

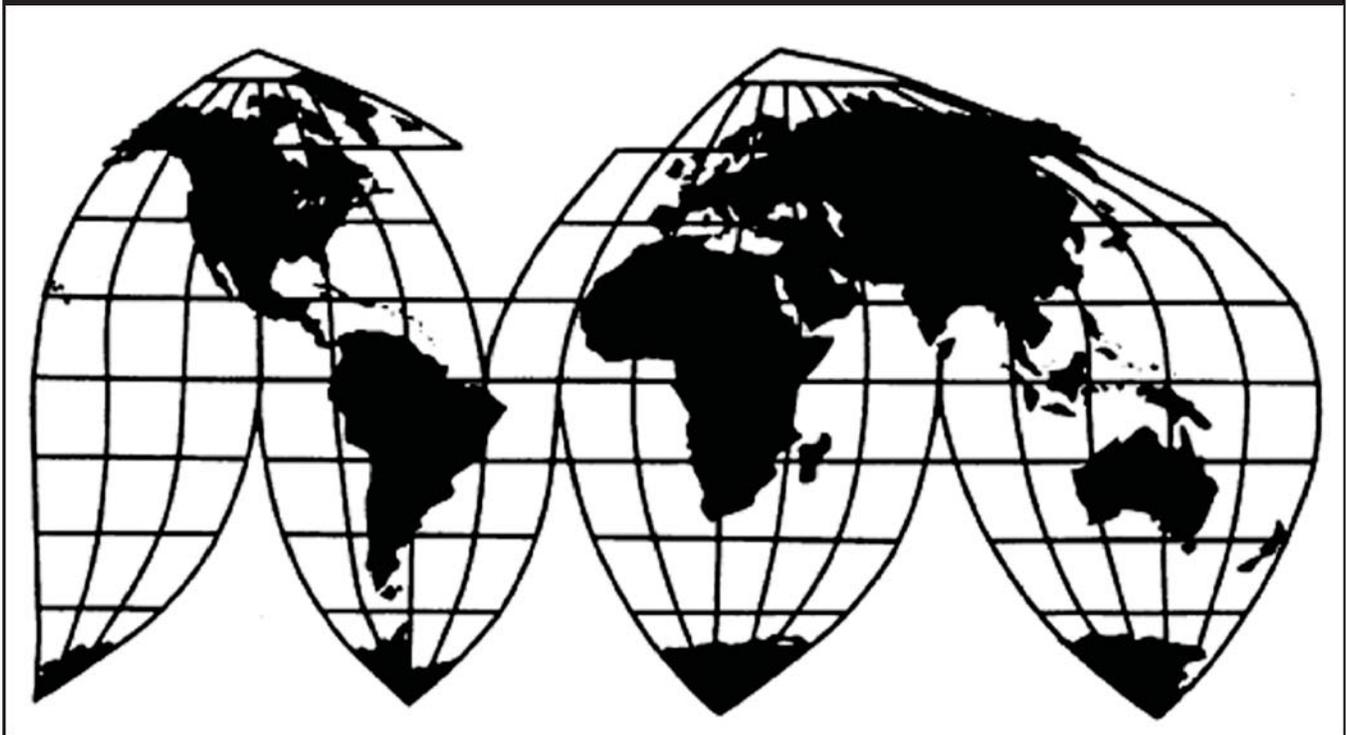
Uncoated Groundwood Paper from Canada

Investigation Nos. 701-TA-584 and 731-TA-1382 (Preliminary)

Publication 4732

October 2017

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-584 and 731-TA-1382 (Preliminary)

Uncoated Groundwood Paper from Canada

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of uncoated groundwood paper from Canada, provided for in subheadings 4801.00.01, 4802.61.10, 4802.61.20, 4802.61.31, 4802.61.60, 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.61, 4802.69.10, 4802.69.20, 4802.69.30, 4805.91.50, 4805.91.70, and 4805.91.90 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 to be subsidized by the government of Canada.

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.

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

BACKGROUND

On August 9, 2017, North Pacific Paper Company (“NORPAC”), Longview, Washington filed a petition with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of uncoated groundwood paper from Canada. Accordingly, effective August 9, 2017, the Commission, pursuant to sections 703(a) and 733(a) of the Act (19 U.S.C. 1671b(a) and 1673b(a)), instituted countervailing duty investigation No. 701-TA-584 and antidumping duty investigation No. 731-TA-1382 (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 August 15, 2017 (82 FR 38707). The conference was held in Washington, DC, on August 30, 2017, 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 determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of uncoated groundwood paper (“UGW paper”) from Canada that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of Canada.

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.¹ In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”²

II. Background

North Pacific Paper Company (“NORPAC”), a U.S. producer of UGW paper, filed the petitions in these investigations on August 9, 2017. Counsel to petitioner appeared at the staff conference with industry witnesses and submitted a postconference brief.

Several respondent entities participated in these investigations. Counsel to producers and exporters of subject merchandise, Catalyst Paper Corporation and Catalyst Pulp and Paper Sales Inc., and an importer of subject merchandise, Catalyst Paper (USA) Inc. (collectively “Catalyst”), appeared at the conference with industry witnesses and filed a joint postconference brief. Counsel to Kruger, Inc., a producer and exporter of subject merchandise, appeared at the conference with an industry witness and filed a postconference brief.

Counsel to Resolute FP Canada Inc., a producer and exporter of subject merchandise, and Resolute FP US Inc. (“Resolute U.S.”), a U.S. producer of UGW paper and an importer of subject merchandise (collectively “Resolute”), appeared at the conference, accompanied by industry witnesses, and filed a joint postconference brief.

