout the period of investigation. The AUVs of imports from nonsubject sources were greater than the AUVs of imports from subject sources throughout the period, by amounts ranging from $118 per short ton to $263 per short ton.[148] In light of these considerations, the adverse effects of the subject imports are distinct from any attributable to the nonsubject imports.

VIII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of certain uncoated paper from Australia, Brazil, China, Indonesia, and Portugal that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the governments of China and Indonesia.

[147] CR/PR at Table IV-6. Nonsubject import market share was 4.3 percent in 2011, 3.8 percent in 2012, and 3.8 percent in 2013. *Id.*

[148] CR/PR at Tables IV-3, C-1.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("United Steel"), Pittsburg, PA; Domtar Corporation ("Domtar"), Ft. Mill, SC; Finch Paper LLC ("Finch Paper"), Glen Falls, NY; P.H. Glatfelter Company ("Glatfelter"), York, PA; and Packaging Corporation of America ("PCA"), Lake Forest, IL, on January 21, 2015, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value ("LTFV") imports of certain uncoated paper ("uncoated paper") [1] from Australia, Brazil, China, Indonesia, and Portugal and subsidized imports of uncoated paper from China and Indonesia. The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
January 21, 2015	Petition filed with Commerce and the Commission; institution of Commission investigation (80 FR 4311, January 27, 2015)
February 11	Commission's conference
February 18	Commerce's notice of initiation (80 FR 8598 (CVD) and 80 FR 8608 (AD))
March 6	Scheduled date for the Commission's vote
March 9	Scheduled date for the Commission's determination
March 16	Scheduled date for the Commission's views

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for*

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to this/these investigation(s).

[2] Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the conference is presented in app. B of this report.

domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

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

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.
. . .
In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.
. . .
In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing

of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Uncoated paper is generally used for paper in office and home copiers and printers, books, business forms, instruction manuals, inserts, flyers, brochures, and maps. The leading U.S. producers of uncoated paper are Boise White Paper LLC ("Bosie"), Domtar, Georgia-Pacific Consumer Products LP ("Georgia-Pacific"), and International Paper Company ("International Paper"), while leading producers of uncoated paper outside the United States include Paper Australia Pty. Ltd. ("Australian Paper") of Australia; International Paper and Suzano Papel e Celulose S.A. ("Suzano") of Brazil; Shandong Chenming Paper Holdings Ltd. ("Shandong Chenming"), Asia Pulp and Paper Group ("APP"), and Shandong Sun Paper Industry Joint Stock Co. ("Shandong Sun"), Ltd of China; APP and Asia Pacific Resources International Limited ("APRIL") of Indonesia; and the Portucel Soporcel Group ("Portucel") of Portugal. The leading U.S. importer of uncoated paper from Australia is Paper Products Marketing; from Brazil are Perez Trading and Suzano;[4] from China are International Forest Products, Marubeni America Corp., and Shinsei Pulp and Paper (USA) Corp. ("Shinsei"); from Indonesia are LinkMax Paper, Midland Paper, Papermax, and Shinsei; and from Portugal is Portucel. Leading importers of uncoated paper from nonsubject countries (primarily Canada, Israel, Germany, and Mexico) include Domtar, Midland Paper, and UPM Kymmene. A large share of uncoated paper is sold directly to office superstores such as Office Depot and Staples and large retailers such as Wal-Mart and Target.[5] In addition, there are paper distributors that sell to smaller purchasers.

Apparent U.S. consumption of uncoated paper totaled approximately 4.6 million short tons ($4.5 billion) in 2013. Currently, nine firms are known to produce uncoated paper in the United States. U.S. producers' U.S. shipments of uncoated paper totaled 3.8 million short tons ($3.8 billion) in 2013, and accounted for 84.2 percent of apparent U.S. consumption by quantity and 84.5 percent by value. U.S. imports from subject sources totaled 546,008 short tons ($497 million) in 2013 and accounted for 12.0 percent of apparent U.S. consumption by quantity and 11.1 percent by value. U.S. imports from nonsubject sources totaled 171,864 short tons ($198 million) in 2013 and accounted for 3.8 percent of apparent U.S. consumption by quantity and 4.3 percent by value.

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[4] Over the period of investigation, U.S. importer *** imported from Brazil and subsequently exported *** percent of these imports to the Caribbean and Latin American.

[5] Conference transcript, pp. 45, 53 (Melton, Dorn). Respondents estimate that with Staples acquisition of Office Max Depot, Staples will sell more than 50 percent of all copy paper sold in North America. Conference transcript, p. 157 (Peters).

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C1. Except as noted, U.S. industry data are based on questionnaire responses of nine firms that accounted for the vast majority of U.S. production of uncoated paper during January 2011 – September 2014 ("period of investigation"). U.S. imports are based on official Commerce statistics, except for U.S. imports from Brazil which are based on U.S. commercial shipments of imports from Brazil reported in responses to the Commission's U.S. importers' questionnaire.[6] [7]

PREVIOUS AND RELATED INVESTIGATIONS

Uncoated paper has not been the subject of any prior countervailing or antidumping duty investigations in the United States.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On February 18, 2015, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigations on uncoated paper from China and Indonesia.[8] Commerce indicated its intent to investigate the following 21 alleged government programs in China:[9]

- Preferential Lending
  - Policy Lending for the Paper Industry
  - Export Buyer's Credits and Export Seller's Credits
  - Preferential Loans to SOEs

[6] Substantially all imports of uncoated paper are believed to enter under the HTS subheadings 4802.56 and 4802.57. Petition, p. I-6 and Respondents' Joint postconference brief, p. 14.

[7] U.S. imports from Brazil reported in official U.S. statistics contain non-inconsequential quantities of nonsubject merchandise, such as *** and U.S. imports by ***, which were then re-exported, *** percent of these to the Caribbean and Latin America. Respondent Suzano's postconference brief, p.5. Petitioners concur with using U.S. commercial shipments for imports from Brazil. Petitioners' postconference brief, Answers To Questions From The Commission's Staff, p. 1.

[8] *Certain Uncoated Paper from the People's Republic of China and Indonesia: Initiation of Countervailing Duty Investigations*, 80 FR 8598, February 18, 2015.

[9] Commerce determined that the following program did not meet the requirements for initiation: Entrustment Lending. *Enforcement and Compliance Office of AD/ CVD Operations CVD Investigation Initiation Checklist, Certain Uncoated Paper from the People's Republic of China (PRC) (C-570-023)*, February 10, 2015.

- Income Tax Programs
    - Preferential Income Tax Program for HNTEs
    - Preferential Income Tax Program for HNTEs in Designated Zones
    - Income Tax Exemptions for Forestry Projects
- Indirect Tax Programs
    - VAT and Tariff Exemptions for Imported Equipment
    - VAT Rebates on FIE Purchases of Chinese-made Equipment
- Government Provision of Goods and Services for Less Than Adequate Remuneration (LTAR)
    - Provision of Land-Use Rights for LTAR
        - Provisions of Land for LTAR to Enterprises in Certain Industrial/Development Zones
        - Land to SOEs for LTAR
    - Provision of Papermaking Chemicals for LTAR
    - Provision of Coal for LTAR
    - Provision of Electricity for LTAR in Certain Industrial/Development Zones
    - The Provision of Water for LTAR for Certain Industrial/Development Zones
- Grants
    - Fund for Using Wood Pulp in Forestry-Paper Integration Projects
    - Interest Payments for Forestry-Paper Integration Projects
    - Support for Developing New Paper Products
    - State Key Technology Renovation Project Fund
    - Grants to Cover Legal Fees in Trade Remedy Cases
    - Grants for Listing Shares
    - Demolition and Relocation Assistance for Shandong Chenming

Commerce indicated its intent to investigate the following 14 alleged government programs in Indonesia:[10]

- Provision of Standing Timber for Less Than Adequate Remuneration
- Government Prohibition of Log Exports
- Debt Forgiveness
    - Debt Forgiveness through the Indonesian Government's Acceptance of Financial Instruments with No Market Value
    - Debt Forgiveness through APP/SMG's Buyback of its Own Debt from the GOI
- Export Financing from Export-Import Bank of Indonesia (Indonesia Eximbank)
- Export Credit Insurance

[10] Commerce determined that there were no programs that did not meet the requirements for initiation. *Enforcement and Compliance Office of AD/ CVD Operations CVD Investigation Initiation Checklist, Certain Uncoated Paper from Indonesia (C-560-829)*, February 10, 2015.

- Export Credit Guarantees
- Tax Incentives for Investment in Specified Business Lines and/or in Specified Regions by Indonesia's Investment Coordinating Board (BKPM)
    - Corporate Income Tax Deduction
    - Accelerated Depreciation and Amortization
    - Extension of Loss Carry-Forwards
- Preferential Treatment for Bonded Zone Locations

Alleged sales at LTFV

On February 18, 2015, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on uncoated paper from Australia, Brazil, China, Indonesia, and Portugal.[11] Commerce has initiated antidumping duty investigations based on estimated dumping margins ranging from 49.90 percent to 222.46 percent for uncoated paper from Australia; 86.90 percent to 172.07 percent for uncoated paper from Brazil; 243.65 percent to 271.87 percent for uncoated paper from China; 12.08 percent to 66.82 percent for uncoated paper from Indonesia; and 2.23 percent to 22.59 percent for uncoated paper from Portugal.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of these investigations as follows:

> *The merchandise covered by these investigations includes uncoated paper in sheet form; weighing at least 40 grams per square meter but not more than 150 grams per square meter; that either is a white paper with a GE brightness level of 85 or higher or is a colored paper; whether or not surface-decorated, printed (except as described below), embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions*
>
> *Uncoated Paper includes (a) uncoated free sheet paper that meets this scope definition; (b) uncoated groundwood paper produced from bleached chemi-thermo-mechanical pulp that meets this scope definition; and (c) any other uncoated paper that meets this scope definition regardless of the type of pulp used to produce the paper.*

[11] *Certain Uncoated Paper From Australia, Brazil, the People's Republic of China, Indonesia, and Portugal: Initiation of Less-Than-Fair-Value Investigations*, 80 FR 8608, February 18, 2015.

Specifically excluded from the scope are (1) paper printed with final content of printed text or graphics and (2) lined paper products, typically school supplies, composed of paper that incorporates straight horizontal and/or vertical lines that would make the paper unsuitable for copying or printing purposes.[12]

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations is imported under the following statistical reporting numbers of the Harmonized Tariff Schedule of the United States ("HTSUS"): 4802.56.1000, 4802.56.2000, 4802.56.3000, 4802.56.4000, 4802.56.6000, 4802.56.7020, 4802.56.7040, 4802.57.1000, 4802.57.2000, 4802.57.3000, and 4802.57.4000and 4802.57.[13] Some imports of subject merchandise may also be classified under these numbers: 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.50, 4802.62.60, 4802.69.10, 4802.69.20, 4802.69.30, 4811.90.8050, and 4811.90.9080.

THE PRODUCT

Description and applications

Uncoated paper is comprised of uncoated paper in the form of finished sheets; weighing at least 40 grams per square meter ("gsm") but not more than 150 gsm; that either is a white paper with a GE brightness level of 85 or higher or is a colored paper; whether or not surface-decorated, printed, embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions.[14] Uncoated paper consists of cut-size sheets and folio sheets. Cut-size sheets are produced in standard sizes of 8.5 x 11 inches (letter size), 8.5 x 14 inches (legal size), and 11x17 inches. Folio sheets are larger than cut size sheets and have various dimensions; one common size of folio sheets is 17 x 22 inches. More than 90 percent of U.S. shipments of uncoated paper is comprised of cut-size sheets. More than 95 percent of uncoated paper is sheeted and sold as finished sheets by paper producers; the remainder is sold in the form of sheeter rolls to independent converters, which sheet the rolls and sell the finished sheets.[15]

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[12] *Certain Uncoated Paper From Australia, Brazil, the People's Republic of China, Indonesia, and Portugal: Initiation of Less-Than-Fair-Value Investigations*, 80 FR 8608, February 18, 2015.

[13] These HTSUS statistical reporting numbers have a column 1 general duty rate of free.

[14] Petition, pp. I-4-I-5. Petitioners specifically exclude from their scope imports of paper printed with final content of printed text or graphics. Petition, p. I-10.

[15] Petition, pp. I-5-I-6.

Important physical characteristics of uncoated paper include: (1) brightness, (2) basis weight, (3) opacity, (4) smoothness, and (5) caliper.[16]

Brightness

Brightness is a measure of the paper's ability to reflect light. A GE Reflectance Scale is used for this measurement. The higher the brightness, the greater the contrast between the paper and the colors printed upon it. Brightness ranges from 1, a totally black grade, to 100, the brightest measured grade.[17]

Basis Weight

Basis weight, a traditional unit of measurement for the paper industry in the United States, is the weight in pounds of a ream of paper (500 sheets of paper) of a given size (the basis).[18] The basis weight for office copy paper is predominately 20 pounds but can range from slightly less than this to over 28 pounds.

Opacity

Opacity is a measure of the ability of a sheet of paper to have a printed image on one side without the image showing through to the other side. The measurement is expressed as a percent ranging from zero to 100. The higher the percent, the more opaque the paper; conversely, the lower the percent, the more transparent the paper.

Smoothness

Smoothness is the even and consistent continuity of the surface of the paper. Smoothness can be measured by a number of methods. The Bekk method measures smoothness in units of time (seconds) for a given volume of air to pass across the surface of the paper. The longer the time, the smoother the paper.

Caliper

Caliper is the thickness of the paper, measured in thousandths of an inch and typically expressed as points (e.g., 10 points equals 0.010 inch, 8 points equals 0.008 inch, and so on).

Uncoated paper is generally used for office reprographics (copy and printer paper), books, instruction manuals, inserts, business forms, flyers, maps, and brochures. Uncoated paper is used in office and home printers and copiers and on sheet-fed printing presses, including but not limited to offset presses, digital color presses, color printers, and color copiers.[19] The channels of distribution for uncoated paper include office superstores (such as Staples and Office Depot), club stores (such as Costco, Sam's Club, and BJ's), retailers (such as Wal-Mart, Kroger, Walgreen's, Best Buy, CVS, and Target), paper merchants/distributors, and end users (such as commercial printers, schools, and offices).[20]

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[16] The information in this section is drawn from *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),* USITC Publication 4192, November 2010, pp. I-15-I-17.

[17] Petition, p. I-12, n. 14.

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

[19] Petition, p. I-5.

[20] Petition, p. I-17.

Manufacturing processes[21]

Many of the production facilities of U.S. producers of uncoated paper are integrated operations, producing these products in one continuous process from the harvested log to the intermediate product (pulp) to the final paper product.[22] [23] This production process is similar for all the U.S. producers (figure I-1).

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

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

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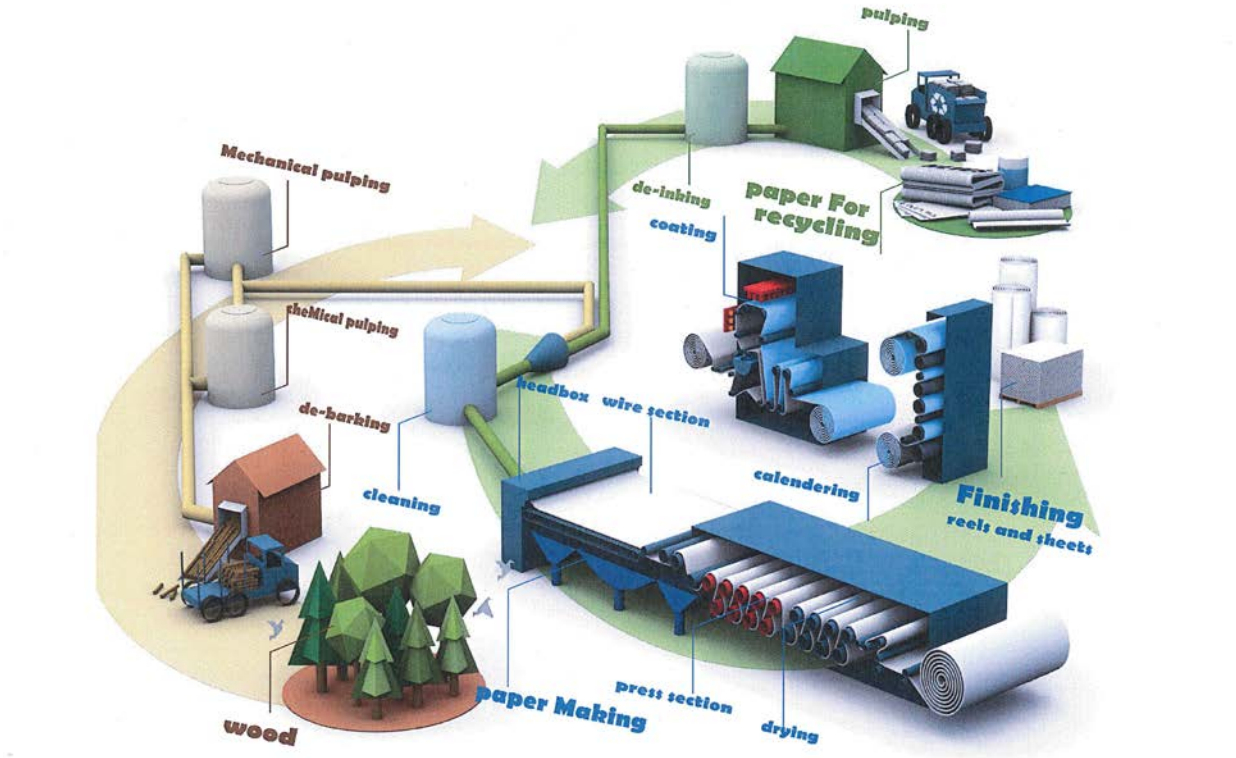
[21] The information in this section is drawn from *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia, Investigation Nos. 701-TA-470-471 and 731-TA-1169-1170 (Final),* USITC Publication 4192, November 2010, pp. I-19-I-22. See also Conference transcript, pp. 37-40 (Bray).

[22] Some U.S. producers also repulp recycled paper and use this recycled pulp solely, or in combination with virgin pulp, in the production of some of their paper; they may also purchase chemical pulp (described infra) or bleached chemi-thermo-mechanical pulp on the open market to supplement their own pulp production. Bleached chemi-thermo-mechanical pulp is a type of mechanical (groundwood) pulp produced by chemicals, heat, pressure, and grinding techniques, after which the pulp is bleached. Other types of mechanical pulp are produced by a mechanical grinding process, in which heat may also be applied.

[23] According to Petitioners, producers of uncoated paper in some other countries, including China and Indonesia, may produce some of this paper using bleached chemi-thermo-mechanical pulp. Petition, p. I-5.

of the web, reducing its water content to about 65 percent. The web then proceeds into the dryer section and passes over and under successive steam-heated drying cylinders. This drying process removes most of the remaining water from the web of paper.

Figure I-1
Uncoated paper: Papermaking process



Source: http://www.paperonline.org/uploads/paper%20making.pdf (accessed February 23, 2015).

The web may then undergo a calendaring process. A calendar is a set of steel rolls, stacked one on top of the other, through which the paper web is passed. The rolls apply heat and pressure to the paper, increasing the smoothness and gloss of the surface. The web of paper is wound onto large reels (jumbo rolls or parent rolls), which are transported to the finishing department where a slitter/rewinder unwinds and slits them into smaller width rolls (sheeter rolls) and rewinds them onto narrower reels. The various widths of these narrower rolls are dictated by the sheet sizes into which they will be cut or by the width of the presses for which they are intended.[24] At this point in the production process, some sheeter rolls (to be sheeted by independent converters) are wrapped and labeled for delivery to customers. The remaining sheeter rolls are processed on a sheeter, which cuts the rolls into sheets, performs a

[24] Sheeter rolls typically have widths of 52 to 103 inches and diameters of at least 50 inches, which are efficient sizes for cutting letter size and legal size sheets. Petition, p. I-9.

quality check of the surface of the paper, removes faulty sheets, counts and packages the sheets in ream quantities, and stacks them on pallets ready for delivery.[25] Until the sheets and sheeter rolls actually leave the paper mill for the customer, they are kept in climate-controlled areas and monitored carefully via inventory control software.

DOMESTIC LIKE PRODUCT ISSUES

No issues with respect to domestic like product have been raised in these investigations. The petitioners propose that the Commission define the domestic like product as co-extensive with the scope in these investigations.[26] Respondents also propose that the Commission define the domestic like product as co-extensive with the scope in these investigations.[27]

[25] Respondents noted that it can take up to eight hours to adjust a large sheeter to produce a different size of paper. Conference transcript, p. 142 (Sood).

[26] Petitioners' postconference brief, p. 6 and conference transcript, p. 12 (Dorn).