¹ 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States*, 20 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

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

Counsel to White Birch Paper Canada Company NSULC, its three wholly owned producers and exporters of subject merchandise (Papier Masson WB LP, FF Soucy WB LP, and Stadacona WB LP), and its wholly owned U.S. producer of UGW paper Bear Island Paper WB LLC, Inc. (“Bear Island”) (collectively “White Birch”), appeared at the conference with an industry witness and filed a joint postconference brief.

Counsel to Gannett Supply Corporation, a wholesaler of UGW paper, appeared at the conference with an industry witness and filed a postconference submission. Finally, McClatchy, a purchaser of UGW paper and a part-owner of Ponderay Newsprint Company (“Ponderay”), a domestic producer of UGW paper, filed a one-page postconference submission in opposition to the imposition of antidumping and countervailing duties.³

U.S. industry data are based on the questionnaire responses of four producers, accounting for the vast majority of U.S. production of UGW paper in 2016.⁴ U.S. import data are based on questionnaire responses from nine U.S. importers, accounting for the vast majority of subject imports during 2016.⁵ The Commission received responses to its questionnaires from seven producers of subject merchandise in Canada believed to account for *** subject imports in 2016.⁶

III. Domestic Like Product

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.”⁷ 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.”⁸ 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.”⁹

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

³ Several letters were sent directly to Commissioners in these investigations. These communications were not made part of the record as they were not submitted to the Secretary’s Office or at the appropriate time for postconference submissions. See 19 C.F.R. §§ 201.8(a) (all filings in Commission proceedings to be made with Secretary), 207.15 (requirements for postconference submissions in preliminary phase investigations). Consequently, they were not considered by the Commission.

⁴ Confidential Report (“CR”) at III-1, Public Report (“PR”) at III-1.

⁵ CR/PR at IV-1. All import data are based on data from the questionnaires. CR/PR at IV-1 n.2.

⁶ CR at I-5, PR at I-4.

⁷ 19 U.S.C. § 1677(4)(A).

⁸ 19 U.S.C. § 1677(4)(A).

⁹ 19 U.S.C. § 1677(10).

“most similar in characteristics and uses” on a case-by-case basis.¹⁰ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹¹ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹² 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,¹³ the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁴

A. Scope Definition

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

certain paper that has not been coated on either side and with 50 percent or more of the cellulose fiber content consisting of groundwood pulp, including groundwood pulp made from recycled paper, weighing not more than 90 grams per square meter. Groundwood pulp includes all forms of pulp produced

¹⁰ 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).

¹¹ See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

¹² 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.”).

¹³ 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).

¹⁴ *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).

from a mechanical pulping process, such as thermo-mechanical process (TMP), chemi-thermo mechanical process (CTMP), bleached chemi-thermo mechanical process (BCTMP) or any other mechanical pulping process. The scope includes paper shipped in any form, including but not limited to both rolls and sheets.

Certain uncoated groundwood paper includes but is not limited to standard newsprint, high bright newsprint, book publishing, directory, and printing and writing papers. The scope includes paper that is white, off-white, cream, or colored.

Specifically excluded from the scope are imports of certain uncoated groundwood paper printed with final content of printed text or graphic. Also excluded are papers that otherwise meet this definition, but which have undergone a supercalendering process.¹⁵

UGW paper is produced from mechanical or groundwood pulp in a range of basis weights, brightness levels, and surface finishes.¹⁶ UGW paper is further categorized as newsprint, high bright paper, directory paper, and book publishing paper.¹⁷ It is used in relatively short-lived paper products such as newspapers, directories, paperback books, advertising circulars, and newspaper inserts.¹⁸ Although the scope of the investigations covers paper sold in both rolls and sheets, UGW paper is generally only sold in rolls.¹⁹

B. Arguments of the Parties

Petitioner contends that the domestic like product should be defined to be coextensive with the scope of the investigations.²⁰ Respondents indicated that they agree with petitioner's proposed domestic like product definition for purposes of the preliminary phase of the investigations, and they did not assert any arguments regarding the definition in their postconference briefs.²¹

¹⁵ *Certain Uncoated Groundwood Paper from Canada: Initiation of Less-Than-Fair-Value Investigation*, 82 Fed. Reg. 41599, 41603 (Sept. 1, 2017); *Certain Uncoated Groundwood Paper from Canada: Initiation of Countervailing Duty Investigation*, 82 Fed. Reg. 41603, 41607 (Sept. 1, 2017). The notices list numerous Harmonized Tariff Schedule of the United States classifications under which subject merchandise may be entered. *Id.*

¹⁶ See CR at I-13 to I-15, PR at I-11 to I-12.

¹⁷ CR at I-13, PR at I-10.

¹⁸ CR at I-13 to I-15, PR at I-11 to I-12.

¹⁹ CR at I-15, PR at I-12.

²⁰ Petitioner's Postconference Brief at 5.

²¹ Tr. at 154 (Cameron, Mendoza).

C. Analysis

Based on the record in the preliminary phase of these investigations, we define a single domestic like product consisting of all UGW paper coextensive with the scope.