[27] Respondents' Joint postconference brief, p. 3 and conference transcript, p. 19 (McConkey).

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

U.S. MARKET CHARACTERISTICS

Consumption of uncoated paper has fallen by over 3 percent per year for the last 15 years.[1] Overall, apparent U.S. consumption in 2013 was 4.6 percent lower than in 2011. Uncoated paper is largely used in copy/printer machines for businesses, schools, government and other institutions, and household use. U.S. demand has fallen as printed copies have been replaced by electronic media.

CHANNELS OF DISTRIBUTION

With the exception of imports from China and nonsubject sources, most domestically produced and imported uncoated paper was sold mainly to distributors, as shown in table II-1. Uncoated paper from China and nonsubject countries, however, was mainly sold to end users.

GEOGRAPHIC DISTRIBUTION

Most responding U.S. producers reported selling uncoated paper to all regions in the contiguous United States (table II-2). Importers from all subject countries also reported selling to all regions of the United States. For U.S. producers, 8.8 percent of sales were within 100 miles of their production facility, 58.1 percent were between 101 and 1,000 miles, and 33.2 percent were over 1,000 miles. In contrast, importers from subject countries other than Brazil and Portugal reported selling most of their uncoated paper within 100 miles of their U.S. point of shipment. Brazil and Portugal sold mainly between 101 and 1,000 miles (table II-3).

[1] Conference transcript, p. 13 (Dorn).

Table II-1
Uncoated paper: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, January 2011 to September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Share of quantity (percent)				
U.S. producers' U.S. shipments to:					
Distributors	73	73	73	73	73
End users	27	27	27	27	27
U.S. importers' U.S. shipments of imports from Australia to:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. shipments of imports from Brazil to:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. shipments of imports from China to:					
Distributors	31	20	27	28	32
End users	69	80	73	72	68
U.S. importers' U.S. shipments of imports from Indonesia to:					
Distributors	99	99	96	96	99
End users	1	1	4	4	1
U.S. importers' U.S. shipments of imports from Portugal to:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. shipments of imports from all other countries to:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***

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

Table II-2
Uncoated paper: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	U.S. imports from				
		Australia	Brazil	China	Indonesia	Portugal
Northeast	9	***	2	9	7	***
Midwest	9	***	2	8	7	***
Southeast	9	***	4	6	8	***
Central Southwest	9	***	2	5	7	***
Mountains	8	***	1	6	6	***
Pacific Coast	8	***	1	10	10	***
Other[1]	5	***	2	3	8	***
Present in all continental regions	8	***	1	4	5	***

[1] All other U.S. markets, including AK, HI, PR, and VI, among others.
Source: Compiled from data submitted in response to Commission questionnaires.

Table II-3
Uncoated paper: Distance shipped within the United States for U.S. producers and importers

Distance shipped within the United States	U.S. producers	U.S. imports from				
		Australia	Brazil	China	Indonesia	Portugal
	(percent)					
Zero to 100 miles	9	***	***	86	83	***
101 miles to 1,000 miles	58	***	***	13	13	***
Over 1,000 miles	33	***	***	2	4	***

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of uncoated paper have the ability to respond to changes in demand with moderate changes in the quantity of shipments of U.S.-produced uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused paper slitting capacity, combined with some capacity to increase paper production and the ability to shift paper production from alternate products.

Industry capacity

Domestic slitter capacity was relatively unchanged between 2011 and 2013, *** in 2011, *** in 2012, and *** in 2013 but fell between interim 2013 and 2014 from *** to ***, a reduction of *** percent. Capacity utilization decreased from *** percent in 2011 to *** percent in 2013 and decreased from *** percent in interim 2013 to *** percent in interim

2014. Paper-making capacity declined steadily from 9.0 million short tons in 2011 to 8.7 million short tons in 2013, a reduction of 3.4 percent.[2] Paper-making capacity utilization was high, increasing unevenly from 96.0 percent in 2011 to 96.3 percent in 2013. The relatively moderate-to-high level of slitter capacity utilization and high for paper capacity utilization suggests that U.S. producers may have a relatively limited ability to increase production of uncoated paper in response to an increase in prices.

Alternative markets

U.S. producers' exports, as a percentage of total shipments, increased between 2011 and 2013. U.S. producers' export shipments increased from *** percent in 2011 to *** percent in 2013, indicating that U.S. producers may have some ability to shift shipments between the U.S. market and other markets in response to price changes. The main export markets were Canada and Mexico.

Inventory levels

U.S. producers' inventories increased from *** percent of total shipments in 2011 to *** percent in 2013. These inventory levels suggest that U.S. producers may have limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Six of the nine responding U.S. producers reported that they were able to shift production to other products including: heavier grade paper; uncoated paper in rolls; coated paper; and paper for envelopes, forms, and Kraft bags. In most cases, these alternative products are produced using the paper making rather than the paper slitting capacity. Thus the U.S. producers may be able to shift paper production from these alternative products to free up paper capacity to produce uncoated paper.

Supply constraints

Nine of 25 responding importers and 2 of 9 responding U.S. producers reported that there were supply constraints. The two U.S. producers reported: overselling in July of 2013 for a school end-use bid, which led to allocations in August and September; and 2-to-3 month short-term supply constraints due to planned maintenance and unplanned outages. Importers reported the following: customers' requests for international options due to U.S. producers capacity closures and the consolidation of U.S. distributors; capacity limitations have increased lead times; logistic and shipping problems that affected delivery; inability to meet timely shipment commitments; long lead times/damage at port; delivery of less than promised;

[2] Just over half of the U.S. paper making capacity was used in production of uncoated paper. This share was relatively unchanged over the period.

affiliated mills constrain supply; domestic mills allocations; and exchange rate issues/increased shipping costs that led to customers canceling orders. U.S. producers report that as the demand for paper has declined U.S. producers have closed paper mills and machines reducing overall paper making capacity. The most recent closure has been of International Paper's Courtland, Alabama mill which closed in 2014, and between interim 2013 and 2014, U.S. producers capacity fell by 8.5 percent.

Subject imports from all subject countries

Table II-4 provides a summary of supply related data for subject countries.

Table II-4
Uncoated paper: Foreign industry factors that affect ability to increase shipments to the U.S. market

Country	Capacity (million short tons)		Capacity utilization (percent)		Inventory levels (percent)		Production alternatives	Shipments exported to non U.S. markets 2013 (percent)
	2011	2013	2011	2013	2011	2013		
Australia	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***
China	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	[1]	***
Portugal	***	***	***	***	***	***	***	***

[1] Other products produced by Indonesian producers included: ***

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

Respondents report that because U.S. uncoated paper sizes differ from that in most other countries, shifting sales from other countries to the United States would require firms to "invest substantial amounts in additional cutting equipment."[3]

Subject imports from Australia[4]

Based on available information, the one producer of uncoated paper from Australia has the ability to respond to changes in demand with relatively small changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree

[3] Respondents' joint postconference brief, p. 45. It cost "multiple, multiple" million dollars and take around six months to install new sheeter capacity in the United States. Conference transcript p. 66, (Thomas, Melton). It would cost "several" million dollars to install sheeter capacity in Indonesia; while changing paper sizes of sheeter machines can take up to eight hours and requires different knife blocks than used to produce A4 paper. Conference transcript pp. 141-142 (Gupta and Sood).

[4] The Commission received one questionnaire response from Australian producers. This firm reported that it represented all Australian production, and its exports to the United States accounted for 100 percent of U.S. imports of uncoated paper from Australia during January 2011-September 2014.

of responsiveness of supply are the ***. The Australian producer reported its supply constraints were that only ***.

Subject imports from Brazil[5]

Based on available information, producers of uncoated paper from Brazil have the ability to respond to changes in demand with relatively small changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the high capacity utilization rate and relatively low inventories. Brazilian producers reported supply was constrained by ***.

Subject imports from China[6]

Based on available information, producers of uncoated paper from China have the ability to respond to changes in demand with moderate changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the rapidly growing capacity, though this is offset by relatively high capacity utilization rates, and low inventories. Chinese producers reported that their supply constrains included: ***.

Subject imports from Indonesia[7]

Based on available information, producers of uncoated paper from Indonesia have the ability to respond to changes in demand with moderate changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the relatively large capacity, and the large share of production that is exported. This ability to increase shipments to the United States is limited by the relatively high capacity utilization. One Indonesian producer reported capacity constraints including: ***.

[5] The Commission received two questionnaire responses from Brazilian producers. These firms estimated that their exports to the United States accounted for *** percent of U.S. imports of uncoated paper from Brazil during January 2011-September 2014.

[6] The Commission received five questionnaire responses from Chinese producers. These firms' estimated that their exports to the United States accounted for 87.7 percent of U.S. imports of uncoated paper from China during January 2011-September 2014.

[7] The Commission received four questionnaire responses from Indonesian producers. Based on the data provided, these firms estimated that their production was 93 percent of Indonesian production and their reported exports to the United States accounted for 121 percent of U.S. imports of uncoated paper from Indonesia during January 2011-September 2014.

Subject imports from Portugal[8]

Based on available information, the producer of uncoated paper from Portugal, Portucel, has the ability to respond to changes in demand with small-to-moderate changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are relatively high capacity utilization rates, and low inventories; however, a large share of its production is exported. ***.

Nonsubject imports

The largest source of nonsubject imports during January 2011 – September 2014 was Canada. Canada accounted for 69.4 percent of all nonsubject imports in 2013.

U.S. demand

Based on available information, the overall demand for uncoated paper is likely to experience small changes in response to changes in price. The main contributing factors are the limited range of substitute products and the small cost share of uncoated paper for most businesses.[9] However, while direct substitutes (other papers that may be used to produce printed material) are limited, the printing technology is now facing competition from electronic media. Shifts to electronic media may have little to do with the cost of uncoated paper; rather, they reflect falling costs of, and increasing conveniences, of electronic media.

End uses

U.S. demand for uncoated paper depends on the demand for U.S.-produced written or printed paper materials that use uncoated paper. Reported end uses include office/personal/school copying or printing, books, business forms, instruction manuals, inserts, flyers, brochures, and maps.[10] Petitioners report that ***.[11]

Petitioners report that uncoated paper is a price sensitive commodity-like product. Its "basic specifications in terms of size, weight, brightness and smoothness are nearly the same for the vast majority of products in the market."[12] "Certain Uncoated Paper is sold primarily on the basis of price."[13]

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[8] The Commission received one Portuguese producer questionnaire response. This firm reported that it represented all Portuguese production; and that its exports to the United States accounted for 100 percent of U.S. imports of uncoated paper from Portugal during January 2011-September 2014.

[9] Publishers that produce mainly printed material such as newspapers, magazines, and books typically do not use subject uncoated paper for their publications.

[10] Petition p. I-5.

[11] Petitioners' postconference brief, answers to questions from Commission's Staff, p. 10.

[12] Conference transcript, pp. 13, 49 (Dorn, Leblanc).

[13] Petitioners' postconference brief, p. 23.

Respondents report that uncoated paper is used in a wide variety of applications and that "physical characteristics make a particular piece of paper suitable for certain applications and unsuitable for others."[14] Paper may differ on factors such as smoothness, brightness, stiffness, opacity, and paper shade.[15] In addition, respondents report customers prefer certain brands, and may require environmental certifications.[16]

Cost share

Responding firms had difficulty determining the cost share of uncoated paper in their end-use products. Manufacturers see uncoated paper as the end use. To the extent that a printed document is the end use, firms could not readily determine what other costs include. The types of documents produced also vary a great deal. In some cases the decision for the number of copies to produce may be obvious, or even set by rules such as documents for the Commission. In other cases, the correct number of copies made may not be clear; in this case the cost of paper may be an important share of the additional cost of an additional copy. Finally, there is a range of types of copy/printer machines. For example, printers used in large institutions differ from household printers, and both these types of printers differ from commercial offset printing presses. For different types of printers, the cost shares of the inputs may differ. For example, in an ink jet printer, the cost of ink may be six to seven times the cost of the paper. For this reason, according to the respondents, it is important to use a paper that minimizes ink required for the use.[17] Petitioners report that paper costs about ½ cent per page; if purchasing copies from an establishment such as "Kinkos," the cost of a copied page would be from 13 to 15 cents per page.[18]

Uncoated paper accounts for a small-to-moderate share of the cost of many of the end-use products in which it is used. Reported cost shares for printed and copied documents were estimated by U.S. producers to range from 5 to 75 percent and from 30 to 95 percent by importers.[19]

Business cycles

Six of nine responding U.S. producers and 14 of 25 responding importers indicated that the market was subject to business cycles or distinctive conditions of competition. Producers and importers reported that demand varied somewhat over the year; that demand was declining from year to year; and that U.S. production capacity and distribution were consolidating. Four of five responding U.S. producers and 10 of 15 responding importers

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[14] Respondents' joint postconference brief, p. 10.

[15] Respondent Suzano's postconference brief, pp. 12-13.

[16] Respondents' joint postconference brief, p. 11.

[17] Hearing transcript, 160 (Sood).

[18] Petitioners' postconference brief, answers to questions from Commission's Staff, p, 17.

[19] Three of eight responding producers and 10 of 14 responding importers reported that paper was 100 percent of the cost. These responses are not used.

reported changes in conditions of competition since 2011. Reported changes included consolidation of U.S. producers and distributors and increased imports.

Demand trends

The vast majority of firms reported a decrease in U.S. demand for uncoated paper since January 1, 2011 (table II-5).[20] Most responding U.S. producers reported that demand was either fluctuating or decreasing outside the United States; and importers had varied responses regarding demand outside the United States. Typically these firms (regardless of how they characterized demand outside the United States) reported that demand changes differed by region, with demand falling in North America and Europe and demand increasing in Asia and some developing and emerging economies.

Respondents report that U.S. demand has declined on average 3.4 percent per year from 2010 through 2012.[21]

Table II-5
Uncoated paper: Firms' responses regarding U.S. demand and demand outside the United States

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand inside the United States:				
U.S. producers	0	0	9	0
Importers	1	2	19	1
Demand outside the United States:				
U.S. producers	1	1	2	4
Importers	7	2	6	6

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

Substitute products

Substitutes for uncoated paper are limited. Eight of nine responding U.S. producers[22] and 18 of the 24[23] responding importers reported that there were no substitutes for uncoated paper. Importers that identified substitutes reported that coated paper[24] or uncoated paper outside of the scope of the investigation could be used in copying. One importer reported that if the price of coated paper decreases, this will cause the price of uncoated paper to decline.

[20] The one importer that reported U.S. demand had increased explained that removal of capacity had balanced the market.

[21] Respondents' joint postconference brief, p. 5.

[22] The one U.S. producer reporting a substitute for uncoated paper identified electronic distribution and storage and reported that the declining cost of this had lowered the price of uncoated paper.

[23] One importer reported that "any high bright copy paper" was a substitute. This response was not included because "high bright copy paper" is part of subject uncoated paper.

[24] Coated paper can be used for copying, typically producing a higher quality and more expensive product. In some high-end applications, either uncoated or coated paper may be used depending on the quality of the final printed material wanted. Conference transcript, p. 82 (Thomas).

While direct substitutes are limited, the printing technology is facing substitution by electronic media. The decision to shift to electronic media may have little to do with the cost of uncoated paper; rather it reflects the falling costs and increasing conveniences of electronic media. Petitioners see electronic media as the main reason for declining demand for uncoated paper.[25]

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported uncoated paper depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, Staff believes that there is a high degree of substitutability between domestically produced uncoated paper and uncoated paper imported from subject sources.

Lead times

Uncoated paper is sold primarily from inventory in the United States (table II-6). U.S. producers' lead times from inventories ranged from 1 to 7 days and produced-to-order ranged from 7 to 28 days. Importers' lead times ranged from 1 to 15 days from U.S. inventories, 1 to 120 days from overseas inventories, and 5 to 130 days for produced-to-order.[26]

Table II-6
Uncoated paper: U.S. producers and importers share of sales from inventories vs produced to order

Manner order met	U.S. producers	U.S. importers				
		Australia	Brazil	China	Indonesia	Portugal
Produced to order	27	***	***	83	28	***
From U.S. inventories	73	***	***	17	63	***
From foreign inventories		***	***	1	10	***

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

Comparison of U.S.-produced and imported uncoated paper

In order to determine whether U.S.-produced uncoated paper can generally be used in the same applications as imports from Australia, Brazil, China, Indonesia, and Portugal, U.S. producers and importers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. As shown in table II-7, all responding U.S. producers reported that product from all sources was "always" interchangeable and most responding importers reported that product from all countries was either "always" or

[25] Conference transcript, p. 79 (Lassa).

[26] Eleven of the 15 responding firms reported lead times for produced-to-order uncoated paper ranged from 60 to 90 days.

Table II-7
Uncoated paper: Interchangeability between uncoated paper produced in the United States and in other countries, by country pairs

Country pair	U.S. Producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. Australia	8	0	0	0	4	7	1	0
United States vs. Brazil	8	0	0	0	7	7	2	0
United States vs. China	8	0	0	0	5	11	2	0
United States vs. Indonesia	8	0	0	0	10	6	3	0
United States vs. Portugal	8	0	0	0	7	7	0	0
Australia vs. Brazil	8	0	0	0	4	7	2	0
Australia vs. China	8	0	0	0	4	7	2	0
Australia vs. Indonesia	8	0	0	0	4	7	2	0
Australia vs. Portugal	8	0	0	0	4	8	1	0
Brazil vs. China	8	0	0	0	4	9	1	0
Brazil vs. Indonesia	8	0	0	0	6	7	1	0
Brazil vs. Portugal	8	0	0	0	6	7	0	0
China vs. Indonesia	8	0	0	0	4	10	1	0
China vs. Portugal	8	0	0	0	4	9	0	0
Indonesia vs. Portugal	8	0	0	0	4	8	0	0
United States vs. Other	7	0	0	0	4	5	0	0
Australia vs. Other	7	0	0	0	3	3	1	0
Brazil vs. Other	7	0	0	0	3	5	0	0
China vs. Other	7	0	0	0	3	5	0	0
Indonesia vs. Other	7	0	0	0	3	5	0	0
Portugal vs. Other	7	0	0	0	3	3	0	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

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

"frequently" interchangeable. Reasons products were only sometimes interchangeable include: differences in basis weight between countries; and ***[27] ***.[28]

In addition, U.S. producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of uncoated paper from the United States, subject, or nonsubject countries. As seen in table II-8, all responding U.S. producers reported that for all country pairs there were either "sometimes" or "never" differences other than price. Responses by importers were more varied. Most responding importers report that there were either "always" or "frequently" differences other than price between U.S. and Australian, U.S. and Chinese, U.S. and Indonesian, Brazil and Indonesia, Australian and Chinese, Australian

[27] ***. Respondent Suzano's postconference brief, p. 12, Respondent Portucel's postconference brief, p. 5. Respondent Australian's postconference brief, p. 10.

[28] ***

Table II-8
Uncoated paper: Significance of differences other than price between uncoated paper produced in the United States and in other countries, by country pairs

Country pair	U.S. Producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. Australia	0	0	3	5	4	1	2	1
United States vs. Brazil	0	0	3	5	1	6	6	1
United States vs. China	0	0	3	5	7	4	5	1
United States vs. Indonesia	0	0	3	5	6	6	4	1
United States vs. Portugal	0	0	2	6	1	3	7	1
Australia vs. Brazil	0	0	1	6	1	1	6	1
Australia vs. China	0	0	1	6	1	5	2	1
Australia vs. Indonesia	0	0	1	7	1	6	1	1
Australia vs. Portugal	0	0	2	6	1	0	7	1
Brazil vs. China	0	0	2	6	2	3	2	2
Brazil vs. Indonesia	0	0	2	6	5	1	1	2
Brazil vs. Portugal	0	0	1	7	2	2	2	2
China vs. Indonesia	0	0	2	6	1	6	0	4
China vs. Portugal	0	0	1	7	1	0	5	2
Indonesia vs. Portugal	0	0	1	7	1	1	4	2
United States vs. Other	0	0	2	5	0	3	3	1
Australia vs. Other	0	0	1	6	0	0	1	1
Brazil vs. Other	0	0	1	6	0	0	1	2
China vs. Other	0	0	1	6	0	0	1	3
Indonesia vs. Other	0	0	1	6	0	1	0	3
Portugal vs. Other	0	0	1	6	0	0	1	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

and Indonesian, and Chinese and Indonesian product. Most importers report that there were "frequently" or "sometimes" differences other than price between product from U.S. and Brazil and U.S. and other (nonsubject countries). Importers comparing product from Brazil with that from China and from Brazil with that from Portugal gave almost the same number of responses for "always," "frequently," "sometimes," and "never." For all other country pair comparisons, most of the responses were that there were either "sometimes" or "never" differences other than price. Importers reported differences (in addition to those reported for interchangeability) including: lead time, transportation, tech support and availability; inventory in U.S. warehouses to service business like a domestic mill; environmental concerns (frequently expressed when Indonesian paper is discussed); product variety, customer preference, weight, brightness, and forestry practices; age of machinery, scale/efficiency of production, long-term viability, quality, supply chain and sales strategy; superior eucalyptus fiber used by producers in Australia, Brazil, and Portugal for better paper performance, with customer reliance on availability of those producers when U.S. producers cut them off, as in January 2014; and FSC certification of all Brazil imports, as a limited amount of FSC certified product is produced in the United States;

stable presence maintained by Brazil in the U.S. market since 1992, resulting in customers viewing Brazil as a trusted and reliable supplier.