Physical Characteristics and Uses. All UGW paper has common physical characteristics, being an uncoated paper product produced from mechanical pulp.²² Its physical characteristics differ from other categories of paper (such as coated groundwood paper, uncoated freesheet paper, coated freesheet paper, and supercalendered paper) in composition, coating, or finish.²³ UGW paper is lighter weight than other types of paper and contains lignin, which causes the paper to yellow over time. Accordingly, UGW paper is run through printing presses to produce printed materials that are intended to be disposed of quickly, such as newspapers and advertising materials.²⁴

Manufacturing Facilities, Production Processes and Employees. The paper machines and employees that produce UGW paper are generally not used to produce other types of paper.²⁵ UGW paper machines do not include coating equipment and do not produce coated paper. UGW paper machines also do not have the supercalendering or soft calendering equipment required to make supercalendered paper.²⁶ The production process for UGW paper differs from that of uncoated and coated freesheet papers because the pulp used in the production process is different.²⁷ Uncoated and coated freesheet paper use mainly chemical pulp, while UGW paper is primarily made with groundwood pulp.²⁸

Channels of Distribution. UGW paper is sold directly to end users (including newspapers, retailers, commercial printers, cataloguers, and book and magazine publishers) and to merchants/brokers.²⁹ Over two-thirds of domestic producers' shipments of UGW paper are to newspapers or other end users.³⁰

Interchangeability. According to petitioner, UGW paper is generally not interchangeable with other types of paper. It is lighter weight and less expensive, making it appropriate for use in printing newspapers and flyers where weight and cost are particularly important considerations.³¹

²² CR at I-12, PR at I-10.

²³ See CR at I-12 to I-13, PR at I-10 to I-11 (indicating varied characteristics and uses for uncoated groundwood, coated free sheet, uncoated free sheet, and coated groundwood paper).

²⁴ CR at I-13, I-18 n.34, PR at I-11 to I-14; Petitioner's Postconference Brief at 6-7; Tr. at 67 (Crowley). Lignin is removed in the more expensive chemical pulping process used for free sheet papers. CR at I-18 & n.34; PR at I-14.

²⁵ Overall, out-of-scope production by domestic producers represented *** percent to *** percent of total production on the same equipment and machinery during 2014-16. CR at III-7, PR at III-3.

²⁶ Petitioner's Postconference Brief at 8.

²⁷ See CR at I-12, I-18, PR at I-10 to I-14.

²⁸ CR at I-12, PR at I-10; Petitioner's Postconference Brief at 8.

²⁹ Petitioner's Postconference Brief at 7.

³⁰ CR/PR at Table II-1.

³¹ Petitioner's Postconference Brief at 6.

Uncoated freesheet paper is used as copy paper and is generally not interchangeable with UGW paper, which is run through printing presses.³² Coated freesheet paper is heavier, stiffer, and has a superior finish suitable for higher-end publications and brochures.³³ Similarly, UGW paper cannot be used interchangeably with coated groundwood paper, which is used for higher-quality graphic applications.³⁴ Petitioner acknowledges that supercalendered paper has some interchangeability with high bright UGW paper for advertising materials, but the surface porosity of newsprint and other UGW paper make it less suitable than supercalendered paper for high-quality printed colored graphics.³⁵

Producer and Customer Perceptions. Petitioner contends that customers and producers generally view UGW paper as lower-quality paper that is distinct from other types of paper. Petitioner notes that UGW paper contains lignin (which is removed in the chemical pulping process) which tends to yellow over time. For this reason, UGW paper is more often used in inexpensive printed materials that are intended to be disposed of quickly.³⁶

Price. UGW paper is of lower quality than other types of paper, and prices for UGW paper are lower than prices for coated and uncoated freesheet, coated groundwood, and supercalendered paper.³⁷

Conclusion. We find that the evidence on the record of these preliminary phase investigations indicates that all domestically produced UGW paper shares the same general physical characteristics and uses and has at most limited interchangeability with other types of paper. UGW paper is manufactured using a distinct manufacturing process. The majority of UGW paper is sold through the same channels of distribution (to end users) and is priced lower than other types of paper. In light of the above and the lack of any contrary argument, we define the domestic like product as all UGW paper, coextensive with the scope of 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.”³⁸ 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.

These investigations raise the issue of whether appropriate circumstances exist to exclude any domestic producers from the domestic industry pursuant to the related parties

³² Tr. at 42 (Buckingham); Tr. at 67 (Crowley).

³³ Petitioner’s Postconference Brief at 6.

³⁴ Petitioner’s Postconference Brief at 6-7.

³⁵ Petitioner’s Postconference Brief at 6-7.

³⁶ Petitioner’s Postconference Brief at 7.

³⁷ Petitioner’s Postconference Brief at 8-9.

³⁸ 19 U.S.C. § 1677(4)(A).

provision contained in 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 or which are themselves importers.³⁹ Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.⁴⁰

As explained further below, three domestic producers—Resolute U.S.A., Bear Island, and Ponderay—are subject to exclusion from the domestic industry under the related parties provision.

Petitioner argues that the Commission should find that appropriate circumstances do not exist to exclude Bear Island and Resolute U.S. as related parties. It contends that the two producers competed against lower-priced subject imports from other unaffiliated Canadian companies and that Bear Island and Resolute U.S. have been injured by subject imports as decisions to shift production to Canada have led these firms to close their U.S. mills, resulting in hundreds of job losses.⁴¹ Petitioner urges the Commission to exclude Ponderay from the definition of the domestic industry.⁴²

White Birch and Kruger contend that Bear Island and Resolute U.S. are responsible for a large percentage of domestic production and excluding them from the domestic industry would present an incomplete view of the domestic industry.⁴³ White Birch also argues that Bear Island and Resolute U.S. did not receive a substantial benefit from their related party status or importation of subject merchandise and that their ***.⁴⁴

We examine below for each of the related party producers whether appropriate circumstances exist to exclude it from the domestic industry.

³⁹ 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).

⁴⁰ 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 (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);
- (3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;
- (4) the ratio of import shipments to U.S. production for the imported product; and
- (5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l. Trade 2015); see also *Torrington Co. v. United States*, 790 F. Supp. at 1168.

⁴¹ Petitioner's Postconference Brief at 11-12.

⁴² Petitioner's Postconference Brief at 12. Petitioner faults the manner in which this firm reported pricing data in its questionnaire response.

⁴³ White Birch's Postconference Brief at 5-6; Kruger's Postconference Brief at 3-4.

⁴⁴ White Birch's Postconference Brief at 9.

Resolute U.S. Resolute U.S. is a related party because ***,⁴⁵ ***,⁴⁶ ***,⁴⁷ Although Resolute U.S. *** during the POI.⁴⁸ Parties have argued against excluding Resolute U.S. from the domestic industry. There is no indication that its relationship with its affiliated Canadian exports or that its *** benefited its domestic production operations.⁴⁹ Given Resolute U.S.'s size relative to the other three domestic producers, its exclusion would make the Commission's data less representative of the industry as a whole. In light of these considerations, we find that appropriate circumstances do not exist to exclude Resolute U.S. from the domestic industry.

Ponderay. Domestic producer Ponderay is a related party because it is controlled by ***, an importer of subject merchandise.⁵⁰ Ponderay is the *** largest domestic producer, accounting for *** percent of domestic production during 2016.⁵¹ While it *** the petitions, Ponderay's interest was primarily in domestic production during the POI as ***.⁵² Instead, it is a related party by virtue of its control relationship with Resolute U.S. There is no indication that Ponderay was shielded from subject imports to any significant degree, or that it benefited from its relationship with Resolute U.S.⁵³ Accordingly, we find that appropriate circumstances do not exist to exclude Ponderay from the domestic industry.

Bear Island. Bear Island is a related party because it is wholly owned by BD White Birch Investment, which also owns White Birch Paper Canada Company, an exporter of subject merchandise.⁵⁴ Bear Island was the *** largest domestic producer in 2016, accounting for ***

⁴⁵ CR at III-3, PR at III-2; CR/PR at Table IV-2. Resolute and Resolute FP Canada Inc. are 100 percent owned by the same parent. CR/PR at Table III-2.

⁴⁶ Resolute U.S. accounted for *** percent of domestic production during 2016. CR/PR at Table III-1.

⁴⁷ See Tr. at 16-19 (Feldman).

⁴⁸ Resolute U.S.'s *** totaled *** metric tons in 2014 (equivalent to *** percent of its domestic production), *** metric tons in 2015 (equivalent to *** percent of its domestic production), and *** metric tons in 2016 (equivalent to *** percent of its domestic production). CR/PR at Table III-10. Resolute U.S.'s imports of subject merchandise totaled *** metric tons in January-June (interim) 2017 (the equivalent of *** percent of its domestic production). *Id.*

⁴⁹ Resolute U.S. explained that it ***. CR/PR at Table III-10. Resolute U.S.'s operating results were ***, and it had ***. See CR/PR at Table VI-3. It had *** capital expenditures of the four reporting domestic producers in 2014, 2015, interim 2016, and interim 2017. See CR/PR at Table VI-5.

⁵⁰ See 19 U.S.C. § 1677(4)(B)(ii)(II). ***. CR/PR at Table III-2; Ponderay's Questionnaire Response at III-2. ***. See Ponderay's Questionnaire Response at 1.

⁵¹ CR/PR at Table III-1.

⁵² CR/PR at Table III-1.

⁵³ Ponderay's operating income ***. See CR/PR at Table VI-3. It submitted ***. CR at V-7 to V-7, PR at V-4.

⁵⁴ CR at III-3, PR at III-2; see 19 U.S.C. § 1677(4)(B)(ii)(III). Bear Island is also related to U.S. importers, FF Soucy WB LP, Papier Masson WB LP, and Stadacona WB LP, which are wholly owned subsidiaries of White Birch Paper Canada Company. CR at III-3, PR at III-2.

percent of domestic production.⁵⁵ Bear Island reported that its affiliates imported UGW paper ***.⁵⁶ The company opposes the petitions.⁵⁷

We find that appropriate circumstances do not exist to exclude Bear Island from the domestic industry. Bear Island was a substantial producer throughout the POI and only ceased production in June 2017 after documented efforts to continue production at its facility in Ashland, VA.⁵⁸ Although its affiliates' imports of subject merchandise were larger than its domestic production throughout the POI, the imports remained stable relative to Bear Island's domestic production.⁵⁹ There also is no indication that Bear Island benefited from its importation of subject merchandise, and both petitioner and respondents affirmatively urged the Commission to include Bear Island in the domestic industry.⁶⁰ We therefore find that appropriate circumstances do not exist to exclude Bear Island from the domestic industry.

We consequently define the domestic industry to include all domestic producers of UGW 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.⁶¹ The statute further provides that subject imports from a single country which comprise less than 3 percent of total such imports of the product may not be considered negligible if there are several countries subject to investigation with negligible imports and the sum of such imports from all those countries collectively accounts for more than 7 percent of the volume of all such merchandise imported into the United States.⁶² In the case of countervailing duty investigations involving developing countries (as designated by the United States Trade

⁵⁵ CR/PR at Table III-1.