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of nine firms that accounted for the vast majority of U.S. production of uncoated paper during January 2011-September 2014.

During the period of investigation, the domestic industry producing uncoated paper experienced the following events, as shown below in table III-1.

Table III-1
Uncoated paper: Domestic industry events since January 1, 2011

Period	Firm	Event
Third quarter, 2011	Domtar Corporation	Closure of paper machine in Ashdown, AR
December 2011	***	***.
2012	***	***.
January, 2012	Mohawk Fine Papers	Beckett paper mill in Hamilton, OH closed and production transferred to New York mills; capacity decline of 60,000 tons
First quarter, 2012	Wausau Paper	Closure of paper mill in Brokaw, WI after sale of paper brands to Neenah Paper; capacity decline of 120,000 tons
January, 2013	Boise Inc.	Closure of paper machine in St. Helens, OR; capacity decline of 55,000 tons
January, 2013	Southworth Company	Sale of business paper product line to Neenah Paper
March, 2013	Harbor Paper	Indefinite closure of paper machines in Hoquiam, WA; capacity decline of 140,000 tons
Second quarter, 2013	***	***.
October, 2013	Boise Inc.	Permanent closure of two paper machines in International Falls, MN; capacity decline of 105,000 tons
October, 2013	Boise Inc.	Packaging Corporation of America completes acquisition of Boise Inc.

Table continued on next page.

Table III-1-*Continued*
Uncoated paper: Domestic industry events since January 1, 2011

November, 2013	Georgia-Pacific	Permanent closure of paper machine in Crossett, AR; capacity decline of 85,000 tons
November, 2013	Lincoln Paper and Tissue	Indefinite idling of two paper machines in Lincoln, ME; capacity decline of 70,000 tons
November, 2013	International Paper	Permanent closure of paper machine in Courtland, AL
February, 2014	International Paper	Permanent closure of two remaining paper machines in Courtland, AL; capacity decline of 765,000 tons (includes all three machines at the site)
March 2014	***	***.

Note:--The capacity closures herein involve uncoated paper and other types of uncoated free sheet paper.

Source: Compiled from information obtained from various news articles and company websites; Petition, Exhibit I-21, and data submitted in response to Commission questionnaires.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to 27 firms based on information contained in the petition,[1] and through independent staff research. Nine firms provided useable data on their production operations.[2] Staff believes that these responses represent the vast majority of U.S. production of uncoated paper during the period of investigation.

Table III-2 lists U.S. producers of uncoated paper, positions on the petition, their production locations, and shares of 2013 production.

[1] Including ten firms believed to be possible converters of sheeter rolls.

[2] In addition, *** certified that it had produced uncoated paper, but did not provide a completed questionnaire as the firm sold its uncoated free sheet business (along with related books and records) to ***. Three firms certified that they had not produced uncoated paper at any time since January 1, 2011, and the remaining fourteen firms provided no response.

Table III-2
Uncoated paper: U.S. producers' positions on petition, location of production, and share of total production, 2013

Firm	Position on petition	Production location(s)	Share of production (percent)
American Eagle	***	Tyrone, PA	***
Boise[1]	Support	International Falls, MN	***
Domtar[2]	Support	Kingsport, TN	***
Finch Paper	Support	Glens Falls, NY	***
Georgia-Pacific	***	Crossett, AR	***
Glatfelter	Support	Chillicothe, OH	***
International Paper[3]	***	Courtland, AL	***
Mohawk	***	Waterford, NY	***
Performance Office Papers	***	Lakeville, MN	***
Total			100.0

[1] Boise is wholly owned by Packaging Corporation of America.
[2] Domtar is related to wholly-owned Canadian producer, Domtar Windsor Mill.
[3] International Paper is related to (wholly owned subsidiaries) Brazilian producer/exporter, International Paper Brazil, French producer, International Paper Europe, Russian producer, International Paper Russia, and Indian producer, International Paper India. International Paper 2013 10-k, p. 28, appendix I, and appendix 26, found at http://www.sec.gov/Archives/edgar/data/51434/000005143414000003/0000051434-14-000003-index.htm.

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

As indicated in table III-2, one U.S. producer, International Paper, is related to a foreign producer of the subject merchandise. In addition, as discussed in greater detail below, *** directly imports the subject merchandise and no U.S. producers purchase the subject merchandise from U.S. importers.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Overall paper making

Table III-3 presents U.S. producers' overall paper making capacity, production of alternative products, and capacity utilization. U.S. producers' overall paper making capacity declined each year during 2011-13 (2.0 percent in 2012 and 1.5 percent in 2013) ending in 2013 3.4 percent lower than in 2011, and was 11.0 percent lower in interim 2014 than in interim 2013. The decline during 2011-13 was largely due to ***. In addition, Mohawk closed its mill in Hamilton, Ohio at the end of 2011 (removing *** short tons of capacity); [3] Boise shut down two paper machines, with capacity totaling 115, 000 short tons, at its International Falls facility in

[3] "Mohawk History" found at http://www.mohawkconnects.com/company/mohawk-history/Mohawk, and Mohawk's U.S. producers questionnaire response.

October 2013;[4] and Georgia-Pacific ceased operations on one paper machine at its Crossett, Arkansas mill (approximately *** short tons removed in 2013).[5] These declines were partially offset by small increases in overall capacity by ***. While the shutdowns at Boise and Georgia-Pacific noted above lowered capacity in interim 2014, the overwhelming reduction in capacity was as a result of the closure of International Paper's paper mill in Courtland, Alabama in the fourth quarter of 2013 and first quarter of 2014.[6]

Table III-3
Uncoated paper: U.S. producers' production, capacity, and capacity utilization for alternative products, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Quantity (short tons)				
Overall capacity	9,008,032	8,831,072	8,698,649	6,554,480	5,831,263
Production:					
Uncoated paper	4,397,725	4,266,690	4,208,907	3,165,101	2,863,721
Coated paper	***	***	***	***	***
Other products	***	***	***	***	***
Total production	8,650,936	8,399,009	8,373,553	6,305,708	5,544,305
	Ratios and shares (percent)				
Capacity utilization	96.0	95.1	96.3	96.2	95.1
Share of production:					
Uncoated paper	50.8	50.8	50.3	50.2	51.7
Coated paper	***	***	***	***	***
Other products	***	***	***	***	***
Total production	100.0	100.0	100.0	100.0	100.0

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

Similar to capacity, total production declined each year during 2011-13 (2.9 percent in 2012 and 0.3 percent in 2013); production in 2013 was 3.2 percent lower than in 2011, and it was 12.1 percent lower in interim 2014 than in interim 2013. During 2011-13, production of

[4] Conference transcript, p. 30 (Lassa) and "Boise Inc. to Close Two Paper Machines at International Falls, MN Mill," *Paper Age*, May 2, 2013, found at http://www.paperage.com/2013news/05_02_2013boise_international_falls_machine_closures.html.

[5] "GeorgiaPacific to shut uncoated freesheet paper machine at its Crossett mill in Arkansas due to weak demand," *Pulp and Paper News*, August 20, 2013, and Georgia-Pacific's U.S. producers questionnaire response.

[6] The closure of this mill reduced International Paper's uncoated and coated freesheet paper capacity by 950,000 short tons, of which 765,000 short tons was uncoated freesheet. Conference transcript, p. 109 (Shor) and "International Paper Announces Closure of its Courtland, Ala. Paper Mill," International Paper press release, September 11, 2013, found at http://investor.internationalpaper.com/news-releases/Press-R/2013/International-Paper-Announces-Closure-of-its-Courtland-Ala-Paper-Mill/default.aspx.

uncoated paper accounted for over 50 percent of total production for four U.S. producers, between 30 and 50 percent for two U.S. producers, and less than 25 percent for three U.S. producers. All but one U.S. producer (***) produced other products on the same paper making equipment and machinery used in the production of uncoated paper. Three U.S. producers produced coated paper and all producers (except ***) produced other products which include web rolls, sheeter rolls, envelope paper, brown kraft, sheets above 150 gsm and other uncoated paper outside of the scope.

Uncoated paper

Table III-4 and figure III-1 present U.S. producers' uncoated paper production, capacity, and capacity utilization.[7] U.S. producers' uncoated paper capacity remained virtually flat in 2012 and increased 0.6 percent in 2013, but was 8.5 percent lower in interim 2014 compared with interim 2013. Three U.S. producers reported changes in uncoated paper capacity during 2011-13: ***. While four U.S. producers had lower capacity in interim 2014 than in interim 2013, nearly *** percent of the change was as a result of International Paper, which as noted above closed its paper mill in Courtland, Alabama in the fourth quarter of 2013 and first quarter of 2014. Two other U.S. producers had large reductions, specifically ***.

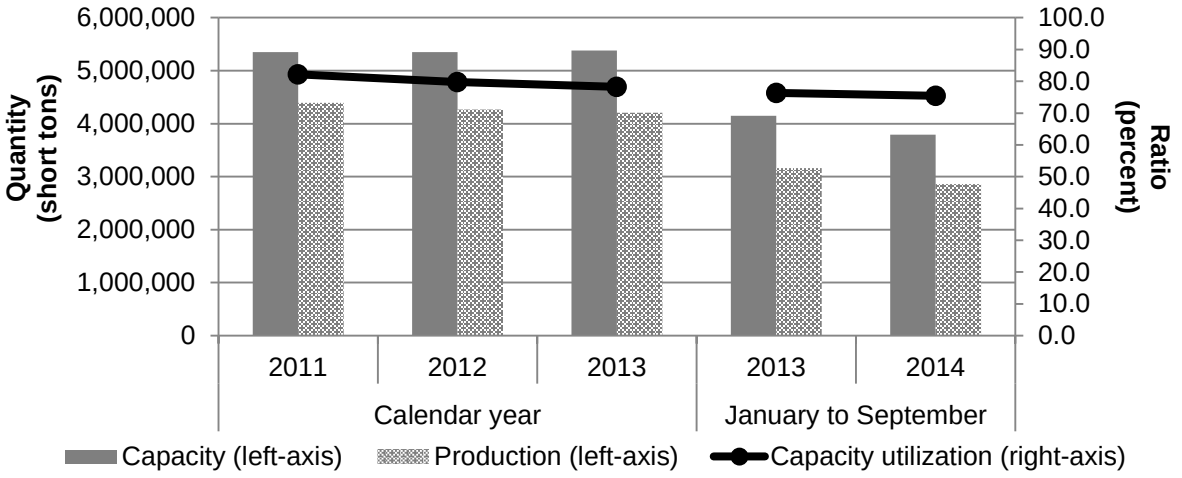
Table III-4
Uncoated paper: U.S. producers' production, capacity, and capacity utilization, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Quantity (short tons)				
Capacity	5,350,054	5,347,820	5,380,003	4,148,015	3,794,402
Production	4,397,725	4,266,690	4,208,907	3,165,101	2,863,721
	Ratio (percent)				
Capacity utilization	82.2	79.8	78.2	76.3	75.5

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

[7] All U.S. producers except *** were involved in a tolling agreement during the period of investigation. Two U.S. producers (***, as well as converter Summit Lake Converting LLC ("Summit Lake"), performed the toll production. Further details of these tolling arrangements are described in Part VI of this report.

Figure III-1
Uncoated paper: U.S. producers' production, capacity, and capacity utilization, 2011-13, January-September 2013, January-September 2014



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

U.S. production of uncoated paper declined in each year between 2011 and 2013 (3.0 percent in 2012 and 1.4 percent in 2013) ending 4.3 percent lower than in 2011, and was 9.5 percent lower in interim 2014 than in interim 2013. The majority of these declines in U.S. production were accounted for by ***. Four U.S. producers (***) increased production between 2011 and 2013, although only two U.S. producers (***) had higher production in interim 2014 compared with interim 2013.

Like U.S. production, capacity utilization declined in each year between 2011 and 2013 (2.4 percentage points in 2012 and 1.6 percentage points in 2013), ending 4.0 percentage points lower than in 2011, and was 0.8 percentage points lower in interim 2014 than in interim 2013. Three of the producers that increased U.S. production as well as *** had higher capacity utilization in 2013 than in 2011.[8]

Table III-5 presents U.S. producers' source of sheeter rolls used in production of uncoated paper. *** U.S. producer to use foreign-sourced sheeter rolls (from a sister company in Canada) to produce uncoated paper, except in interim 2014 when ***. Thus, there is little or no trade in sheeter rolls in the United States, as uncoated paper is largely produced from a mill's own-produced sheeter rolls.

[8] *** calculated production capacity equal to sales and so capacity utilization was 100 percent for the period of investigation.

Table III-5
Uncoated paper: U.S. producers' sources of production, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Quantity (short tons)				
U.S. produced sheeter rolls	***	***	***	***	***
Foreign-sourced sheeter rolls	***	***	***	***	***
Total	***	***	***	***	***

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

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. Commercial U.S. shipments accounted for the vast majority of U.S. producers shipments. One U.S. producer, ***, had internal consumption over the period of investigation, accounting for less than 0.2 percent of the firm's total U.S. shipments. One U.S. producer, ***, had transfers to related firms, accounting for less than *** percent of the firm's total U.S. shipments. Six U.S. producers exported uncoated paper. Leading export destinations included Canada (four U.S. producers), Costa Rica, Europe, and Mexico.

The quantity of U.S. producers' commercial U.S. shipments declined in from year to year between 2011 and 2013 (2.6 percent between 2011 and 2012 and 4.8 percent between 2012 and 2013), ending in 2013 7.3 percent lower than in 2011; it was 7.4 percent lower in interim 2014 than in interim 2013. Four U.S. producers (***) increased U.S. commercial shipments between 2011 and 2013, while only one U.S. producer (***) had higher U.S. commercial shipments in interim 2014 than in interim 2013.

Unit values of U.S. producers' commercial U.S. shipments declined in each year between 2011 and 2013, but were higher in interim 2014 than in interim 2013. Average unit values for all but two U.S. producers (***) decreased in 2012, while they were lower for all U.S. producers in 2013, and were higher for all U.S. producers in interim 2014 compared with interim 2013.

Table III-6
Uncoated paper: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
Quantity (short tons)					
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	4,162,519	4,047,139	3,837,408	2,907,738	2,661,807
Export shipments	232,495	235,095	323,984	254,466	223,196
Total shipments	4,395,014	4,282,234	4,161,392	3,162,204	2,885,003
Value (1,000 dollars)					
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	4,340,438	4,158,290	3,782,944	2,880,621	2,713,161
Export shipments	229,382	219,169	275,935	215,354	192,228
Total shipments	4,569,820	4,377,459	4,058,879	3,095,975	2,905,389
Unit value (dollars per short ton)					
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	1,043	1,027	986	991	1,019
Export shipments	987	932	852	846	861
Total shipments	1,040	1,022	975	979	1,007
Share of quantity (percent)					
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	94.7	94.5	92.2	92.0	92.3
Export shipments	5.3	5.5	7.8	8.0	7.7
Total shipments	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	95.0	95.0	93.2	93.0	93.4
Export shipments	5.0	5.0	6.8	7.0	6.6
Total shipments	100.0	100.0	100.0	100.0	100.0

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

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments over the period examined**.** U.S. producers' inventories increased 7.9 percent between 2011 and 2013 and were 10.8 percent lower in interim 2014 than in interim 2013. The majority of U.S. producers' inventories were held by ***, which also accounted for the majority of the changes in inventories in the period of investigation, although following different patterns.[9]

Table III-7
Uncoated paper: U.S. producers' inventories, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Quantity (short tons)				
U.S. producers' end-of-period inventories	341,917	324,968	369,013	324,276	289,205
	Ratio (percent)				
Ratio of inventories to.-- U.S. production	7.8	7.6	8.8	7.7	7.6
U.S. shipments	8.2	8.0	9.6	8.4	8.1
Total shipments	7.8	7.6	8.9	7.7	7.5

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

Three U.S. producers, ***, purchased from other U.S. producers. For these U.S. producers, purchases as a share of U.S. production, ranged from *** percent for ***. Each of these producers reported that these purchases were to fill customer needs on low-volume products they do not produce. *** reported increased purchases in 2013 and January-September 2014 due to the purchase of ***.

As shown in table III-8, two U.S. producers imported uncoated paper. ***. ***.

[9] *** accounted for the largest share and changes in inventories over the period of investigation.

Table III-8
Uncoated paper: U.S. producers' U.S. production, imports and purchases, 2011-13, January-September 2013, January-September 2014

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-9 shows U.S. producers' employment-related data during the period examined. The number of PRW's declined each year between 2011 and 2013, ending at 522 PRWs (7.0 percent) lower than in 2011, and were 814 PRWs (11.5 percent) lower in interim 2014 than in interim 2013. The majority of the decline in PRWs during 2011-13 was accounted for by three U.S. producers, ***, while *** accounted for the reduction in PRWs in interim 2014.[10] Hours worked per PRW increased in each year between 2011 and 2013, but were lower in interim 2014 than in interim 2013. Productivity increased in each year between 2011 and 2013, and was higher in interim 2014 compared with interim 2013. All but two U.S. producers (***) increased productivity between 2011 and 2013, and all but three U.S. producers (***) had higher productivity in interim 2014 than in interim 2013.

Table III-9
Uncoated paper: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
Production-Related Workers (PRWs) (number)	7,447	7,185	6,925	7,104	6,290
Total hours worked (1,000 hours)	15,656	15,170	14,775	11,715	10,082
Hours worked per PRW (hours)	2,102	2,111	2,134	1,649	1,603
Wages paid ($1,000)	514,416	516,330	511,133	395,056	339,224
Hourly wages (dollars per hour)	$32.86	$34.04	$34.59	$33.72	$33.65
Productivity (short tons per 1,000 hours)	280.9	281.3	284.9	270.2	284.0
Unit labor costs (dollars per short ton)	$117	$121	$121	$125	$118

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

[10] Two firms, ***, increased PRWs between 2011 and 2013, and *** had higher PRWs in interim 2014 compared with interim 2013.

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

U.S. IMPORTERS

The Commission issued importer questionnaires to 106 firms believed to be possible importers of subject uncoated paper, as well as to all U.S. producers of uncoated paper.[1] Usable questionnaire responses were received from 27 companies, representing the following shares of individual subject country's subject imports (as a share of official import statistics) during January 2011-September 2014 under HTS subheadings 4802.56 and 4802.57:

- All or virtually all of the subject imports from Australia;
- Over 95 percent of the subject imports from Brazil;
- Approximately 80 percent of the subject imports from China;
- Over 80 percent of the subject imports from Indonesia; and
- All or virtually all of the subject imports from Portugal

As substantially all imports of uncoated paper are believed to enter under the HTS subheadings 4802.56 and 4802.57, import data in this report are based on official Commerce statistics, except for U.S. imports from Brazil which are based on U.S. commercial shipments of imports from Brazil reported in responses to the Commission's U.S. importers' questionnaire.[2] [3]

Table IV-1 lists all responding U.S. importers of uncoated paper from Australia, Brazil, China, Indonesian, Portugal, and other sources, their locations, and their shares of U.S. imports, in 2013.[4] [5]

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[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than five percent of total imports under HTS subheadings 4802.56 and 4802.57 in any year between 2011 and 2013 and in January-September 2014.

[2] Petition, p. I-6 and Respondents' Joint postconference brief, p. 14. U.S. imports from Brazil reported in official U.S. statistics contain non-inconsequential quantities of nonsubject merchandise, such as ***, and U.S. imports by ***, which then re-exported *** percent of these imports to the Caribbean and Latin America. Respondent Suzano's postconference brief, p.5.

[3] U.S. imports from Hong Kong are believed to be Chinese origin paper and are therefore included in imports from China. Petitioner's postconference brief, Answers To Questions From The Commission's Staff, p. 1, Respondents' Joint postconference brief, p. 14, and conference transcript, pp. 54-55 (Dorn).

[4] In addition, 12 firms certified that they had not imported uncoated paper from any country at any time since January 1, 2011.

[5] Suzano stated, and *** confirmed, that the imports from Brazil reported in ***. Respondent Suzano's post conference brief, p. 4, n. 3, and email from ***, March 2, 2015.

Table IV-1
Uncoated paper: U.S. importers, headquarters, and share of total imports by source, 2013

Firm	Headquarters	Share of imports by source (percent)					
		Australia	Brazil	China	Indonesia	Portugal	All other sources
3A Press	Lajas, PR	***	***	***	***	***	***
Cellmark	Norwalk, CT	***	***	***	***	***	***
Central National	Purchase, NY	***	***	***	***	***	***
Chenming	Irvine, CA	***	***	***	***	***	***
Domtar	Fort Mill, SC	***	***	***	***	***	***
Eagle Ridge Paper	Anaheim, CA	***	***	***	***	***	***
Global Paper Solutions	Atlanta, GA	***	***	***	***	***	***
H. Dino	Fullerton, CA	***	***	***	***	***	***
International Forest	Foxboro, MA	***	***	***	***	***	***
International Paper	Memphis, TN	***	***	***	***	***	***
LinkMax	Oakville, ON	***	***	***	***	***	***
Magtec	Miami Beach, FL	***	***	***	***	***	***
Marubeni	New York, NY	***	***	***	***	***	***
Midland Paper	Wheeling, IL	***	***	***	***	***	***
Norcom	Griffin, GA	***	***	***	***	***	***
Office Depot	Boca Raton, FL	***	***	***	***	***	***
Office Gallery	Cidra, PR	***	***	***	***	***	***
Office Max	Boca Raton, FL	***	***	***	***	***	***
Paper Products Marketing	Portland, OR	***	***	***	***	***	***
Papermax	Anaheim, CA	***	***	***	***	***	***
Perez Trading	Miami, FL	***	***	***	***	***	***
Portucel	Norwalk, CT	***	***	***	***	***	***
Shinsei	Carson, CA	***	***	***	***	***	***
Suzano	Fort Lauderdale, FL	***	***	***	***	***	***
Swan Form	Paramount, CA	***	***	***	***	***	***
UPM Kymmene	Naperville, IL	***	***	***	***	***	***
Veritiv	Norcross, GA	***	***	***	***	***	***
Total		***	***	***	***	***	***

Note.—***.

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

Overview

During the period of investigation, there has been some consolidation among U.S. paper merchants/distributors and retailers involved in the distribution and sale of uncoated paper. Table IV-2 lists some of this activity.

Table IV-2
Uncoated paper: Consolidation activity among U.S. paper merchants/distributors and retailers involved in its distribution and sale

Period	Firm(s)	Event
April, 2011	Gould Paper Corporation	Acquires Western Paper, a Texas-based paper merchant
June, 2012	Central National-Gottesman Inc.	Acquires Spicers Paper, Inc. (paper distributor) and Kelly Paper Company (chain of paper stores)
July, 2013	Central National-Gottesman Inc.	Acquires the U.S. operations of Domtar's Ariva paper distribution business
November, 2013	Central National-Gottesman Inc.	Acquires Bradner Central Company, a paper distributor headquartered in Elk Grove Village, IL with locations in Wisconsin, Michigan, Texas, and Georgia
November, 2013	Office Depot, Inc. and OfficeMax Incorrporated	Completed their merger—the combined company will be named Office Depot, Inc.
January, 2014	Gould Paper Corporation	Acquires Bosworth Papers, Inc., a Texas-based paper distributor
July, 2014	Veritiv Corporation	New company formed by the combination of Xpedx and Unisource Worldwide, Inc., two large North American paper merchants; Xpedx was formerly owned by International Paper
February, 2015	Staples, Inc.	Announces acquisition of Office Depot, Inc. with closing expected by end of calendar year 2015, subject to regulatory approval and shareholder approval

Source: Compiled from information obtained from various news articles and company websites.

U.S. IMPORTS

Table IV-3 and figure IV-1 present data for U.S. imports of uncoated paper from Australia, Brazil, China, Indonesia, Portugal, and all other sources.[6] [7] Imports from subject sources, by quantity, increased 34.9 percent between 2011 and 2013, and were 45.7 percent higher in interim 2014 compared with interim 2013, while imports from nonsubject sources declined 16.9 percent during 2011-13 and were 13.1 percent lower in interim 2014 compared with interim 2013.[8] [9]

The largest increase in imports, by quantity, from subject sources during 2011-13 was imports from China, which increased *** short tons or *** percent, followed by imports from Australia (*** short tons or *** percent) and from Indonesia (*** short tons or *** percent). Chinese producer, Shandong Chenming, which accounted for *** Chinese exports of uncoated paper to the United States during the period of investigation, stated that it was requested to do so by U.S. importer International Forest Products (***). Shandong Chenming contended that International Forest Products imported from China to alleviate its customers' concerns about adequate supply of uncoated paper, given the shrinking U.S. production capacity.[10] The largest increase in U.S. imports, by quantity, from subject countries in interim 2014, compared to interim 2013, was from Indonesia (*** short tons or *** percent), followed by China (*** short tons or *** percent) and Australia (*** short tons or *** percent). APP, whose subsidiary firms

[6] U.S. importer, ***, imported from Brazil and subsequently exported *** percent of these imports to Latin American and the Caribbean. The following tabulation shows reported U.S. imports from Brazil and the share of *** exports.

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
Quantity (short tons)					
U.S. imports from Brazil:	***	***	***	***	***
*** exports	***	***	***	***	***
Share of imports (percent)					
*** exports	***	***	***	***	***

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

[7] Respondent Suzano stated that it imported nonsubject *** from Brazil under HTS subheadings 4802.56 and 4802.57. These imports have been removed from the U.S. import data presented in this report. Respondent Suzano's postconference brief, p.5 and Exh. 5.

[8] Imports from subject sources, by value, increased 23.3 percent between 2011 and 2013, and were 42.8 percent higher in interim 2014 compared with interim 2013.

[9] The largest sources of U.S. imports from nonsubject countries during the period of investigation were (by quantity) Canada, Israel, Germany, and Mexico.

[10] Conference transcript, p. 118 (Wallen).

***, attributed the increase in 2014 to filling a gap in U.S. supply following the closure of International Paper's Courtland, Alabama mill. [11] [12]

Average unit values of U.S. imports from each subject country declined in each year (except U.S. imports from Brazil in 2012) and were lower in interim 2014 than in interim 2013 (except for U.S. imports from Indonesia and Portugal). Average unit values of U.S. imports from nonsubject sources were the highest of any source in each period during the period of investigation.

As a ratio to U.S. production, U.S. imports from subject sources increased each year during 2011-13 (1.3 percentage points in 2012 and 2.3 percentage points in 2013) and were 7.6 percentage points higher in interim 2014 than in interim 2013. U.S. imports from each country followed this trend, except for U.S. imports from Brazil which declined in 2012 and rose in 2013, ending 2013 at the same level as in 2011. In contrast, U.S. imports from nonsubject countries, as a ratio of U.S. production, declined each year (0.5 and 0.1 percentage point in 2012 and 2013, respectively) and were 0.2 percentage points lower in interim 2014 than in interim 2013.

Table IV-3
Uncoated paper: U.S. imports by source, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
Quantity (short tons)					
U.S. imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	404,819	449,560	546,008	395,728	576,696
All other sources	206,843	179,296	171,864	132,153	114,797
Total U.S. imports	611,662	628,856	717,872	527,881	691,493
Value (1,000 dollars)					
U.S. imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	402,940	424,311	496,782	361,294	515,982
All other sources	230,257	213,838	198,352	151,821	132,908
Total U.S. imports	633,197	638,149	695,134	513,115	648,890

Table continued on next page.

[11] Conference transcript, p. 134 (Gupta).

[12] Over the period of investigation, less than 5 percent of U.S. imports from Portugal were sheeter rolls (by Portucel), and between 17.5 and 29.8 percent of U.S. imports from nonsubject sources (Canada) were sheeter rolls (by Domtar).

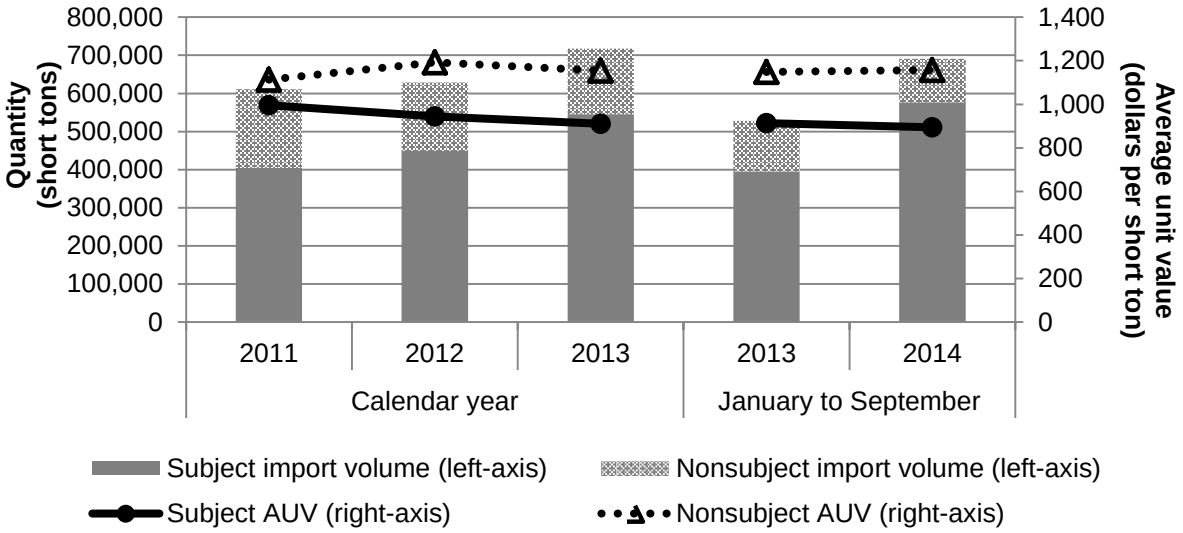
Table IV-3-*Continued*
Uncoated paper: U.S. imports by source, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
Unit value (dollars per short ton)					
U.S. imports from.-- Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	995	944	910	913	895
All other sources	1,113	1,193	1,154	1,149	1,158
Total U.S. imports	1,035	1,015	968	972	938
Share of quantity (percent)					
U.S. imports from.-- Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	66.2	71.5	76.1	75.0	83.4
All other sources	33.8	28.5	23.9	25.0	16.6
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
U.S. imports from.-- Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	63.6	66.5	71.5	70.4	79.5
All other sources	36.4	33.5	28.5	29.6	20.5
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
Ratio to production (percent)					
U.S. imports from.-- Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	9.2	10.5	13.0	12.5	20.1
All other sources	4.7	4.2	4.1	4.2	4.0
Total U.S. imports	13.9	14.7	17.1	16.7	24.1

Note:--U.S. imports from China include U.S. imports from Hong Kong. U.S. imports from Brazil use reported U.S. commercial shipments of imports from Brazil.

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57 and data submitted in response to Commission questionnaires.

Figure IV-1
Uncoated paper: U.S. imports by source, 2011-13, January-September 2013, January-September 2014



Source: Official imports statistics, HTS subheadings 4802.56 and 4802.57 and data submitted in response to Commission questionnaires.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[13] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[14] During January-December 2014 imports from each subject country accounted for greater than 3 percent of total imports of uncoated paper by quantity. Specifically, imports from Australia accounted for 7.9 percent, those from Brazil accounted for 22.7 percent, those from China accounted for 14.3 percent,

[13] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[14] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

those from Indonesia accounted for 23.9 percent, and those from Portugal accounted for 16.3 percent of total imports of uncoated paper.

CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product. The Commission has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Channels of distribution and fungibility (interchangeability) are discussed in Part II of this report. Additional information concerning geographical markets and simultaneous presence in the market is presented below.

Petitioners contend that all subject countries should be cumulated, as petitions were filed on the same day and there is a reasonable overlap of competition among subject imports from each country and the domestic like product. [15]

The Australian respondent argues that U.S. imports from Australia should not be cumulated with those of other countries.[16] It contends that U.S. imports from Australia do not compete with U.S. produced uncoated paper, as the Australian producers only produce letter sized paper and do not compete in the mill brand market, the big box market, or the tax support/educational market. In addition, Australian producers use a different pulp than the U.S. producers, which is desired by higher end users. The Australian respondent also argues that channels of distribution are different as U.S. imports from Australia are sold at wholesale, and that is sells primarily to East and West Coasts. Finally, the Australian respondent notes that there is a difference in pricing, with U.S. imports from Australia having higher average unit values than U.S. imports from several other subject sources.

Brazilian respondents argue that U.S. imports from Brazil should not be cumulated with those of other countries.[17] They contend that volume and pricing patterns of U.S. imports from Brazil differ substantially from U.S. imports from other subject countries, with volume remaining essentially flat or increasing at a lower rate and with the Brazilian imports being competitive with domestic uncoated paper within a narrow band. Brazilian respondents contend that unlike producers in some other subject countries, Brazilian producers are focused on their home market and other local markets in Latin America. They also argue that uncoated paper from Brazil is differentiated from that of others due to its physical charateristics resulting from its pulp source and forestry practice, yielding a product that is exclusively high bright with environmental (sustainability) certifications not typical of other uncoated paper. Finally, U.S. imports from Brazil are sold through different channels of distribution, namely entirely through

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[15] Petition, p. I-22, Petitioners' postconference brief, pp. 18-21, and conference transcript, p. 54 (Dorn).

[16] Conference transcript, p. 125 (Peters).

[17] Conference transcript, p. 121 (Esserman) and respondent Suzano's postconference brief, pp. 6-16.

merchants, a large portion of which is to two merchants with which Suzano has long term relationships.

Chinese and Indonesian respondents did not address the issue of cumulation.

Portuguese respondents argue that U.S. imports from Portugal should not be cumulated with those of other countries as there is not the requisite overlap in competition.[18] Portuguese respondents contend that since the Portuguese producer uses pulp from Eucalyptus trees, it produces a higher quality product that obtains a higher price in the U.S. market and sells to different customers than domestically produced uncoated paper and U.S. imports from other subject sources with limited overlap of competition. In addition, Portuguese respondents argue that there were differences in import volumes, with U.S. imports from Portugal rising less or moving in the opposite direction than from other subject sources.

Presence in the market

Table IV-4 presents data on the monthly entries of U.S. imports of uncoated paper, by source, during January 2011-September 2014. U.S. imports from each source were present in each month during January 2011-September 2014.

Table IV-4
Uncoated paper: U.S. imports, monthly entries into the United States, by sources, January 2011-September 2014

Year	Australia	Brazil	China	Indonesia	Portugal	Subject	All other sources	All sources
	Number of months							
2011	12	12	12	12	12	12	12	12
2012	12	12	12	12	12	12	12	12
2013	12	12	12	12	12	12	12	12
January - September 2014	9	9	9	9	9	9	9	9

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57.

Geographical markets

As previously noted, uncoated paper produced in the United States is shipped nationwide. During January 2011-September 2014, the top Customs districts for imports were as follows:.

- Australia: Philadelphia, PA, Los Angeles, CA, Houston-Galveston, TX, and New York, NY;
- Brazil: Baltimore, MD, Miami, FL, and New York, NY;
- China: Los Angeles, CA, New York, NY, and San Francisco, CA;
- Indonesia: Los Angeles, CA and New York, NY;

[18] Conference transcript, p. 129 (Greenwald) and respondent Portucel's postconference brief, pp. 3-12.

- Portugal: New York, NY, Savannah, GA, Houston-Galveston, TX, Baltimore, MD, and Los Angeles, CA.

APPARENT U.S. CONSUMPTION

As shown in table IV-5 and figure IV-2 apparent U.S. consumption, by quantity, declined in each year during 2011-13, falling 2.1 percent in 2012, 2.6 percent in 2013, ending 4.6 percent lower than in 2011, and was 2.4 percent lower in interim 2014 than in interim 2013. Apparent U.S. consumption, by value, also declined in each year during 2011-13, falling 3.6 percent in 2012, 6.6 percent in 2013, ending 10.0 percent lower than in 2011, and was 0.9 percent lower in interim 2014 than in interim 2013.

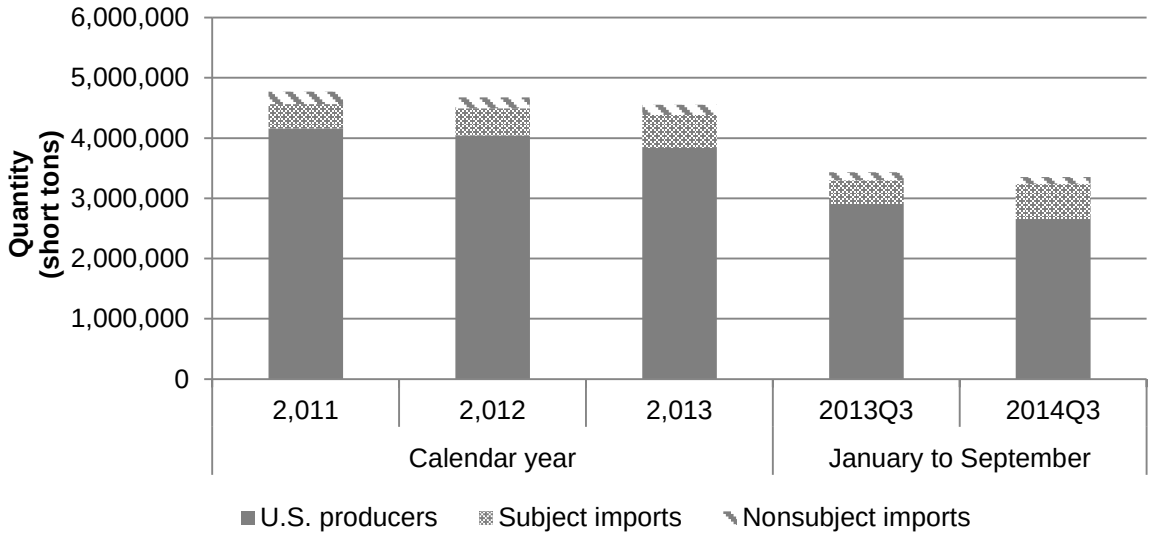
Table IV-5
Uncoated paper: U.S. shipments of domestic product, U.S. imports by sources, and apparent U.S. consumption, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
			Quantity (short tons)		
U.S. producers' U.S. shipments	4,162,519	4,047,139	3,837,408	2,907,738	2,661,807
U.S. imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	404,819	449,560	546,008	395,728	576,696
All other sources	206,843	179,296	171,864	132,153	114,797
Total U.S. imports	611,662	628,856	717,872	527,881	691,493
Apparent U.S. consumption	4,774,181	4,675,995	4,555,280	3,435,619	3,353,300
			Value (1,000 dollars)		
U.S. producers' U.S. shipments	4,340,438	4,158,290	3,782,944	2,880,621	2,713,161
U.S. imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	402,940	424,311	496,782	361,294	515,982
All other sources	230,257	213,838	198,352	151,821	132,908
Total U.S. imports	633,197	638,149	695,134	513,115	648,890
Apparent U.S. consumption	4,973,635	4,796,439	4,478,078	3,393,736	3,362,051

Note:--U.S. imports from China include U.S. imports from Hong Kong. U.S. imports from Brazil use reported U.S. commercial shipments of imports from Brazil.

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics, HTS subheadings 4802.56 and 4802.57.

Figure IV-2
Uncoated paper: Apparent U.S. consumption, 2011-13, January-September 2013, January-September 2014



Source: Table IV-5.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-6. U.S. producers' share of apparent U.S. consumption, by quantity, declined in each year between 2011 and 2013, ending 3.0 percentage points lower in 2013 than in 2011, and was 5.2 percentage points lower in interim 2014 than in interim 2013. In contrast, the share of U.S. imports from subject countries, by quantity, increased each year between 2011 and 2013, ending 3.5 percentage points higher in 2013 than in 2011, and was 5.7 percentage points higher in interim 2014 than in interim 2013. While most U.S. imports from each subject country followed this trend, U.S. imports from China as a share of U.S. apparent consumption increased the most (*** percentage points) between 2011 and 2013 and U.S. imports from Brazil declined (*** percentage points) over this period. In interim 2014 compared to interim 2013, U.S. imports from Indonesia as a share of apparent U.S. consumption increased the most (*** percentage points), overtaking U.S. imports from Brazil to become the largest source of U.S. imports. The share of U.S. imports from nonsubject sources, by quantity, declined in each year between 2011 and 2013, ending 0.5 percentage points lower than in 2011, and were 0.4 percentage points lower in interim 2014 than in interim 2013.