⁵⁶ CR/PR at Table III-10.

⁵⁷ Tr. at 123 (Lowder).

⁵⁸ White Birch's Postconference Brief at 25-27 and exhibits 11 & 12; Tr. at 126-28 (Lowder). Bear Island stated that its ***. CR/PR at Table III-3.

⁵⁹ *** by Bear Island's related importers (FF Soucy WB LP, Papier Masson WB LP, and Stadacona WB LP) were *** metric tons in 2014 (equivalent to *** percent of Bear Island's domestic production), *** metric tons in 2015 (equivalent to *** percent of Bear Island's domestic production), and *** metric tons in 2016 (equivalent to *** percent of Bear Island's domestic production). CR/PR at Table III-10. Subject imports totaled *** metric tons in interim 2017 (the equivalent of *** percent of Bear Island's domestic production).

⁶⁰ Bear Island's operating income to net sales ratio was ***. See CR/PR at Table VI-3.

⁶¹ 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)).

⁶² 19 U.S.C. § 1677(24)(A)(ii).

Representative), the statute indicates that the negligibility limits are 4 percent and 9 percent, rather than 3 percent and 7 percent.⁶³

U.S. imports from Canada, as measured by questionnaire data, accounted for *** percent of total imports of UGW paper by quantity from August 2016 to July 2017, the 12-month period preceding filing of the petitions.⁶⁴ Consequently, subject imports from Canada are not negligible.

VI. 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.⁶⁵ 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.⁶⁶ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁶⁷ In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁶⁸ 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.”⁶⁹

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,⁷⁰ 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.⁷¹ In identifying a

⁶³ 19 U.S.C. § 1677(24)(B).

⁶⁴ CR at IV-8.

⁶⁵ 19 U.S.C. §§ 1671b(a), 1673b(a). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of reasonable indication of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

⁶⁶ 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).

⁶⁷ 19 U.S.C. § 1677(7)(A).

⁶⁸ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁹ 19 U.S.C. § 1677(7)(C)(iii).

⁷⁰ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁷¹ *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’d* 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

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.⁷²

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.⁷³ In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.⁷⁴ Nor does

⁷² 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).

⁷³ Uruguay Round Agreements Act Statement of Administrative Action (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 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.

⁷⁴ 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 (Continued...)

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.⁷⁵ It is clear that the existence of injury caused by other factors does not compel a negative determination.⁷⁶

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.”⁷⁷ Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”⁷⁸

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.⁷⁹ 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

(...Continued)

“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.”).

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

⁷⁶ *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.”).

⁷⁷ *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. In its decision in *Swiff-Train v. United States*, 792 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comporting with the Court’s guidance in *Mittal*.

⁷⁸ *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.”).

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

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.⁸⁰ Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.⁸¹

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.⁸² Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.⁸³

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.

⁸⁰ *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).

⁸¹ 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 the final phase of 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 the final phase of investigations in which there are substantial levels of nonsubject imports.

⁸² We provide in our discussions below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

⁸³ *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.").

1. Demand Conditions

Demand for UGW paper depends on the demand for printed paper materials that use UGW paper. End uses include newspapers, newspaper inserts, advertising circulars, directories, paperback books, trade books, and workbooks.⁸⁴

The parties agree that U.S. demand for UGW paper has been declining for nearly two decades and will continue to decline with the migration from print to electronic media.⁸⁵ On average, the parties estimate that demand for UGW paper in the United States has declined by about 10 percent per year over the past three years.⁸⁶ Moreover, an estimated *** percent of UGW paper sold in the United States is newsprint, and demand for newsprint is falling even faster than overall demand for UGW paper.⁸⁷ Demand for UGW paper outside the United States also is declining.⁸⁸

Apparent U.S. consumption declined by *** percent from 2014 to 2016. Apparent U.S. consumption totaled *** metric tons in 2014, *** metric tons in 2015, and *** metric tons in 2016.⁸⁹ Apparent U.S. consumption was *** metric tons in January-June 2017 (interim 2017) and *** metric tons in January-June 2016 (interim 2016).⁹⁰

2. Supply Conditions

Subject imports were the largest supplier of UGW paper to the U.S. market throughout the POI while the domestic industry supplied the second largest portion of the market.⁹¹ Nonsubject imports were minimal during the POI.⁹²

⁸⁴ CR/PR at II-1.

⁸⁵ White Birch's Postconference Brief at 12; Petitioner's Postconference Brief at 18; Catalyst's Postconference Brief at 7; Kruger's Postconference Brief at 5; Resolute's Postconference Brief at 5-7.

⁸⁶ CR/PR at II-1; Petitioner's Postconference Brief at 18. White Birch's Postconference Brief at 12; Catalyst's Postconference Brief at 6; Kruger's Postconference Brief at 2. The apparent U.S. consumption data compiled from Commission questionnaires show a smaller decline of *** percent from 2014 to 2016. CR/PR at Table C-1. UGW paper consumption has reportedly declined 70 percent over the past 10 years. CR at II-9, PR at II-6.

⁸⁷ CR/PR at II-1. Demand for directory paper is also declining more rapidly than the product category as a whole. CR/PR at II-1 n.4.

⁸⁸ See CR/PR at Table II-3.

⁸⁹ CR/PR at Table IV-10.

⁹⁰ CR/PR at Table IV-5.