Table IV-6
Uncoated paper: U.S. consumption and market shares, 2011-13, January-September 2013, January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Share of quantity (percent)				
U.S. producers' U.S. shipments	87.2	86.6	84.2	84.6	79.4
U.S. imports from.-- Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	8.5	9.6	12.0	11.5	17.2
All other sources	4.3	3.8	3.8	3.8	3.4
Total U.S. imports	12.8	13.4	15.8	15.4	20.6
	Share of value (percent)				
U.S. producers' U.S. shipments	87.3	86.7	84.5	84.9	80.7
U.S. imports from.-- Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subtotal, subject sources	8.1	8.8	11.1	10.6	15.3
All other sources	4.6	4.5	4.4	4.5	4.0
Total U.S. imports	12.7	13.3	15.5	15.1	19.3

Note:--U.S. imports from China include U.S. imports from Hong Kong. U.S. imports from Brazil use reported U.S. commercial shipments of imports from Brazil.

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

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

The main raw materials used in production of uncoated paper include paper pulp (which most U.S. producers manufacture), recycled fibers (used in recycled paper and that most U.S. producers purchase), a range of chemicals, starch, and energy. Raw material costs as a share of cost of goods sold fell from 54.9 to 54.4 percent from 2011 to 2013. Six of nine responding producers reported raw material costs were increasing and three reported raw material cost fluctuated. Most (14 of 24) responding importers reported that raw material costs had fluctuated, six reported raw material costs increased, three reported no change in raw material costs, and one reported raw material costs decreased.

U.S. inland transportation costs

All nine responding U.S. producers and 21 of 22 responding importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 6 to 11, percent while importers reported costs ranged from 2 to 12 percent.

PRICING PRACTICES

Pricing methods

Most U.S. producers used multiple ways to set prices. All nine responding producers reported using transaction-by-transaction pricing; most reported using contracts and price lists; and two reported using other methods including customer-specific pricing and price negotiations for ongoing program business but with no formal contract price (table V-1). Eighteen of 24 responding importers reported transaction-by-transaction pricing; six reported using contracts; nine reported price lists; two reported using other methods including market pricing, and 6-to-12 month contracts.

Table V-1
Uncoated paper: U.S. producers' and importers' reported price setting methods, by number of responding firms[1]

Method	U.S. producers	U.S. importers
Transaction-by-transaction	9	18
Contract	6	6
Set price list	6	9
Other	2	2

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

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

U.S. producers mainly used contracts; one-year contracts are the most common form of contract for both U.S. producers and importers from Portugal and China, (table V-2). Product from Brazil and Indonesia is mainly sold via spot sales while product from Australia is sold mainly ***.

Table V-2
Uncoated paper: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2013

	Share of commercial U.S. shipments (percent)					
		U.S. importers				
Type of sale	U.S. producers	Australia	Brazil	China	Indonesia	Portugal
Long-term contracts	12	***	***	0	0	***
One year contracts	54	***	***	77	1	***
Short-term contracts	11	***	***	0	1	***
Spot sales	23	***	***	23	98	***

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

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

Sales terms and discounts

Most U.S. producers (7 of 9)[1] and most importers (19 of 25) typically quote prices on a delivered basis. Four U.S. producers offered both quantity and total volume discounts, and two others offered either quantity or total volume discounts. The other three producers reported no discount policy.[2] Two producers reported additional discounts including ***. Most responding importers (15 of 24) reported no discounts; four reported both quantity and total volume discounts; four reported either quantity or total volume discounts; and two reported

[1] One producer reported selling both on an f.o.b. and delivered basis.

[2] One of these reported that it negotiated price based on quantity and the other reported that at times it gave discounts to be competitive.

other discounts, in their payment terms. Most U.S. producers (8 of 9) reported terms were 1 percent 20 net 21, three also reported selling net 30.[3] In contrast, most importers (15 of 23) reported selling net 30,[4] three reported selling net 20 days,[5] five reported net 60,[6] one reported net 45, two reported net 90, one required cash against documents, one required 20 percent in advance and 80 percent before shipment, and one reported that terms vary by customer.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and delivered[7] value of the following uncoated paper products during January 2011- September 2014. Firms were requested to provide pricing data on uncoated paper shipped to unrelated U.S. customers. Importers that sold retail were requested to report quantities and import cost data.[8]

Product 1.-- Uncoated paper, weighing 20 lb. (75 gsm), with dimensions of 8 1/2 x 11 inches, and with GE brightness greater than 90.

Product 2.-- Uncoated paper, weighing 50 - 60 lb. (74-89 gsm), with dimensions of 23 x 35 inches and with GE brightness greater than 90.

Product 3.-- Uncoated paper, weighing 50 - 60 lb. (74-89 gsm), with dimensions of 25 x 38 inches and with GE brightness greater than 90.

Eight U.S. producers and 20 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[9] Pricing data reported by these firms accounted for approximately 84.4 percent of U.S. producers' shipments of uncoated paper and 94.2 percent of U.S. shipments of subject imports

[3] One of these reported only selling net 30. Two also reported some sales at 2 percent 20 net 21.

[4] Three of these offered either 1 or 2 percent early payment discounts.

[5] Two of these offered early payment discounts and one of these also sold net 30.

[6] Four of these also reported selling net 30.

[7] Petitioners requested that price data be collected on a delivered basis because most sales were on a delivered basis.

[8] This includes two importers whose direct import cost data are included in appendix D. ***.

[9] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

from Australia, *** percent from Brazil, 69.9 percent from China, 84.2 percent from Indonesia, and *** percent from Portugal from January 2011 to September 2014.[10]

Respondents allege that products 2 and 3 do not yield meaningful comparisons, and that there are only three standard U.S. sizes: letter (8½ x 11), legal (8½ x 14), and 11x17. Respondents report that these three sizes "account for an overwhelming majority of the U.S. uncoated paper market," while products 2 and 3 represent "a tiny fraction of the U.S. market," "are not a product focus" of U.S. producers or importers, and do not drive prices.[11] In addition, respondents state that products 2 and 3 include "a higher value specialty folio product" for which there are "negligible" imports from subject countries.[12] Petitioners report that "certain uncoated paper is typically sold in the United States in standard sizes e.g. 8½ x 11 inches (letter size), 8½ x 14 inches (legal size), and 11 x 17 inches. In fact, letter and legal size sheets account for 84 percent of the U.S. market for certain uncoated paper."[13] Price data for products 1-3 are presented in tables V-3 to V-5 and figures V-1 to V-3.

[10] One importer reported that prices of material included in products 1 and 2 differ between regular copy paper (brightness 92) and premium grade opaque paper (brightness 98). Portucel reports that products 2 and 3 include two types of "folio paper" ("opaque" and "offset") and that the prices of these differ by $200 per short ton or more. Portucel reported that it sold "a high-end offset product which it markets as 'opaque offset.'" Respondent Portucel's postconference brief, p. 8. No clear distinction between these types of paper has yet been provided.

[11] Product 1 pricing data reported by U.S. producers and importers made up 78.9 percent of U.S. shipments of uncoated paper between January 2011 and September 2014 and reported price data for U.S. produced product 1 made up 82.4 percent of U.S. commercial shipments of uncoated paper between January 2011 and September 2014.

[12] Respondents' joint postconference brief, p. 32-33.

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

Table V-3
Uncoated paper: Weighted-average delivered prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2011- September 2014

Period	United States		China			Indonesia		
	Price $ (per short ton)	Quantity (short tons)	Price $ (per short ton)	Quantity (short tons)	Margin (percent)	Price $ (per short ton)	Quantity (short tons)	Margin (percent)
2011:								
Jan.-Mar.	1,065	818,165	***	***	***	928	19,084	12.8
Apr.-June	1,047	850,301	***	***	***	959	16,120	8.5
July-Sept.	1,068	849,911	***	***	***	978	17,660	8.4
Oct.-Dec.	1,080	766,839	***	***	***	976	21,068	9.6
2012:								
Jan.-Mar.	1,043	819,753	***	***	***	***	***	***
Apr.-June	1,040	815,604	***	***	***	976	27,339	6.1
July-Sept.	1,043	805,047	***	***	***	972	36,682	6.8
Oct.-Dec.	1,029	749,985	***	***	***	976	30,534	5.2
2013:								
Jan.-Mar.	1,008	759,451	***	***	***	954	31,922	5.3
Apr.-June	999	772,085	***	***	***	957	31,099	4.2
July-Sept.	991	781,267	***	***	***	952	27,220	3.9
Oct.-Dec.	995	730,633	***	***	***	896	37,282	9.9
2014:								
Jan.-Mar.	1,013	700,986	***	***	***	888	38,502	12.4
Apr.-June	1,023	677,284	***	***	***	903	40,719	11.8
July-Sept.	1,014	706,596	***	***	***	900	41,705	11.2

[1] Product 1: Uncoated paper, weighing 20 lb. (75 gsm), with dimensions of 8 1/2 x 11 inches, and with GE brightness greater than 90.

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

Table V-4
Uncoated paper: Weighted-average delivered prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2011-September 2014

Period	United States		Brazil			China		
	Price $ (per short ton)	Quantity (short tons)	Price $ (per short ton)	Quantity (short tons)	Margin (percent)	Price $ (per short ton)	Quantity (short tons)	Margin (percent)
2011: Jan.-Mar.	***	***	***	***	***	--	0	--
Apr.-June	1,070	11,295	***	***	***	--	0	--
July-Sept.	***	***	***	***	***	--	0	--
Oct.-Dec.	1,064	11,867	***	***	***	***	***	***
2012: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	1,093	9,935	***	***	***	***	***	***
July-Sept.	1,077	9,951	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2013: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2014: Jan.-Mar.	1,095	10,301	***	***	***	***	***	***
Apr.-June	1,145	9,057	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***

[1] Product 2: Uncoated paper, weighing 50 - 60 lb. (74-89 gsm), with dimensions of 23 x 35 inches and with GE brightness greater than 90.

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

Table V-5
Uncoated paper: Weighted-average delivered prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2011- September 2014

	United States		Brazil			China		
Period	Price $ (per short ton)	Quantity (short tons)	Price $ (per short ton)	Quantity (short tons)	Margin (percent)	Price $ (per short ton)	Quantity (short tons)	Margin (percent)
2011:								
Jan.-Mar.	1,110	7,601	***	***	***	--	0	--
Apr.-June	1,093	8,551	***	***	***	--	0	--
July-Sept.	***	***	***	***	***	--	0	--
Oct.-Dec.	1,064	9,331	***	***	***	***	***	***
2012:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	1,097	7,471	***	***	***	***	***	***
July-Sept.	1,087	8,340	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2013:								
Jan.-Mar.	1,098	7,839	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2014:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	1,150	7,777	***	***	***	***	***	***

[1] Product 3: Uncoated paper, weighing 50 - 60 lb. (74-89 gsm), with dimensions of 25 x 38 inches and with GE brightness greater than 90.

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

Figure V-1
Uncoated paper: Weighted-average prices and quantities of domestic and imported product, by quarters, January 2011- September 2014

* * * * * * *

Figure V-2
Uncoated paper: Weighted-average prices and quantities of domestic and imported product, by quarters, January 2011- September 2014

* * * * * * *

Figure V-3
Uncoated paper: Weighted-average prices and quantities of domestic and imported product, by quarters, January 2011- September 2014

* * * * * * *

Price trends

Prices of product 1 from the United States and all subject countries decreased during January 2011-September 2014. Table V-6 summarizes the price trends, by country and by product. As shown in the table, domestic product 1 price declined 4.8 percent and import prices declines ranged from 3.0 to *** percent. Domestic prices for products 2 and 3 increased, by *** percent and *** percent, respectively. Imports prices for product 2 decreased *** percent and increasing by *** percent for the remaining country. Import prices of product 3 increased from *** percent.

Table V-6
Uncoated paper: Summary of weighted-average f.o.b. prices for products 1-3 from the United States and Australia, Brazil, China, Indonesia, and Portugal

Item	Number of quarters	Low price (per unit)	High price (per unit)	Change in price[1] (percent)
Product 1				
United States	15	991	1,080	(4.8)
Australia	15	***	***	***
Brazil	15	***	***	***
China	15	***	***	***
Indonesia	15	888	978	(3.0)
Portugal	15	***	***	(3.2)
Product 2				
United States	15	***	1,145	***
Brazil	15	***	***	***
China	12	***	***	***
Indonesia	15	***	***	***
Portugal	15	***	***	***
Product 3				
United States	15	***	1,150	3.6
Brazil	15	***	***	***
China	12	***	***	***
Indonesia	9	***	***	***
Portugal	15	***	***	***

[1] Percentage change from the first quarter in which data were available to the last quarter in which price data were available.

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

Price comparisons

As shown in table V-7, prices for uncoated paper imported from Australia, Brazil, China, Indonesia, and Portugal were below those for U.S.-produced product in 151 of 183 instances (1,072,485 short tons); margins of underselling ranged from 0.1 to 28.8 percent. In the remaining 32 instances (450,367 short tons), prices for uncoated paper from Brazil, China, Indonesia, and Portugal were between 0.0 and 84.9 percent above prices for the domestic product. There were no instances of overselling by imports from Australia.

Table V-7
Uncoated paper: Instances of underselling/overselling and the range and average of margins, by country, January 2011-September 2014

Source	Underselling				
	Number of quarters	Quantity[1] (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Australia	15	182,527	11.1	5.7	14.5
Brazil	38	183,078	6.8	0.3	14.5
China	37	183,131	12.1	2.6	21.5
Indonesia	37	449,394	14.0	3.9	27.1
Portugal	24	74,355	5.2	0.1	13.6
Total	151	1,072,485	10.0	0.1	27.1
Source	**(Overselling)**				
	Number of quarters	Quantity[1] (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Australia	0	0	NA	NA	NA
Brazil	7	102,082	(2.1)	(0.4)	(4.5)
China	2	25	(5.2)	(1.3)	(9.1)
Indonesia	2	***	***	***	***
Portugal	21	348,258	(6.0)	(0.0)	(18.7)
Total	32	450,367	(9.7)	0.0	(84.9)

[1] These data include only quarters in which there is a comparison between the U.S. and subject product.

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

LOST SALES AND LOST REVENUE

The Commission requested U.S. producers of uncoated paper to report any instances of lost sales or revenue they experienced due to competition from imports of uncoated paper from Australia, Brazil, China, Indonesia, or Portugal since January 2011. All eight of the responding U.S. producers reported that they had to either reduce prices or roll back announced price increases and that they had lost sales due to subject imports. The 39 lost sales

allegations totaled over $80.4 million and involved 78,556 short tons of uncoated paper[14] and the 28 lost revenue allegations totaled over $6.1 million and involved 102,156 short tons of uncoated paper (tables 8 and 9). Staff received responses from six purchasers and a summary of the information obtained follows.

Purchasers responding to the lost sales allegations also were asked whether they shifted their purchases of uncoated paper from U.S. producers to suppliers of uncoated paper from Australia, Brazil, China, Indonesia, and Portugal since 2011. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of uncoated paper from Australia, Brazil, China, Indonesia, and Portugal. Three of the five responding purchasers reported that they had shifted purchases of uncoated paper from U.S. producers to subject imports since 2011; all three of these purchasers reported that price was the reason for the shift. Four purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2011.

Table V-8
Uncoated paper: U.S. producers' lost sales allegations

* * * * * * *

Table V-9
Uncoated paper: U.S. producers' lost revenue allegations

* * * * * * *

Purchasers were asked for details on domestic producers' price reductions in response to imports. All four firms reporting price reductions provided details including: domestic supplier kept prices consistent unless there was a price increase or decrease as did the importer suppliers; one time price reduction by approximately 14 percent; price reductions at least twice; and the purchase price dropped 10 percent due to the price of imports.

[14] Some producers provided incomplete information for their lost sales allegations; these have not been included in the table.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Nine U.S. producers provided usable financial data, which accounted for the vast majority of shipments of uncoated paper in 2013.[1] Four U.S. toll-converters also provided useable financial data.[2] U.S. producers that produce "sheeter rolls" from pulp and then slit and cut the sheets of uncoated paper are termed integrated producers and those producers that process sheeter rolls to produce uncoated paper are termed converters.[3] Converters either purchase the slitter rolls for their own account or toll-convert the for another firm's account.

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[1] American Eagle, Boise, Domtar, Finch Paper, Georgia-Pacific, Glatfelter, International Paper, and Mohawk responded as integrated producers (that have pulp and papermaking facilities), and Performance Office responded as a converter that purchases sheeter rolls to produce uncoated paper. Domtar is self-described as the single largest integrated marketer and manufacturer of uncoated freesheet paper in North America. Boise was acquired by PCA on October 25, 2013. Each of the firms reported its data on a fiscal year that ended on December 31.According to an industry publication, there are 10 primary producers of cut size uncoated freesheet in North America: Boise, Domtar, Georgia-Pacific, and International Paper, which together account for 97 percent of the market; the remaining six producers have a 3 percent market share. ***.

[2] The firms Mohawk (which also responded as an integrated producer), Performance Office, Progressive Converting, and Summit Lake, responded as toll-converters, i.e., produce uncoated paper for another firm that provides the sheeter roll for conversion.

[3] Integrated mills or integrated producers are those that produce uncoated paper from the pulp that they manufacture in their paper mills, i.e., they are integrated to the source of fiber. Integrated firms may also toll-produce uncoated paper if they excess sheeting capacity (e.g., ***). Converters, like Performance Office, may purchase another firm's paper in the form of slitter rolls and produce uncoated paper, either by purchasing the slitter roll and assuming the price and inventory risk of selling the uncoated paper, although it appears that most converters do not take the price and market risk of purchasing sheeter rolls instead acting as toll-converters. According to an industry publication, these converters often do sheeting on a toll-basis for specialty cut size products such as those with perforated edges or punched holes. They might also do odd sheet sizes or sheeting for OEM printer/copier clients who do not have paper manufacturing capability. This publication estimates the independent converters to supply less than 5 percent of the U.S. market. ***. Several of the responding U.S. integrated producers stated they utilized conversion services on a toll basis. For example, *** stated that it has utilized outside converters for sheeting of certain folio size papers, including ***. The firm also stated "as a regular course of business, we utilize outside converters for the converting of 8-1/2 x 11 3-hole punched and 11 x17 cut size papers. These converters include *** (11 x 17) and ***. Another firm, ***, stated "we have toll converters sheet a small portion of our production, particularly for special size folio products, or products that require perforating or hole punching." *** has had tolling arrangements over the period of investigation with: ***. *** also utilizes converter/tolling services].

OPERATIONS ON UNCOATED PAPER

Table VI-1 presents aggregated data on U.S. producers' operations in relation to uncoated paper over the period examined, while table VI-2 presents selected company-specific financial data. Results of the firms' operations are briefly summarized as follows: Total net sales fell substantially by quantity and value between 2011 and 2013 and were lower in January-September 2014 than in January-September 2013. Total cost of goods sold ("COGS") declined between the full yearly periods and was lower in interim 2014 than in interim 2013. Total COGS did not fall to the same extent as did sales, hence, the ratio of total COGS to sales increased between 2011 and 2013; that ratio was *** lower in interim 2014 than in the same period one year earlier. Operating income reflected the changes in sales and costs/expenses and fell *** between the full yearly periods, but was *** higher in interim 2014 than in interim 2013.

Table VI-1
Uncoated paper: Results of operations of U.S. producers, 2011-13, January-September 2013, and January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Quantity (short tons)				
Commercial sales	4,194,514	4,093,794	3,998,755	3,038,966	2,802,886
Internal consumption[1]	***	***	***	***	***
Transfers to related firms[1]	***	***	***	***	***
Total net sales	4,395,004	4,282,233	4,162,404	3,162,298	2,885,003
	Value (1,000 dollars)				
Commercial sales	4,360,690	4,182,881	3,897,834	2,970,367	2,819,580
Internal consumption[1]	***	***	***	***	***
Transfers to related firms[1]	***	***	***	***	***
Total net sales	4,569,840	4,377,465	4,059,904	3,096,205	2,905,358
Cost of goods sold:					
Raw materials	1,940,507	1,896,587	1,853,747	1,442,464	1,306,216
Direct labor	410,155	413,675	400,238	300,781	280,365
Other factory costs[2]	1,181,517	1,176,579	1,152,921	826,299	789,009
Total COGS	3,532,179	3,486,841	3,406,906	2,569,544	2,375,590
Gross profit	1,037,661	890,624	652,998	526,661	529,768
Total SG&A expenses[3]	278,448	265,538	264,742	194,255	190,043
Operating income	759,213	625,086	388,256	332,406	339,725
Other expense or (income), net[4]	8,119	16,273	14,946	11,307	1,947
Net income	751,094	608,813	373,310	321,099	337,778
Depreciation/amortization	339,718	313,974	282,486	220,014	176,415
Cash flow	1,090,812	922,787	655,796	541,113	514,193
	Ratio to net sales (percent)				
COGS:					
Raw materials	42.5	43.3	45.7	46.6	45.0
Direct labor	9.0	9.5	9.9	9.7	9.6
Other factory costs	25.9	26.9	28.4	26.7	27.2
Average COGS	77.3	79.7	83.9	83.0	81.8
Gross profit	22.7	20.3	16.1	17.0	18.2
Total SG&A expense	6.1	6.1	6.5	6.3	6.5
Operating income	16.6	14.3	9.6	10.7	11.7
Net income	16.4	13.9	9.2	10.4	11.6

Table continued on next page.

Table VI-1
Uncoated paper: Results of operations of U.S. producers, 2011-13, January-September 2013, and January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Unit value (dollars per short ton)				
Commercial sales	1,040	1,022	975	977	1,006
Internal consumption[1]	***	***	***	***	***
Transfers to related firms[1]	***	***	***	***	***
Total net sales	1,040	1,022	975	979	1,007
COGS:					
Raw materials	442	443	445	456	453
Direct labor	93	97	96	95	97
Other factory costs[2]	269	275	277	261	273
Average COGS	804	814	818	813	823
Gross profit	236	208	157	167	184
SG&A expense[3]	63	62	64	61	66
Operating income	173	146	93	105	118
Net income	171	142	90	102	117
	Number of firms reporting				
Operating losses[5]	0	0	***	***	***
Data	9	9	9	9	9

[1] ***. ***.

[2] ***.

[3] ***.

[4] Other expense or (income) net consists of interest expense, other expenses, and other income. *** firms accounted for most of the reported other expense and other income. ***.

[5] ***.

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

Table VI-2
Uncoated paper: Results of operations of U.S. producers, by firm, 2011-13, January-September 2013, and January-September 2014

* * * * * * *

Total net sales

Total net sales consist of commercial sales, internal consumption, and transfers to related firms. Internal consumption and transfers constitute but a small proportion of total net sales. As described by the data in table VI-1, total net sales fell by 5.3 percent between 2011 and 2013 and was 8.8 percent lower in interim 2014 compared with interim 2013. The data in table VI-2 indicate that sales results were mixed by firm as four of the nine reporting firms registered increased sales quantities between the two full year periods, although those increases were far outweighed by the sales declines of ***. Eight of the nine reporting firms reported lower sales in interim 2014 compared with interim 2013. As depicted in tables VI-1 and VI-2, six of nine firms reported lower sales, by value, in 2013 than in 2011, for a collective fall of 11.2 percent and seven of nine firms reported lower sales value in interim 2014 compared with interim 2013, with a collective fall of 6.2 percent. The average unit value of sales declined between the two full yearly periods by $64 per short ton (6.2 percent), but was higher in January-September 2014 than in the same period one year earlier by approximately $28 per short ton (2.9 percent).

Affecting sales levels and prices, U.S. industry witnesses described uncoated paper as a "commodity product" with sales of the product in standard sizes, weights, and brightness levels. Although disputed by respondents,[4] domestic industry witnesses described the competition between imports and domestic shipment to be a competition on the basis of price, indicating that end users do not distinguish between paper produced by one producer and another.[5] Domtar's public reporting also describes competition in the uncoated paper market as occurring on the basis of product quality, breadth of offering, service solutions, and competitively priced paper products, with product differentiation through the offering of high quality FSC-certified paper products.[6] An industry witness also stated that "demand for uncoated paper in the U.S. market is experiencing a steady, structural decline that will continue. Although year to year consumption may fluctuate a bit, demand has been declining by about three percent per year."[7]

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[4] For a description of non-price factors that are important to purchasers of uncoated paper, *see* Respondents' joint postconference brief, pp. 9-12.

[5] Conference transcript, p. 43 (Melton), p. 48 (LeBlanc), p. 149 (Shor).

[6] Domtar, 2013 Form 10-K, p. 14 (specific to uncoated freesheet paper).

[7] Conference transcript, p. 44 (Melton). At the conference, this structural change was ascribed to how digital media innovations have changed the way information is stored, distributed, and communicated. In other words, uncoated paper competes with electronic data transmission and document storage alternatives, and increasing shifts to these alternatives have reduced usage of

(*continued*...)

Operating costs and expenses

Raw material costs are substantial in this industry. For integrated producers, such costs include the pulp manufacture costs[8] as well as direct papermaking costs and include wood

(…*continued*)
traditional print media and communication papers. See, PCA (parent firm of Boise), Form 10-Q, filed November 7, 2014, p. 20. The firm goes on to explain that was the rationale to closing two paper machines at the International Falls, Minnesota facility. Related to this shift is the selective "re-purposing" by several firms of certain paper lines to produce fluff pulp in order to mitigate the underutilization of capacity and to expand into a growing market segment, e.g., Domtar with respect to its papermaking line at Marlboro, South Carolina, and capacity reduction at its mill in Ashdown, Arkansas. Conference transcript, p. 42 (Bray). In this regard, Domtar acquired Attends Europe in 2012, a manufacturer and supplier of adult incontinence care products (the product is sold to hospitals for acute care and to nursing homes for longterm care and the firms sees that segment as growing due to aging population and increased health care spending as growing). These repurposed lines were distinguished from the closures listed in petitioners' exhibit L (conference transcript, pp. 78 and 100 (Lassa and Thomas)).

Petitioners addressed a staff question on secular decline. *See* petitioners' postconference brief, pp. 13-15. Also *see* Respondents' joint postconference brief, pp. 5-9.

[8] Domtar states in its Form 10-K for 2013 that the manufacture of pulp and paper requires wood fiber, chemicals, and energy. In the United States, pulp and paper mills use hardwoods and softwoods, which are available from third party sources and include a combination of supply contracts, wood lot management arrangements, advance stumpage purchases and spot market purchases. Wood fiber accounted for approximately 20 percent of the total cost of sales during 2012.

With respect to chemicals, Domtar's pulp and paper manufacturing operations primarily purchase chemicals on a central basis, through contracts that vary between one and ten years in length to ensure product availability. Most of the contracts have pricing that fluctuates based on prevailing market conditions. For pulp manufacturing, chemicals including caustic soda, sodium chlorate, sulfuric acid, lime and peroxide. For paper manufacturing, chemical products including starch, precipitated calcium carbonate, optical brighteners, dyes and aluminum sulfate. During 2012, the cost of chemicals relating to Domtar's Pulp and Paper segment comprised approximately 13 percent of the total consolidated cost of sales.

With respect to energy costs, during 2012, energy costs relating to the Pulp and Paper segment comprised approximately 6 percent of the total consolidated cost of sales. Operations consume fuel, including natural gas, fuel oil, coal and biomass, as well as electricity and the supply contract specifies the need for a particular type of fuel at a specific facility. Natural gas, fuel oil, coal, and biomass are consumed primarily to produce steam that is used in the manufacturing process and, to a lesser extent, to provide direct heat to be used in the chemical recovery process. About 76 percent of the total energy required to manufacture Domtar's products comes from renewable fuels such as bark and spent cooking liquor. The remainder of the energy comes from purchased fossil fuels such as natural gas, oil, and coal. Domtar also owns power generating assets, including steam turbines, at all of its integrated pulp and paper mills, as well as hydro assets at three locations. Electricity is primarily used to drive motors and other equipment, as well as provide lighting. Approximately 72 percent of electric power requirements are produced internally while the remainder is purchased from local utilities. During 2012, energy costs relating to Domtar's Pulp and Paper segment comprised approximately 6 percent of the total consolidated cost of sales. Domtar 2013 Form 10-K, pp. 8-9, 20, (as filed).

fiber, chemical, and energy. Raw materials as a share of total COGS declined slightly, from 54.9 percent in 2011 to 54.4 percent in 2013, and were slightly lower at 55.0 percent in January-September 2014 than at 56.1 percent in the same period one year earlier. On a per-unit basis, raw material costs increased *** from 2011 to 2013 and were somewhat lower in interim 2014 than in interim 2013 as shown by the data in table VI-1. Raw material costs varied widely within the industry; the highest unit values were calculated from the data ***, while the lowest values were those of ***.

Other factory costs constituted the second greatest component of total COGS, accounting for 33.5 percent in 2011 and 33.8 percent in 2013; they accounted for approximately the same ratio in both interim periods. On a per-unit basis, other factory costs rose by approximately $8 per short ton between 2011 and 2013. ***. As noted earlier, firms included non-recurring expenses relating to shutdown, closure, or impairment costs in other factory costs or in other expenses below the operating income line.[9] Such closures are noted in exhibit L to petitioners' conference testimony.[10] Both direct labor costs and SG&A expenses are low relative to raw materials and other factory costs.

Profitability

Operating income fell by approximately $371.0 million (48.9 percent) from 2011 to 2013 and was only $7.3 million (2.2 percent) higher in January-September 2014 than in the same period one year earlier. Seven of the nine U.S. firms reported lower profits between 2011 and 2013; between the interim periods, five firms reported lower profits (***) while four reported higher profitability (*** of the total increase between the periods). Of the reporting U.S. producers, *** reported losses, (***). Expressed as a ratio to total net sales, operating income fell from 16.6 percent to 9.6 percent and was slightly higher at 11.7 percent in interim 2014 than the 10.7 percent collectively reported in interim 2013. The performance was similar when expressed on a per-unit basis of dollars per short ton of sales. An industry publication described cut size uncoated freesheet production in the United States as one of the most ***.[11]

---

[9] Closure and restructuring costs are recognized as liabilities in the period when they are incurred and are measured at their fair value. For example, in March 2011, Domtar announced the permanent shutdown of ***. Domtar also incurred restructuring and impairment costs during interim 2014 and additional costs during the fourth quarter of 2014 (the firm reported $18 million in the fourth quarter of 2014). Domtar, Form 8-K, February 6, 2015 and press release.

Firms that operate pulp and paper mills may be eligible for a cellulosic biofuel credit. Domtar reported that it had largely used as of 2010 and completely utilized the refundable excise tax credit from its qualifying cellulosic biofuel production as of December 31, 2012. Domtar 2013 Form 10-K, p. 41.

[10] Respondents claim that the domestic industry's strategy of removing and repurposing capacity has caused supply-demand imbalances, which were particularly acute in late 2013 to early 2014, citing closures by International Paper and Boise. Respondents' joint postconference brief, pp. 8-9 and 20-26.

[11] ***.

Variance analysis

A variance analysis for the operations of U.S. producers of uncoated paper is presented in table VI-3.[12] The information for this variance analysis is derived from table VI-1. As the data depict, operating income fell between 2011 and 2013, largely attributable to an unfavorable price variance (unit prices decreased between the periods) in combination with unfavorable net cost/expenses (unit costs increased) and an unfavorable net volume variance. This was the case between each of the three yearly periods as well. Operating income was greater in January-September 2014 than in January-September 2013 because the favorable price variance was greater than the combined unfavorable net cost/expense and volume variances.

[12] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

Table VI-3
Uncoated paper: Variance analysis on the operations of U.S. producers, 2011-13, January-September 2013, and January-September 2014

Item	Between calendar years			January to September
	2011-13	2011-12	2012-13	2013-14
Net sales:				
Price variance	(268,083)	(75,118)	(195,067)	80,652
Volume variance	(241,853)	(117,257)	(122,494)	(271,499)
Net sales variance	(509,936)	(192,375)	(317,561)	(190,847)
Cost of sales:				
Cost/expense variance	(61,663)	(45,294)	(17,637)	(31,364)
Volume variance	186,936	90,632	97,572	225,318
Total cost of sales variance	125,273	45,338	79,935	193,954
Gross profit variance	(384,663)	(147,037)	(237,626)	3,107
SG&A expenses:				
Cost/expense variance	(1,031)	5,765	(6,635)	(12,822)
Volume variance	14,737	7,145	7,431	17,034
Total SG&A expense variance	13,706	12,910	796	4,212
Operating income variance	(370,957)	(134,127)	(236,830)	7,319
Summarized as:				
Price variance	(268,083)	(75,118)	(195,067)	80,652
Net cost/expense variance	(62,694)	(39,529)	(24,271)	(44,185)
Net volume variance	(40,180)	(19,481)	(17,492)	(29,148)

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

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-4 presents capital expenditures and research and development ("R&D") expenses by firm.

Table VI-4
Uncoated paper: Capital expenditures and research and development expenses of U.S. producers, by firm, 2011-13, January-September 2013, and January-September 2014

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Capital expenditure ($1,000)				
Integrated:					
American Eagle	***	***	***	***	***
Boise	***	***	***	***	***
Domtar	***	***	***	***	***
Finch Paper	***	***	***	***	***
Georgia-Pacific	***	***	***	***	***
Glatfelter	***	***	***	***	***
International Paper	***	***	***	***	***
Mohawk	***	***	***	***	***
Subtotal	***	***	***	***	***
Converter:					
Performance Office	***	***	***	***	***
All firms	229,667	264,100	215,846	147,932	147,286
	R&D expenses ($1,000)				
Integrated:					
American Eagle	***	***	***	***	***
Boise	***	***	***	***	***
Domtar	***	***	***	***	***
Finch Paper	***	***	***	***	***
Georgia-Pacific	***	***	***	***	***
Glatfelter	***	***	***	***	***
International Paper	***	***	***	***	***
Mohawk	***	***	***	***	***
Subtotal	***	***	***	***	***
Converter:					
Performance Office	***	***	***	***	***
All firms	***	***	***	***	***

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

The Commission's questionnaire asked firms to indicate the nature, focus, and significance of their capital expenditures on the subject product. Their responses are:

American Eagle: ***.
Boise: ***.
Domtar: ***.
Finch Paper: ***.
Georgia-Pacific. ***.
Glatfelter: ***.
International Paper: ***.
Performance Office: ***.

ASSETS AND RETURN ON INVESTMENT

Table VI-5 presents data on the U.S. producers' total assets as well as the ratio of operating income (or loss) to total assets. The value of total net assets fell from 2011 to 2013 by approximately $358.2 million, equivalent to a decline of 9.1 percent, that was accounted for mostly by the data of ***, and due mainly to the closure of certain facilities.[13] It should be noted that ***. The ratio of operating income to total assets also fell substantially from 2011 to 2013.

Commission staff asked petitioners to address what would be an adequate rate of return for the industry producing uncoated paper. Their response was that it would have to take into account the industry's disinvestment in assets, depreciation (i.e., ***, and impairment by write-downs.[14] They concluded that the 2011 ratio of operating income to total net assets in 2011 (***) would be a conservative estimate of an adequate rate of return for this industry.[15]

[13] Also, Boise stated: ***.

[14] Petitioners' postconference brief, p. 24, exh. 23, and exh. 33.

[15] Petitioners' postconference brief, p. 24.

Table VI-5
Uncoated paper: U.S. producers' total assets and ratio of operating income to total net assets, by firm, 2011-13,

Firm	Calendar years		
	2011	2012	2013
Total net assets ($1,000)			
Integrated:			
American Eagle	***	***	***
Boise	***	***	***
Domtar	***	***	***
Finch Paper	***	***	***
Georgia-Pacific	***	***	***
Glatfelter	***	***	***
International Paper	***	***	***
Mohawk	***	***	***
Subtotal	***	***	***
Converter:			
Performance Office	***	***	***
Total	3,951,410	3,811,967	3,593,206
Ratio of operating income to total net assets (percent)			
Integrated:			
American Eagle	***	***	***
Boise	***	***	***
Domtar	***	***	***
Finch Paper	***	***	***
Georgia-Pacific	***	***	***
Glatfelter	***	***	***
International Paper	***	***	***
Mohawk	***	***	***
Subtotal	***	***	***
Converter:			
Performance Office	***	***	***
Average	19.2	16.4	10.8

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

Conversion and tolling operations

As noted earlier, converters buy sheeter-rolls and take the market risk on sale of uncoated paper or toll-process sheeter rolls on behalf of another firm. The *** estimates that independent sheeters, which are small relative to integrated firms, supply less than *** percent of the market in North America.[16] The Commission's supplemental questionnaire asked about

[16] ***.

tolling operations and usable responses were received from four firms, ***,[17] ***,[18] ***,[19] and ***.[20] As noted earlier, an integrated producer may arrange for independent conversion of odd-sizes or hole-punched/perforated sheets to maximize throughput on its own sheeter mill. Commission staff asked certain U.S. producers the percentage of their sales accounted for by toll conversion, whether that percentage had changed, and why toll conversion was utilized. ***.[21] ***.[22] ***.[23]

In the relationship between toller and tollee, the tollee provides the raw material inputs (here, sheeter-rolls) to the toller, retaining title to the inputs, and the toller returns the finished product (here, uncoated paper) to the tollee. The toller converts the input to the finished product and charges a tolling fee, which differs in concept and unit value from sales, and may arrange packaging and shipment on behalf of the tollee. It should be noted that the commercial sales of the finished product and the conversion costs are included in profit and loss data shown in tables VI-1 and VI-2. The data for tolling have not been consolidated with data reported by producers as that would result in double counting of sales and costs. As can be seen from the tolling data, presented in table VI-6, tolling revenues are substantially different from commercial sales; the cost structure of toll conversion also differs dramatically from that of commercial production.

[17] ***. It reported converting on behalf of: ***.
[18] ***. Reported converting on behalf of: ***.
[19] Reported converting on behalf of: ***.
[20] Reported converting on behalf of: ***.
[21] Email to Commission staff from ***.
[22] Additionally, ***. Email to Commission staff from ***.
[23] Email to Commission staff from ***.

Table VI-6
Uncoated paper: Results of operations of U.S. tollers, 2011-13, January-September 2013, and January-September 2014

* * * * * * *

The Commission has examined value-added in certain previous investigations. A value-added calculation shows a ratio of the sum of direct factory labor and factory overhead costs (conversion costs) to the total cost of goods sold (the other ratio that the Commission has considered includes SG&A expenses to conversion costs but two of the four firms did not report SG&A expenses). The value-added to sheeter rolls by toll conversion was *** percent in 2011, *** percent in 2012, but was lower in 2013 and both interim periods at *** percent (2013), *** percent (interim 2013), and *** percent (interim 2014).

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of uncoated paper to describe any actual or potential negative effects of imports of uncoated paper from Australia, Brazil, China, Indonesia, and Portugal on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. U.S. producers' responses are presented below.

Actual negative effects[24]

American Eagle: ***.
Boise: ***.
Domtar: ***.
Finch Paper: ***.
Georgia-Pacific: ***.
Glatfelter: ***.
International Paper:[25] ***.
Mohawk: ***.
Performance Office:[26] ***.

[24] ***.
[25] International Paper stated ***.
[26] Performance Office stated ***.

Anticipated negative effects[27]

American Eagle: ***.
Boise: ***.
Domtar: ***.
Finch Paper: ***.
Georgia-Pacific: ***.
Glatfelter: ***.
International Paper: ***.
Mohawk: ***.
Performance Office: ***.

[27] ***.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

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

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

---

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

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

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

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

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

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

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN AUSTRALIA

Overview

Paper Australia Pty. Ltd. ("Australian Paper") is the only known producer of uncoated paper in Australia. The firm is an Australian registered company owned by Nippon Paper Industries Co. Ltd., a large Japanese paper producer. Australian Paper has two paper mills, the Maryvale mill and the Shoalhaven mill. The Maryvale mill is an integrated pulp and paper mill producing uncoated paper on two of its five paper machines. The Shoalhaven mill Is much smaller than the Maryvale mill, producing only 14,500 tons of paper annually.[3]

Operations on uncoated paper

The Commission issued a foreign producers' or exporters' questionnaire to one firm believed to produce and/or export uncoated paper from Australia. A useable response to the Commission's questionnaire was received from Australian Paper. This firm's exports to the United States accounted for all or virtually all of U.S. imports of uncoated paper from Australia in 2013 and over the period being examined. According to estimates requested of Australian Paper, the production of uncoated paper in Australia reported in this Part of the report accounts for approximately *** percent of overall production of uncoated paper in Australia. Table VII-1 presents information on the responding Australian producer over the period being examined.

Table VII-1
Uncoated paper: Australian producer's summary data, 2013

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)	Total shipments (short tons)	Share of firm's total shipments exported to the United States (percent)
Australian Paper	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

Table VII-2 presents information on the uncoated paper operations of Australian Paper.[4] Australian Paper has ***. The firm reported that ***.[5]

Production of uncoated paper increased *** percent between 2011 and 2013 and was *** higher in interim 2014 compared with interim 2013. Australian Paper reported that this

[3] Petition, Volume II, pp. II-1-II-2; Australian Paper web site http://australianpaper.com.au (accessed February 5, 2015).

[4] Australian Paper stated that its trade data did not reconcile due to ***.

[5] Email from ***, February 19, 2015.

increase in production was primarily due to ***. Capacity utilization increased in each year during 2011-14 and is projected to reach *** percent in 2015.