⁹¹ As measured by quantity, subject imports' market share was *** percent in 2014, *** percent in 2015 and *** percent in 2016. Their market share was *** percent in interim 2016 and *** percent in interim 2017. CR/PR at Table IV-5. As measured by quantity, the market share of the domestic industry was *** percent in 2014, *** percent in 2015 and *** percent in 2016. *Id.* Its market share was *** percent in interim 2016 and *** percent in interim 2017. *Id.*

⁹² See CR/PR at Table IV-5. We have used questionnaire data to calculate import quantities because the pertinent HTS subheadings in the official import statistics represent basket categories. See CR at IV-1 & n.2. Questionnaire data provide coverage of the vast majority of subject imports in these investigations. *Id.* We acknowledge that because of limited responses by importers from nonsubject (Continued...)

The production of UGW paper is capital intensive, and producers seek to run their paper machines on a near continuous basis to maximize efficiency.⁹³ In order to better align capacity with demand, producers in both the United States and Canada reduced their capacity during the POI.⁹⁴ *** reporting domestic producers reported reductions in their capacity over the POI.⁹⁵

As a result, the domestic industry's overall capacity declined from *** metric tons in 2014 to *** metric tons in 2016.⁹⁶ The industry's capacity was also lower in interim 2017 (*** metric tons) than in interim 2016 (*** metric tons).⁹⁷ Petitioner contends that the questionnaire data understate actual capacity reductions during the POI because the Commission lacks data for six additional domestic producers that closed or converted UGW paper making capacity during the POI.⁹⁸

Further, domestic producer Bear Island shut down operations in June 2017 citing quality problems and high costs relative to White Birch's other facilities; the impact of the closure is not reflected in capacity data because it occurred late in the POI.⁹⁹ Resolute reported shutting down its Augusta, Maine paper machine in May 2016, and it ***.¹⁰⁰ NORPAC was forced to reduce production in the second quarter of 2017 due to problems at an effluent treatment plant it uses.¹⁰¹ Also during the POI, NORPAC was acquired by One Rock Capital Partners LLC.¹⁰²

The Canadian UGW paper industry also reduced its production capacity during the POI as four of the seven Canadian producers reported capacity curtailments.¹⁰³ As a result, the Canadian UGW paper industry's production capacity declined from *** metric tons in 2014 to

(...Continued)

sources, nonsubject imports may be understated. See CR at I-4, PR at I-4; CR/PR at Table IV-1. In any final phase investigations, we will examine further how to assess the quantity of nonsubject imports.

⁹³ CR at VI-16, PR at VI-6; Tr. at 22 (Anneberg) ("profitability is dependent on maintaining high capacity utilization rates").

⁹⁴ Tr. at 124 (Lowder).

⁹⁵ See CR/PR at Table III-4.

⁹⁶ CR/PR at Table III-4.

⁹⁷ CR/PR at Table III-4.

⁹⁸ Petitioner identified the following six firms: SP Fiber in Newburg, Oregon and Dublin, Georgia; Great Northern Paper in Millinocket, Maine; Packaging Corporation of America in DeRidder, Louisiana; WestRock in Newburg, Oregon; Futuremark in Manistique, Michigan; and Nippon Paper in Port Angeles, Washington. Petitioner's Postconference Brief at 38 and Exhibit 7.

⁹⁹ CR at III-6, PR at III-2 to III-3; CR/PR at Table III-3. Bear Island indicated that its ***. CR at III-15, PR at III-6.

¹⁰⁰ CR at III-8, PR at III-3.

¹⁰¹ CR at II-5, PR at II-3. See also Petitioner's Postconference Brief at 25 n.76 (minor problem with downstream effluent processor required the mill to curtail production for a short period of time).

¹⁰² NORPAC stated that there have been no changes to production or sales efforts, decision-making, or the management team as a result of the acquisition. CR/PR at VI-1 n.2. Respondents disagree and contend that the change in management has slowed NORPAC's response time to customers and has harmed its customer relationships. Resolute's Postconference Brief at 3; White Birch's Postconference Brief at Response to Staff questions, 1-3; Tr. at 143-44 (McGrann).

¹⁰³ CR/PR at Table VII-2.

*** metric tons in 2016.¹⁰⁴ Resolute FP Canada Inc., however, indicated that it is restarting production of an 80,000 metric ton machine in Alma, Quebec.¹⁰⁵

3. Substitutability and Other Conditions

The record indicates a moderate to high degree of substitutability between domestically produced UGW paper and UGW paper imported from Canada.¹⁰⁶ Domestic producers and importers of UGW paper from Canada indicated that the subject imports are at least somewhat interchangeable with the domestic like product.¹⁰⁷ Moreover, the vast majority of responding producers and importers responded that differences other than price between the subject imports and the domestic like product are sometimes or never important in purchasing decisions.¹⁰⁸ We therefore find that price is an important consideration in purchasing decisions.

UGW paper is typically produced to order,¹⁰⁹ and purchasers of newsprint often maintain long-term relationships with their suppliers.¹¹⁰ There only remain a relatively small number of purchasers as there has been consolidation among purchasers.¹¹¹ Newsprint has high transportation costs relative to its value, and newspaper publishers in a particular region (*i.e.*, the East and West Coasts) tend to be supplied by producers in that region.¹¹² RISI, an industry publication, publishes separate East Coast and West Coast prices for newsprint.¹¹³

The parties disagree whether there has been a significant change in demand towards lighter weight newsprint. Petitioner claims that newsprint with a basis weight of 43-48 grams per square meter (gsm) continues to represent about 80 percent of the U.S. market and there is no significant trend towards lighter weight newsprint.¹¹⁴ White Birch and Resolute argue that

¹⁰⁴ CR/PR at Table VII-3.

¹⁰⁵ Tr. at 158 (Blaine).

¹⁰⁶ CR at II-11, PR at II-7.

¹⁰⁷ CR/PR at Table II-5.

¹⁰⁸ See CR/PR at Table II-6 (Eleven of 12 domestic producers and importers indicated that differences other than price were “sometimes” or “never” important). Reported differences other than price include quality, product range, dependability of supplier, relationship with the supplier, distance from mill/transportation, and the inability of some U.S. producers to produce low basis weight paper. CR at II-13, PR at II-. Price was reported to be a major purchasing factor by four of six purchasers that responded to the lost sales lost revenue survey. CR at II-12, PR at II-8.

¹⁰⁹ CR at II-12, PR at II-8; Tr. at 140 (O’Toole) (“each newsprint roll is a custom order”).

¹¹⁰ White Birch’s Postconference Brief at 23; Catalyst’s Postconference Brief at 9. Respondents cite as examples Bear Island’s long-term supply arrangement with the Washington Post Co. and Resolute’s relationship with the New York Times Co., TRONC, the publisher of the *Chicago Tribune*, and the publisher of the *Boston Globe*. White Birch’s Postconference Brief at 23.

¹¹¹ Tr. at 36 (Crowley); Tr. at 203 (O’Toole).

¹¹² Tr. at 128 (Lowder); Tr. at 191 (Stapleton).

¹¹³ See CR at V-5, PR at V-4; CR/PR at Fig. V-1.

¹¹⁴ Petitioner’s Postconference Brief at 15. Gannett indicated that during the POI it switched from using 95 percent 45 gsm newsprint to using almost all 40 gsm newsprint. Tr. at 139 (O’Toole).

there has been a trend towards lighter basis weight papers (from 45 gsm to 40 gsm) that are brighter, and which are difficult to produce with Southern Yellow Pine, the prevalent feedstock for paper production in the Southern United States.¹¹⁵ White Birch indicated that Bear Island's closure resulted from its inability to produce lighter weight newsprint with less efficient Southern Yellow Pine chips.¹¹⁶

Domestic producers reported that raw materials accounted for between *** percent and *** percent of total cost of goods sold (COGS) during the POI.¹¹⁷ The cost of pulp accounted for approximately three-quarters of total raw material costs.¹¹⁸

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."¹¹⁹

Subject imports maintained a large presence in the U.S. market during the POI notwithstanding some declines in quantity. The quantity of subject imports declined from *** metric tons in 2014 to *** metric tons in 2015, and then to *** metric tons in 2016.¹²⁰ Subject imports totaled *** metric tons in interim 2016 and *** metric tons in interim 2017.¹²¹

Subject imports accounted for the majority of apparent U.S. consumption throughout the POI. Subject import market share fluctuated within a relatively narrow range during the POI. Market share declined from *** percent in 2014 to *** percent in 2015 and *** percent in 2016.¹²² It was higher *** percent) in interim 2017 than in interim 2016 (*** percent).¹²³

For purposes of these preliminary determinations, we find that the volume of subject imports is 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 –

(l) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

¹¹⁵ See White Birch's Postconference Brief at 21; Tr. at 117 (Ovanessian) ("Southern Yellow Pine has shorter fibers that when turned into newsprint cannot achieve the brightness and strength characteristics of paper produced from Canadian spruce.")

¹¹⁶ See White Birch's Postconference Brief at 21.

¹¹⁷ CR/PR at Table VI-1.

¹¹⁸ CR at VI-8, PR at VI-2.

¹¹⁹ 19 U.S.C. § 1677(7)(C)(i).

¹²⁰ CR/PR at Tables IV-2.

¹²¹ See CR/PR at Table IV-2 and Fig. IV-1.

¹²² CR/PR at Table IV-5.

¹²³ CR/PR at Table IV-5.

(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.¹²⁴

As stated above, the record indicates a moderate to high degree of substitutability between subject imports and the domestic like product and that price is an important consideration in purchasing decisions.

The Commission collected quarterly pricing data from U.S. producers and importers for three UGW paper products.¹²⁵ Four U.S. producers and seven importers provided usable pricing data for sales of the requested products, although not all firms reported prices for all products for all quarters.¹²⁶ Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' shipments of UGW paper and *** percent of U.S. shipments of subject imports during the POI.¹²⁷

The pricing comparison data show predominant underselling. Prices for the subject imports were below those for U.S.-produced product in 37 of 42 quarterly comparisons (88 percent of all comparisons) from January 2014 to June 2017.¹²⁸ The quantity of subject imports in underselling comparisons was *** kilograms, or 98.4 percent of the total quantity, while the quantity that oversold the domestic product totaled *** kilograms, or 1.6 percent.¹²⁹ Margins of underselling reached up to 12.6 percent, and margins of overselling ranged up to 2.6 percent.¹³⁰

Newsprint (pricing product 1) accounted for the great majority of the quantity of subject imports reported in the pricing data.¹³¹ Although the margins of underselling for this product were modest, the underselling was consistent throughout the POI.¹³² For purposes of the preliminary phase of these investigations, we find the underselling by the subject imports to be significant.¹³³

¹²⁴ 19 U.S.C. § 1677(7)(C)(ii).

¹²⁵ The three pricing products are the following:

Product 1 — Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls.

Product 2 — 65 Bright, 44.0-46.0 gsm (27-28 lb. newsprint weight) with ISO brightness of 65, in rolls.

Product 3 — 80 Bright, 51.5-52.5 gsm (35.0 lb. book weight), with ISO brightness of 80, in rolls.