Exports to the United States, as a share of total shipments increased *** percentage points between 2011 and 2013, while exports to other markets (***) increased *** percentage points and home market shipments declined *** percentage points. Exports to the United States, as a share of total shipments were *** percentage points higher in interim 2014 compared with interim 2013, while exports to other markets and home market shipments were *** and *** percentage points lower, respectively. The share of exports to the United States increased in 2014 and was projected to decline in 2015, albeit still at a higher share of total shipments than during 2011-13. Australian Paper stated that the increase from 2013 to 2014 was the result of "***."

Table VII-2
Uncoated paper: Data for Australian Paper, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

* * * * * * *

Alternative paper products

As shown in table VII-3, Australian Paper produces other products on the same paper making equipment and machinery used in the production of uncoated paper. These products include ***. Australian Paper stated that while it can shift production between products, it is constrained by ***.

Australian Paper noted that a 50,000 ton recycling facility at its Maryvale mill is scheduled to start production in first quarter of 2016. The recycled product from this facility will replace the virgin product currently being used to produce paper and will not change the firm's overall papermaking capacity, cut ream capacity, or export capacity, ***.[6] ***. Australian Paper's overall capacity was calculated based on actual production. The firm reported that ***.

Table VII-3
Uncoated paper: Australian Paper's total plant capacity and production, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

* * * * * * *

[6] Conference transcript, p. 139 (Peters).

THE INDUSTRY IN BRAZIL

Overview

Suzano Papel e Celulose S.A. ("Suzano") and International Paper are two known producers of uncoated paper in Brazil.[7] Suzano is a large producer of market pulp, paperboard, and coated and uncoated paper. It has four paper mills in the State of São Paulo (two in Suzano, one in Embu, and one in Limeira) and a fifth paper mill in the State of Bahia. In 2013, Suzano's paper products were sold primarily in Brazil (69 percent of total sales volume), with the remainder exported to markets in South America, Central America, North America, and Europe. International Paper is a large U.S. paper, packaging, and fluff pulp producer with manufacturing operations in North America, Europe, Latin America, Russia, Asia, and North Africa. Its operations in Brazil consist of two pulp and paper mills in Mogi Guaçu and Luiz Antônio in São Paulo State and a paper mill in Três Lagoas in Mato Grosso do Sul State. All three mills produce uncoated paper, which is sold domestically and to export markets.[8]

Operations on uncoated paper

The Commission issued foreign producers' or exporters' questionnaires to three firms believed to produce and/or export uncoated paper from Brazil.[9] Useable responses to the Commission's questionnaire were received from two firms: International Paper and Suzano.[10] These firms' exports to the United States accounted for approximately *** percent of U.S. imports of uncoated paper from Brazil in 2013.[11] According to estimates requested of the responding Brazil producers, the production of uncoated paper in Brazil reported in this part of the report accounts for approximately *** percent of overall production of uncoated paper in Brazil.[12] Table VII-4 presents information on the responding Brazilian producers over the period being examined.

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[7] Conference transcript, p. 162 (Tarpey).

[8] Petition, Volume VI, pp. VI-1-VI-3; Suzano web site http://www.suzano.com.br (accessed February 6, 2015); International Paper web site http://www.internationalpaper.com (accessed February 6, 2015).

[9] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

[10] The third firm, Rispasa, S/A Celulose Papel, was acquired by Suzano prior to the period of investigation and is included in Suzano's response.

[11] Suzano notes that virtually all Brazilian uncoated paper sold in the U.S. market is exported by Suzano, as a sizeable portion of U.S. imports from Brazil are directly re-exported to Latin America. Conference transcript, p. 122 (Esserman).

[12] Respondents stated that the responding producers are the only two major producers in Brazil. Conference transcript, p. 162 (Tarpey).

Table VII-4
Uncoated paper: Brazilian producers' summary data, 2013

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)	Total shipments (short tons)	Share of firm's total shipments exported to the United States (percent)
International Paper	***	***	***	***	***	***
Suzano	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

Table VII-5 presents information on the uncoated paper operations of the responding producers and exporters in Brazil.[13] Capacity increased in each year during 2011-13 and is projected to increase in 2015. *** increased capacity between 2011 and 2012, as a result of its acquisition of ***. *** increased capacity in ***.

Production of uncoated paper declined *** percent between 2011 and 2013, and *** percent between 2013 and 2014, but is projected to increase *** percent in 2015. Both firms followed this pattern, except ***. Capacity utilization ranged from a high of *** percent in 2011 to a low of *** percent in 2014, with *** at a higher capacity utilization in each period.

Commercial shipments to the firms' home market represented the largest share followed closely by exports to other markets, except in 2011 when this was reversed. *** stated that *** focused on Latin America.[14] Exports to the United States, as a share of total shipments, increased *** percentage points between 2011 and 2013, while exports to other markets (***) decreased *** percentage points and home market shipments increased *** percentage points. *** reported that the increase in exports to the United States in ***. In addition, at least some of the two firms' exports to the United States were re-exported to Latin America by Miami based trading firm ***.[15] The sales to this firm accounted for ***.[16]

*** reported that it has ***.

[13] ***.

[14] Conference transcript, p. 123 (Esserman) and ***.

[15] Conference transcript, p. 162 (Tarpley).

[16] *** responses to the Commission's foreign producers' questionnaire.

Table VII-5
Uncoated paper: Data for producers in Brazil, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

* * * * * * *

Alternative paper products

As shown in table VII-6, both responding firms produce other products on the same paper making equipment and machinery used in the production of uncoated paper. These products include ***. International Paper stated that the main constraint to switch between products is related to ***. Suzano reported that *** affect product mix. Both firms note that from a cost perspective, ***.

Suzano reported the only increase in overall capacity due to ***, while both firms increased total production between 2011 and 2013 and had higher production in interim 2014 compared with interim 2013. Uncoated paper was approximately *** of Suzano's total production, and was slightly less than *** of International Paper's total production in each period.

Table VII-6
Uncoated paper: Brazilian producers' total plant capacity and production, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

* * * * * * *

THE INDUSTRY IN CHINA

Overview

China is the largest producer and consumer of paper in the world, having surpassed the United States some years ago.[17] There are a number of Chinese producers of uncoated paper; the three largest producers and exporters to the United States are believed to be Shandong Chenming Paper Holdings Ltd., Asia Pulp and Paper Group, and Shandong Sun Paper Industry Joint Stock Co., Ltd.[18] These three firms are big integrated paper manufacturers making a

[17] RISI press release, "Global paper and board production hits record levels in 2013 despite 'persistent decline' in North America and Europe-RISI review" November 5, 2014 http://www.risiinfo.com (accessed November 6, 2014).

[18] Petition, Volume VII, pp. VII-2-VII-6. Asia Pulp and Paper Group and another Chinese company known to produce uncoated paper, Asia Pacific Resources International Limited, also produce uncoated paper in Indonesia (see infra).

variety of paper products in addition to uncoated paper. Chinese papermakers have reportedly increased their capacity to produce uncoated paper in recent years.[19] [20]

Operations on uncoated paper

The Commission issued foreign producers' or exporters' questionnaires to 16 firms believed to produce and/or export uncoated paper from China.[21] Useable responses to the Commission's questionnaire were received from five firms: Asia Symbol (Guangdong) Paper ("Asia Symbol"), Gold Hua Sheng Paper (Suzhou Industrial Paper) Co. ("Gold Hua Sheng Paper"), Shandong Chenming Paper Holdings ("Shandong Chenming"), Shandong Sun Paper Industry Joint Stock Co. ("Shandong Sun Paper"), and UMP (China). These firms' exports to the United States accounted for the vast majority of U.S. imports of uncoated paper from China in 2013 and over the period being examined. According to estimates requested of the responding China producers, the production of uncoated paper in China reported in this Part of the report accounts for approximately 27 percent of overall production of uncoated paper in China, and 87 percent of total Chinese exports to the United States. Table VII-7 presents information on the responding Chinese producers over the period being examined.

Table VII-7
Uncoated paper: Chinese producers' summary data, 2013

* * * * * * *

[19] Meng, Li. "RISI Viewpoint: The battle between China and Indonesia in the uncoated woodfree export markets." July 24, 2014 http://www.risiinfo.com (accessed July 25, 2014) and Petitioners' postconference brief, exhibit 27.

[20] Respondents noted, however, that Chinese mills' capacity to serve the U.S. market for uncoated paper is limited by their sheeting capacity, which may be much less than the mills' overall capacity to produce uncoated paper. Conference transcript, p. 120 (Wallen).

[21] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

Table VII-8 presents information on the uncoated paper operations of the responding producers and exporters in China. Capacity of the responding Chinese producers increased 78.5 percent (1,307,903 short tons) between 2011 and 2013, and were projected to increase 1.7 percent and 1.8 percent in 2014 and 2015, respectively.[22] Four of the five Chinese producers reported increases in capacity, although the majority of the increase was accounted for by ***. Asia Symbol commenced operations at its paper plant in Xinhui, Guangdong in July 2012, with a capacity of *** short tons.[23] Shandong Chenming's affiliated producer, Zhanjiang Chenming Pulp & Paper, commenced production in September 1, 2011 with a reported capacity of close to 600,000 metric tons (660,000 short tons), and at a new workshop in September 2014.[24] In addition, in August 2011, ***, and *** increased its cut-size sheet capacity approximately *** short tons in 2013.

Following capacity, production of Chinese producers also increased, by 88.6 percent (1,295,316 short tons) between 2011 and 2013, but unlike capacity, was projected to decline 3.2 percent in 2014 and 3.1 percent in 2015. The majority of the increase in production was accounted for by ***, which ***.

Commercial shipments to the firms' home market represented the largest share followed by exports to other markets (including ***). Exports to the United States represented a small but increasing share of total shipments during 2011-13, and were projected to reach their highest level (*** percent) in 2014, then declined to *** percent of total shipments in 2015. All five firms exported to the United States during 2011-13, and projected to continue to do so during 2014-15. Approximately half of exports to the United States during 2011-13 and 2014-15 were accounted for by ***, which along with *** accounted for the largest increases in 2013 and in 2014, and in interim 2014 compared with interim 2013.[25]

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[22] As noted above, Chinese respondents stated that Chinese mill capacity to serve the U.S. market is limited by a mill's capability to produce standard U.S. sized paper. Furthermore they argue that there are only a few mills in China with this capability. Conference transcript, p. 120 (Wallen).

[23] "RGE Group Companies" found at http://www.rgei.com/group-companies/asia-symbol.

[24] "Metso-supplied Zhanjiang Chenming PM 1 sets world speed record for woodfree uncoated paper," Metso, July 9, 2012, found at http://www.metso.com/news/newsdocuments.nsf/web3newsdoc/a3c3714e3b7d598ec2257a360024d390.

[25] *** stated that its trade data did not reconcile due to ***.

Table VII-8
Uncoated paper: Data for producers in China, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2011	2012	2013	2013	2014	2014	2015
	Quantity (short tons)						
Capacity	1,666,950	2,619,200	2,974,853	2,230,622	2,184,170	3,024,251	3,079,377
Production	1,462,254	2,367,155	2,757,570	2,061,659	2,111,597	2,669,407	2,585,625
End-of-period inventories	76,017	145,852	100,872	125,735	110,156	90,864	63,615
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	891,195	1,524,783	1,823,338	1,326,635	1,325,016	1,752,569	1,765,761
Export shipments to:							
United States	25,945	53,572	95,941	73,378	120,296	160,419	76,131
All other markets	541,883	718,896	884,248	682,501	656,008	764,844	770,431
Total exports	567,828	772,468	980,189	755,879	776,304	925,263	846,562
Total shipments	1,459,023	2,297,251	2,803,527	2,082,514	2,101,320	2,677,832	2,612,323
	Ratios and shares (percent)						
Capacity utilization	87.7	90.4	92.7	92.4	96.7	88.3	84.0
Inventories/production	5.2	6.2	3.7	4.6	3.9	3.4	2.5
Inventories/total shipments	5.2	6.3	3.6	4.5	3.9	3.4	2.4
Share of total shipments:							
Home market shipments:							
Internal consumption/ transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial shipments	61.1	66.3	65.0	63.7	63.0	65.4	67.6
Subtotal, home market shipments	61.1	66.4	65.0	63.7	63.1	65.4	67.6
Export shipments to:							
United States	1.8	2.3	3.4	3.5	5.7	6.0	2.9
All other markets	37.1	31.3	31.5	32.8	31.2	28.6	29.5
Total exports	38.9	33.6	35.0	36.3	36.9	34.6	32.4
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Alternative paper products

As shown in table VII-9, all responding Chinese producers, except ***, produce other products on the same paper making equipment and machinery used in the production of uncoated paper. These products include ***. *** stated that there were no constraints to switch between products, although ***. *** reported that ***. *** stated that ***.

Table VII-9
Uncoated paper: Chinese producers' total plant capacity and production, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Quantity (short tons)				
Overall capacity	4,637,950	5,699,840	5,991,953	4,497,823	4,392,001
Production:					
Uncoated paper	1,462,254	2,367,155	2,757,570	2,061,659	2,111,597
Coated paper	***	***	***	***	***
Other products	***	***	***	***	***
Total production	4,218,975	5,266,291	5,680,424	4,238,158	4,298,195
	Ratios and shares (percent)				
Capacity utilization	91.0	92.4	94.8	94.2	97.9
Share of production:					
Uncoated paper	34.7	44.9	48.5	48.6	49.1
Coated paper	***	***	***	***	***
Other products	***	***	***	***	***
Total production	100.0	100.0	100.0	100.0	100.0

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

THE INDUSTRY IN INDONESIA

Overview

Asia Pulp and Paper Group ("APP") and Asia Pacific Resources International Limited ("APRIL") are large pulp and paper producers in Indonesia known to produce uncoated paper. APP, the bigger of the two, is one of the largest paper manufacturers in the world, making a full range of paper, paperboard, and tissue products.[26] Uncoated paper is produced at three of its subsidiary firms—PT Pindo Deli Pulp and Paper Mills, PT Indah Kiat Pulp & Paper Tbk, and PT Pabrik Kertas Tijwi Kimia. APRIL's pulp and paper operations are centered in Kerinci in Riau province. A few other smaller Indonesian paper firms may also produce small volumes of uncoated paper.[27] Indonesian papermakers have reportedly increased their capacity to produce uncoated paper in the past few years; the largest increase in capacity occurred in April 2013 with the start-up of a new 500,000 ton per year paper machine at APP Indah Kiat's Perawang mill.[28]

Operations on uncoated paper

The Commission issued foreign producers' or exporters' questionnaires to eight firms believed to produce and/or export uncoated paper from Indonesia.[29] Useable responses to the Commission's questionnaire were received from four firms: PT Anugerah Kertas Utama ("Anugerah Kertas"), PT. Indah Kiat Pulp & Paper Tbk ("Indah Kiat"), PT Pabrik Kertas Tjiwi Kimia Tbk ("Pabrik Kertas"), and PT Pindo Deli Pulp And Paper Mills ("Pindo Deli"). These firms' exports to the United States accounted for all or virtually all of U.S. imports of uncoated paper from Indonesia in 2013 and over the period being examined. According to estimates of the responding Indonesia producers, the production of uncoated paper in Indonesia reported in this part of the report accounts for approximately 93 percent of overall production of uncoated

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[26] In 2013, Staples, a large U.S. purchaser of uncoated paper, after a five-year hiatus recommenced purchasing from APP. "Is Staples right to reward Asia Pulp and Paper's forest pledge?" BusinessGreen, March 4, 2014, found at http://www.greenbiz.com/blog/2014/03/06/staples-right-reward-asia-pulp-and-papers-forest-pledge and "Staples Inc. Ends Relationship with Asia Pulp & Paper", World Wildlife Fund, February 1, 2008, found at https://www.worldwildlife.org/stories/staples-inc-ends-relationship-with-asia-pulp-amp-paper, and Petitioners' postconference brief, Answers To Questions From The Commission's Staff,p. 20.

[27] Petition, Volume 1, Exhibit I-7 and Volume III, pp. III-1-III-3; APP web site http://www.asiapulppaper.com (accessed February 6, 2015); APRIL web site http://www.aprilasia.com (accessed February 6, 2015); *2008 Lockwood-Post Directory of Pulp & Paper Mills Global Edition.* Bedford, Massachusetts: RISI, Inc., 2008.

[28] Meng, Li. "RISI Viewpoint: The battle between China and Indonesia in the uncoated woodfree export markets." July 24, 2014 http://www.risiinfo.com (accessed July 25, 2014).

[29] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

paper in Indonesia and 122 percent of Indonesian exports of uncoated paper to the United States. Table VII-10 presents information on the responding Indonesian producers over the period being examined.

Table VII-10
Uncoated paper: Indonesian producers' summary data, 2013

* * * * * * *

Table VII-11 presents information on the uncoated paper operations of the responding producers and exporters in Indonesia. Capacity increased 1.9 percent between 2011 and 2013, projected to increase 6.6 percent in 2014, and 6.3 percent in 2015. One firm, ***, accounted for the increase in 2012 and 2013, when the firm ***. Two firms reported increased capacity in 2014. *** installed a new paper machine with a capacity of *** short tons (***) in ***. In December 2013, ***.

Production increased 8.3 percent between 2011 and 2013, and was projected to increase 3.0 percent in 2014 and 14.0 percent in 2015. While all responding Indonesian producers reported increased production, one firm, *** accounted for the majority in each period. *** accounted for the majority of the increase in total shipments between 2011 and 2013, as well as the projected shipments in 2014 and 2015. Along with ***, *** accounted for the majority of Indonesian exports of uncoated paper to the United States. Responding firms' overall exports to the United States increased each year, ending 33.6 percent higher in 2013 than in 2011, and were projected to increase 90.7 percent in 2014 and 7.6 percent in 2015. Indonesian respondents attributed the increase in 2014 to filling a gap in U.S. supply following the closure of International Paper's Courtland, Alabama mill.[30] Exports to the United States reached their highest share (10.3 percent) of Indonesian producers' total shipments in interim 2014 and 9.9 percent in 2014, up from 4.4 percent in 2011.[31]

[30] Conference transcript, p. 134 (Gupta).

[31] Indonesian respondents argued that this was a "one time event," and do not expect any "significant increase" in exports to the United States in the foreseeable future, except the projected increase in 2015 exports due to further announced U.S. mill closures in 2016. Conference transcript, p. 134 (Gupta).

Table VII-11
Uncoated paper: Data for producers in Indonesia, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2011	2012	2013	2013	2014	2014	2015
	Quantity (short tons)						
Capacity	3,111,955	3,141,955	3,169,955	2,372,724	2,430,724	3,377,955	3,589,955
Production	2,674,751	2,820,243	2,895,606	2,143,743	2,232,887	2,982,113	3,398,648
End-of-period inventories	172,786	155,201	217,336	227,807	193,241	191,726	181,030
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	481,484	533,331	598,511	442,160	441,547	616,688	726,472
Export shipments to:							
United States	116,928	145,163	156,167	107,987	232,112	297,763	320,389
All other markets	2,061,064	2,158,215	2,075,708	1,517,906	1,583,048	2,092,996	2,362,288
Total exports	2,177,992	2,303,378	2,231,875	1,625,893	1,815,160	2,390,759	2,682,677
Total shipments	2,659,476	2,836,709	2,830,386	2,068,053	2,256,707	3,007,447	3,409,149
	Ratios and shares (percent)						
Capacity utilization	86.0	89.8	91.3	90.3	91.9	88.3	94.7
Inventories/production	6.5	5.5	7.5	8.0	6.5	6.4	5.3
Inventories/total shipments	6.5	5.5	7.7	8.3	6.4	6.4	5.3
Share of total shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	18.1	18.8	21.1	21.4	19.6	20.5	21.3
Export shipments to:							
United States	4.4	5.1	5.5	5.2	10.3	9.9	9.4
All other markets	77.5	76.1	73.3	73.4	70.1	69.6	69.3
Total exports	81.9	81.2	78.9	78.6	80.4	79.5	78.7
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Alternative paper products

As shown in table VII-12, three producers produced other products on the same paper making equipment and machinery used in the production of uncoated paper. These products include ***. These three firms stated that switching between products is affected by market demand and movement to more value added products, and is constrained by technical ability of equipment.

Table VII-12
Uncoated paper: Indonesian producers' total plant capacity and production, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

Item	Calendar year			January to September	
	2011	2012	2013	2013	2014
	Quantity (short tons)				
Overall capacity	4,311,238	4,377,238	4,443,238	3,327,937	3,402,103
Production:					
Uncoated paper	2,674,751	2,820,243	2,895,606	2,143,743	2,232,887
Coated paper	***	***	***	***	***
Other products	***	***	***	***	***
Total production	3,787,218	3,940,049	4,021,581	2,990,279	3,090,678
	Ratios and shares (percent)				
Capacity utilization	87.8	90.0	90.5	89.9	90.8
Share of production:					
Uncoated paper	70.6	71.6	72.0	71.7	72.2
Coated paper	***	***	***	***	***
Other products	***	***	***	***	***
Total production	100.0	100.0	100.0	100.0	100.0

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

THE INDUSTRY IN PORTUGAL

Overview

The Portucel Soporcel Group ("Portucel") is the only known Portuguese producer of uncoated paper. Portucel operates large, modern integrated pulp and paper mills in Setúbal and Figueira da Foz, both of which are believed to produce uncoated paper. Its newest paper machine began operations in August 2009 at the Setúbal mill and has an annual production capacity of 500,000 metric tons. According to Portucel, it is the largest European manufacturer of uncoated free sheet printing and writing paper and the sixth largest producer in the world. The company exports its paper to 113 countries, with the United States and Europe the leading export markets.[32]

Operations on uncoated paper

The Commission issued foreign producers' or exporters' questionnaires to one firm, Portucel, believed to produce and/or export uncoated paper from Portugal. A useable response to the Commission's questionnaire was received from Portucel. This firm's exports to the United States accounted for all or virtually all of U.S. imports of uncoated paper from Portugal in 2013 and over the period being examined. According to estimates of Portucel, the

[32] Portucel web site http://www.portucelsoporcel.com (accessed February 5, 2015).

production of uncoated paper in Portugal reported in this part of the report accounts for approximately 100 percent of overall production of uncoated paper in Portugal. Table VII-13 presents information on the responding Portuguese producer over the period being examined.

Table VII-13
Uncoated paper: Portuguese producer's summary data, 2013

* * * * * * *

Table VII-14 presents information on the uncoated paper operations of the responding producer in Portugal, Portucel. Portucel's uncoated paper annual capacity of *** short tons remained steady over the period for which data were collected, while the firm's production fluctuated slightly during 2011-13, ending *** percent higher in 2013 than in 2011, was *** percent higher in 2014, and was projected to be *** percent higher in 2015.[33] The firm noted that ***. Portucel reported that it was operating its paper making and finishing machines at 100 percent capacity utilization.[34] The firm's reported capacity differed from this due to ***.

The vast majority (between *** percent) of Portucel's shipments were ***. Exports to the United States represented between *** percent in 2012 and *** in 2013, and were *** percent lower in interim 2014 compared with interim 2013.

Table VII-14
Uncoated paper: Data for Portucel, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

* * * * * * *

Alternative paper products

Portucel did not produce other products on the same paper making equipment and machinery used in the production of uncoated paper.

[33] Conference transcript, pp. 136-137 (Leclercq).
[34] Conference transcript, p. 141 (Leclercq).

COMBINED DATA FOR THE INDUSTRIES IN THE SUBJECT COUNTRIES

Table VII-15 presents aggregate data for the reporting producers of uncoated paper in Australia, Brazil, China, Indonesia, and Portugal.

Table VII-15
Uncoated paper: Data for producers in subject countries, 2011-13, January-September 2013, January-September 2014, and projected 2014-15

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2011	2012	2013	2013	2014	2014	2015
	Quantity (short tons)						
Capacity	8,164,800	9,156,637	9,560,211	7,164,899	7,183,947	9,827,609	10,112,451
Production	7,455,165	8,488,171	8,949,429	6,662,357	6,848,269	8,983,491	9,420,239
End-of-period inventories	398,858	453,792	478,574	567,992	502,616	428,436	407,843
Shipments:							
Home market shipments:							
Internal consumption/ transfers	21,077	14,904	17,685	14,625	10,430	10,324	35,830
Commercial shipments	2,192,048	2,904,051	3,301,295	2,396,721	2,410,107	3,268,982	3,401,804
Subtotal, home market shipments	2,213,125	2,918,955	3,318,980	2,411,346	2,420,537	3,279,306	3,437,634
Export shipments to:							
United States	441,884	521,688	651,559	461,860	675,304	887,506	816,697
All other markets	4,763,264	4,990,473	4,959,260	3,691,600	3,743,756	4,869,665	5,181,028
Total exports	5,205,148	5,512,161	5,610,819	4,153,460	4,419,060	5,757,171	5,997,725
Total shipments	7,418,273	8,431,116	8,929,799	6,564,806	6,839,597	9,036,477	9,435,359
	Ratios and shares (percent)						
Capacity utilization	91.3	92.7	93.6	93.0	95.3	91.4	93.2
Inventories/production	5.4	5.3	5.3	6.4	5.5	4.8	4.3
Inventories/total shipments	5.4	5.4	5.4	6.5	5.5	4.7	4.3
Share of total shipments:							
Home market shipments:							
Internal consumption/ transfers	0.3	0.2	0.2	0.2	0.2	0.1	0.4
Commercial shipments	29.5	34.4	37.0	36.5	35.2	36.2	36.1
Subtotal, home market shipments	29.8	34.6	37.2	36.7	35.4	36.3	36.4
Export shipments to:							
United States	6.0	6.2	7.3	7.0	9.9	9.8	8.7
All other markets	64.2	59.2	55.5	56.2	54.7	53.9	54.9
Total exports	70.2	65.4	62.8	63.3	64.6	63.7	63.6
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-16 presents data on U.S. importers' reported inventories of uncoated paper. U.S. importers' inventories of imports from subject sources increased 31.2 percent between 2011 and 2013. Approximately *** of this increase was due to imports from Brazil, and ***. *** accounted for the largest increase in U.S. importers' inventories of imports from Brazil in interim 2014 compared with interim 2013, which accounted for slightly less than *** of the increase in U.S. imports from subject countries between these periods.

U.S. importers' inventories of imports from subject countries were 23.6 percent higher in interim 2014 than in interim 2013. Inventories of imports from each subject country, except for imports from Indonesia, were higher in interim 2014 compared with interim 2013. The increase in inventories of imports from China, which accounted for slightly less than *** of the higher imports in interim 2014, was largely due to increased inventories at ***. Ending inventories as a share of U.S. shipments at *** was *** percent higher in interim 2014 compared with interim 2013. Inventories of imports from Portugal, which accounted for slightly less than *** of the higher imports in interim 2014, were largely due to increased inventories at ***. Ending inventories as a share of U.S. shipments at *** was *** percent higher in interim 2014 compared with interim 2013.

Table VII-16
Uncoated paper: U.S. importers' inventories, 2011-13, January-September 2013, January-September 2014

* * * * * * *

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of uncoated paper from Australia, Brazil, China, Indonesia, Portugal, and all other sources after September 30, 2014 (Table VII-17). Twenty-three importers reported outstanding orders.

Table VII-17
Uncoated paper: U.S. importers' outstanding orders subsequent to September 30, 2014

* * * * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Antidumping duties are in place on imports of uncoated paper from subject countries in two third-country markets. In March 2013, Mexico imposed an antidumping duty of 37.78 percent on imports of cut bond paper from Brazil. In April 2014, Morocco imposed an antidumping duty of 10.6 percent on imports of A4-size paper from Portugal.[35]

INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury "by reason of subject imports," the legislative history states "that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[36]

***[37] ***[38]

Figure VII-1
Uncoated freesheet: Estimated global production and consumption of cut size uncoated freesheet paper, by region, 2013

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According to Petitioners, substantially all imports of uncoated paper enter the United States under HTS numbers 4802.56 and 4802.57.[39] Many nonsubject countries reported exports

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[35] Petitioners' postconference brief, p. 47 and exhibits 28 (A) and 28 (B). In July 2014, Turkey initiated a safeguards investigation on imports of "printing, writing and copy papers," and in August 2014, Jordan initiated a safeguards investigation on imports of "writing and printing papers size A4." Petitioners' postconference brief, pp. 47-48 and exhibits 28 (C) and 28 (D).

[36] *Mittal Steel Point Lisas Ltd. v. United States*, Slip Op. 2007-1552 at 17 (Fed. Cir. Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; *see also Bratsk Aluminum Smelter v. United States*, 444 F.3d 1369 (Fed. Cir. 2006).

[37] ***

[38] ***

[39] Petition, Volume I, p. I-6.

under these two HS numbers during the period of investigation and hence were likely producers of uncoated paper.[40] These countries include Thailand, Russia, Canada, South Africa, India, South Korea, Germany, Finland, and Sweden.[41] The only sizeable supplier of uncoated paper to the United States, other than the subject countries, during the period of investigation was Canada. U.S. imports from Canada, on a volume basis, were flat between 2011-13 and in 2013 accounted for 15 percent of total U.S. imports entered under HTS numbers 4802.56 and 4802.57.

[40] Global Trade Information Service, Inc. World Trade Atlas Database export data for HS numbers 4802.56 and 4802.57.

[41] Firms in these countries that are believed to produce uncoated paper are as follows: ***.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
80 FR 4311 January 27, 2015	*Certain Uncoated Paper From Australia, Brazil, China, Indonesia, and Portugal; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations.*	http://www.gpo.gov/fdsys/pkg/FR-2015-01-27/pdf/2015-01417.pdf
80 FR 8598 February 18, 2015	*Certain Uncoated Paper From the People's Republic of China and Indonesia: Initiation of Countervailing Duty Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-02-18/pdf/2015-03337.pdf
80 FR 8608 February 18, 2015	*Certain Uncoated Paper From Australia, Brazil, the People's Republic of China, Indonesia, and Portugal: Initiation of Less-Than-Fair-Value Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-02-18/pdf/2015-03338.pdf

APPENDIX B

CALENDAR OF THE PUBLIC STAFF CONFERENCE

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal

Inv. Nos.: 701-TA-528-529 and 731-TA-1264-1268 (Preliminary)

Date and Time: February 11, 2015 - 9:30 am

Sessions were held in connection with these preliminary investigations in the Main Hearing Room (Room 101), 500 E Street, S.W., Washington, DC.

OPENING REMARKS:

Petitioners (**Joseph W. Dorn**, King & Spalding LLP)
Respondents (**Matthew McConkey**, Mayer Brown LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

King & Spalding LLP
Washington, DC

and

Stewart and Stewart
Washington, DC
on behalf of

United Steel, Paper, and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW")
Domtar Corporation
Finch Paper LLC
P.H. Glatfelter Company
Packaging Corporation of America

Richard L. Thomas, Senior Vice President, Sales and Marketing, Domtar Corporation

Robert Melton, Vice President, Business Paper and Strategic Accounts, Domtar Corporation

Jack Bray, Vice President of Manufacturing, Region 2, Domtar Corporation

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Bonnie B. Byers, Consultant, King & Spalding LLP

Judy Lassa, Senior Vice President, Paper, BOISE Paper, a division of Packaging Corporation of America

Paul LeBlanc, Vice President, Paper Sales & Marketing, BOISE Paper, a division of Packaging Corporation of America

Josh Boyd, Director of Strategy and Administration, BOISE Paper, a division of Packaging Corporation of America

Douglas Franz, Paper Finance Analyst IV, BOISE Paper, a division of Packaging Corporation of America

Jon Geenen, International Vice President, United Steelworkers Union

Joseph W. Dorn)
Stephen A. Jones)
Terence P. Stewart) – OF COUNSEL
Elizabeth J. Drake)
Philip A. Butler)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Porter Wright Morris & Arthur LLP
Washington, DC
on behalf of

Australian Paper and Paper Products Marketing (USA) Inc.

James R. Peters, President, Paper Products Marketing (USA) Inc.

Leslie Alan Glick) – OF COUNSEL

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Arnold & Porter LLP
Washington, DC
on behalf of

Asia Pulp and Paper

Arvind Gupta, Director, Commercial, Asia Pulp and Paper

Don Earls, Sales Manager (Copy Paper), PaperMax

Roger D. Simpson, Consultant, Roger D. Simpson & Associates Pty. Ltd.

Michael Shor) – OF COUNSEL

Cassidy Levy Kent
Washington, DC
on behalf of

Portucel S.A.
Portucel Soporcel North America

Andre Leclercq, Sales Director Inernational, Portucel S.A.

Mike Dutt, General Manager, Portucel Soporcel North America

John D. Greenwald)
) – OF COUNSEL
Jonathan Zielinski)

Steptoe & Johnson LLP
Washington, DC
on behalf of

Suzano Papel e Celulose S.A.
Suzano Pulp and Paper America, Inc.

Thomas Tarpey, Sales Manager, Suzano Pulp and Paper America, Inc.

Susan G. Esserman) – OF COUNSEL

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Mayer Brown LLP
Washington, DC
on behalf of

Asia Symbol (Guangdong) Paper Co., Ltd.
GreenPoint Global Trading (Macao Commercial Offshore) Limited
APRIL Fine Paper Macao Commercial Offshore Limited ("APRIL")

Alex Ismail, CEO, Limited Paper

Roger Webb, President, Business Products, Shinsei Pulp & Paper (US) Corp.

Sunil Sood, Head, Pulp & Paper Sales, APRIL

Matthew McConkey) – OF COUJNSEL

DeKieffer & Horgan
Washington, DC
on behalf of

China Paper Association

Henric Wallen, General Manager, Chengmin Paper

Kevin Horgan) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

Petitioners (**Elizabeth J. Drake**, Stewart and Stewart *and* **Joseph W. Dorn**, King & Spalding LLP)
Respondents (**John D. Greenwald**, Cassidy Levy Kent *and* **Michael Shor** Arnold & Porter LLP)

APPENDIX C

SUMMARY DATA

Table C-1
Uncoated paper: Summary data concerning the U.S. market, 2011-13, January to September 2013, and January to September 2014
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Calendar year			January to September		Calendar year			Jan-Sept
	2011	2012	2013	2013	2014	2011-13	2011-12	2012-13	2013-14
U.S. consumption quantity:									
Amount	4,774,181	4,675,995	4,555,280	3,435,619	3,353,300	(4.6)	(2.1)	(2.6)	(2.4)
Producers' share (fn1)	87.2	86.6	84.2	84.6	79.4	(2.9)	(0.6)	(2.3)	(5.3)
Importers' share (fn1):									
Australia	***	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***	***
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Portugal	***	***	***	***	***	***	***	***	***
Subtotal, subject	8.5	9.6	12.0	11.5	17.2	3.5	1.1	2.4	5.7
All others sources	4.3	3.8	3.8	3.8	3.4	(0.6)	(0.5)	(0.1)	(0.4)
Total imports	12.8	13.4	15.8	15.4	20.6	2.9	0.6	2.3	5.3
U.S. consumption value:									
Amount	4,973,635	4,796,439	4,478,078	3,393,736	3,362,051	(10.0)	(3.6)	(6.6)	(0.9)
Producers' share (fn1)	87.3	86.7	84.5	84.9	80.7	(2.8)	(0.6)	(2.2)	(4.2)
Importers' share (fn1):									
Australia	***	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***	***
China	***	***	***	***	***	***	***	***	***
Indonesia	***	***	***	***	***	***	***	***	***
Portugal	***	***	***	***	***	***	***	***	***
Subtotal, subject	8.1	8.8	11.1	10.6	15.3	3.0	0.7	2.2	4.7
All others sources	4.6	4.5	4.4	4.5	4.0	(0.2)	(0.2)	(0.0)	(0.5)
Total imports	12.7	13.3	15.5	15.1	19.3	2.8	0.6	2.2	4.2
U.S. imports from:									
Australia:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Brazil:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Portugal:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subject sources:									
Quantity	404,819	449,560	546,008	395,728	576,696	34.9	11.1	21.5	45.7
Value	402,940	424,311	496,782	361,294	515,982	23.3	5.3	17.1	42.8
Unit value	$995	$944	$910	$913	$895	(8.6)	(5.2)	(3.6)	(2.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	206,843	179,296	171,864	132,153	114,797	(16.9)	(13.3)	(4.1)	(13.1)
Value	230,257	213,838	198,352	151,821	132,908	(13.9)	(7.1)	(7.2)	(12.5)
Unit value	$1,113	$1,193	$1,154	$1,149	$1,158	3.7	7.1	(3.2)	0.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Total imports:									
Quantity	611,662	628,856	717,872	527,881	691,493	17.4	2.8	14.2	31.0
Value	633,197	638,149	695,134	513,115	648,890	9.8	0.8	8.9	26.5
Unit value	$1,035	$1,015	$968	$972	$938	(6.5)	(2.0)	(4.6)	(3.5)
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued --

Table C-1--Continued
Uncoated paper: Summary data concerning the U.S. market, 2011-13, January to September 2013, and January to September 2014
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Calendar year			January to September		Calendar year			Jan-Sept
	2011	2012	2013	2013	2014	2011-13	2011-12	2012-13	2013-14
U.S. producers':									
Average capacity quantity	5,350,054	5,347,820	5,380,003	4,148,015	3,794,402	0.6	(0.0)	0.6	(8.5)
Production quantity	4,397,725	4,266,690	4,208,907	3,165,101	2,863,721	(4.3)	(3.0)	(1.4)	(9.5)
Capacity utilization (fn1)	82.2	79.8	78.2	76.3	75.5	(4.0)	(2.4)	(1.6)	(0.8)
U.S. shipments:									
Quantity	4,162,519	4,047,139	3,837,408	2,907,738	2,661,807	(7.8)	(2.8)	(5.2)	(8.5)
Value	4,340,438	4,158,290	3,782,944	2,880,621	2,713,161	(12.8)	(4.2)	(9.0)	(5.8)
Unit value	$1,043	$1,027	$986	$991	$1,019	(5.5)	(1.5)	(4.1)	2.9
Export shipments:									
Quantity	232,495	235,095	323,984	254,466	223,196	39.4	1.1	37.8	(12.3)
Value	229,382	219,169	275,935	215,354	192,228	20.3	(4.5)	25.9	(10.7)
Unit value	$987	$932	$852	$846	$861	(13.7)	(5.5)	(8.6)	1.8
Ending inventory quantity	341,917	324,968	369,013	324,276	289,205	7.9	(5.0)	13.6	(10.8)
Inventories/total shipments (fn1)	7.8	7.6	8.9	7.7	7.5	1.1	(0.2)	1.3	(0.2)
Production workers	7,447	7,185	6,925	7,104	6,290	(7.0)	(3.5)	(3.6)	(11.5)
Hours worked (1,000s)	15,656	15,170	14,775	11,715	10,082	(5.6)	(3.1)	(2.6)	(13.9)
Wages paid ($1,000)	514,416	516,330	511,133	395,056	339,224	(0.6)	0.4	(1.0)	(14.1)
Hourly wages	$32.86	$34.04	$34.59	$33.72	$33.65	5.3	3.6	1.6	(0.2)
Productivity (short tons per 1,000 hours)	280.9	281.3	284.9	270.2	284.0	1.4	0.1	1.3	5.1
Unit labor costs	$117	$121	$121	$125	$118	3.8	3.5	0.4	(5.1)
Net Sales:									
Quantity	4,395,004	4,282,233	4,162,404	3,162,298	2,885,003	(5.3)	(2.6)	(2.8)	(8.8)
Value	4,569,840	4,377,465	4,059,904	3,096,205	2,905,358	(11.2)	(4.2)	(7.3)	(6.2)
Unit value	$1,040	$1,022	$975	$979	$1,007	(6.2)	(1.7)	(4.6)	2.9
Cost of goods sold (COGS)	3,532,179	3,486,841	3,406,906	2,569,544	2,375,590	(3.5)	(1.3)	(2.3)	(7.5)
Gross profit of (loss)	1,037,661	890,624	652,998	526,661	529,768	(37.1)	(14.2)	(26.7)	0.6
SG&A expenses	278,448	265,538	264,742	194,255	190,043	(4.9)	(4.6)	(0.3)	(2.2)
Operating income or (loss)	759,213	625,086	388,256	332,406	339,725	(48.9)	(17.7)	(37.9)	2.2
Capital expenditures	229,667	264,100	215,846	147,932	147,286	(6.0)	15.0	(18.3)	(0.4)
Unit COGS	$803.68	$814.26	$818.49	$812.56	$823.43	1.8	1.3	0.5	1.3
Unit SG&A expenses	$63.36	$62.01	$63.60	$61.43	$65.87	0.4	(2.1)	2.6	7.2
Unit operating income or (loss)	$172.74	$145.97	$93.28	$105.12	$117.76	(46.0)	(15.5)	(36.1)	12.0
COGS/sales (fn1)	77.3	79.7	83.9	83.0	81.8	6.6	2.4	4.3	(1.2)
Operating income or (loss)/sales (fn1)	16.6	14.3	9.6	10.7	11.7	(7.1)	(2.3)	(4.7)	1.0

Notes:

fn1.--Report data are in percent and period changes are in percentage points.
fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics under HTS subheadings 4802.56 and 4802.57, except imports from Brazil questionnaire data.

APPENDIX D

IMPORT DIRECT COST DATA REPORTED BY IMPORTER RETAILERS

Table D-1 reports the quantity and direct cost to the importer who are retailers of the imported uncoated paper.

Table D-1
Uncoated paper: Weighted-average import direct costs and quantities of imported product 1[1], by quarters, January 2011- September 2014

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