CR at V-6, PR at V-4.

¹²⁶ CR at V-6, PR at V-4.

¹²⁷ CR at V-6, PR at V-4.

¹²⁸ CR/PR at Table V-8.

¹²⁹ CR/PR at Table V-8.

¹³⁰ CR/PR at Table V-8.

¹³¹ See CR/PR at Tables V-4 to V-6.

¹³² See CR/PR at Tables V-4 to V-6.

¹³³ Three purchasers responding to the lost sales/ lost revenues survey indicated that they purchased subject imports instead of the domestic product during the period, and all three purchasers (Continued...)

We have also considered price trends during the POI. According to questionnaire data, prices for domestically produced UGW paper declined overall for the three pricing products, with declines for individual products ranging between 10.8 percent and 12.0 percent from January 2014 to June 2017.¹³⁴ Prices of U.S. shipments of UGW paper from Canada also declined during the POI with declines for individual products ranging from 10.3 to 18.1 percent.¹³⁵

Respondents argue that declining demand led to declining prices.¹³⁶ While a decline in demand may have contributed to lower prices, the domestic industry reduced its capacity by *** percent from 2014 to 2016 in an effort to maintain price stability, an amount comparable to the *** percent decline in apparent U.S. consumption over the same period.¹³⁷

Moreover, some purchasers indicated that domestic producers cut prices because of subject import competition.¹³⁸ On the basis of these considerations, we find on the record of these preliminary phase investigations that low-priced subject imports had a significant role in the domestic industry's price declines.¹³⁹ We consequently find, for purposes of our preliminary determinations, that subject imports had the effect of depressing prices for the domestic like product to a significant degree. Based on this and our finding of significant underselling, we conclude that the subject imports had significant price effects.

(...Continued)

reported that subject import prices were lower than prices for U.S.-produced product. These purchasers indicated that price was a primary reason for purchasing subject imports; the quantity of subject imports in such purchases was 319,096 metric tons. CR/PR at Table V-10.

¹³⁴ CR/PR at Table V-7. The domestic industry's price for product 1 decreased irregularly from \$0.61 per kg in the first quarter of 2014 to \$0.54 per kg in the second quarter of 2017. CR/PR at Table V-4. Its price for product 2 decreased irregularly from \$0.72 per kg in the first quarter of 2014 to \$0.64 per kg in the second quarter of 2017. CR/PR at Table V-5. Its price for product 3 decreased irregularly from \$0.85 per kg in the first quarter of 2014 to \$0.75 per kg in the second quarter of 2017. CR/PR at Table V-6.

¹³⁵ See CR/PR at Table V-7.

¹³⁶ See Catalyst's Postconference Brief at 11-12; White Birch's Postconference Brief at 34.

¹³⁷ CR/PR at Table C-1. See Tr. at 116 (Ovanessian) ("We need to bring supply into equilibrium with demand, which is the only way we can maintain prices necessary for this declining industry to remain profitable."); Tr. at 125 (Lowder) ("Each producer understands that it must maintain a careful balance between demand and supply in order to maintain prices.").

¹³⁸ Of the six responding purchasers to the lost sales/ lost revenues survey, two reported that U.S. producers had reduced prices in order to compete with lower-priced imports from Canada. Estimated price reductions ranged from 9.2 to 10 percent. CR at V-15, PR at V-8; CR/PR at Table V-11.

¹³⁹ In any final phase investigations, we will carefully examine the role of declining demand in influencing prices for UGW paper.

E. Impact of the Subject Imports¹⁴⁰

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, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”¹⁴¹

The domestic industry’s performance deteriorated over the POI as its trade and financial indicators generally declined. Most measures of output declined from 2014 to 2016, and were also lower in interim 2017 than in interim 2016. The industry’s production¹⁴² and total sales quantities¹⁴³ decreased over the POI. The domestic industry’s U.S. shipments increased from 2014 to 2016, but were lower in interim 2017 than in interim 2016.¹⁴⁴ Export shipments declined.¹⁴⁵ The industry’s market share increased from 2014 to 2016 but was lower in interim 2017 than interim 2016.¹⁴⁶

¹⁴⁰ In its notice initiating the antidumping duty investigation, Commerce reported estimated dumping margins of 23.45 percent to 54.97 percent for imports of UGW paper from Canada. *Certain Uncoated Groundwood Paper from Canada: Initiation of Less-Than-Fair-Value Investigation*, 82 Fed. Reg. 41599, 41601 (Sept. 1, 2017).

¹⁴¹ 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

¹⁴² The industry’s production totaled *** metric tons in 2014, *** metric tons in 2015, and *** metric tons in 2016. CR/PR at Table III-4. Its production totaled *** metric tons in interim 2016 and *** metric tons in interim 2017. *Id.*

¹⁴³ The industry’s total net sales were *** metric tons in 2014, *** metric tons in 2015, and *** metric tons in 2016. CR/PR at Table VI-1. Total net sales were *** metric tons in interim 2016 and *** metric tons in interim 2017. *Id.*

¹⁴⁴ The industry’s U.S. shipments increased from *** metric tons in 2014 to *** metric tons in 2015, and *** metric tons in 2016. CR/PR at Table III-6. The industry’s U.S. shipments were *** metric tons in interim 2016 and *** metric tons in interim 2017. *Id.*

¹⁴⁵ Export shipments increased from *** metric tons in 2014 to *** metric tons in 2015 and then declined to *** metric tons in 2016. They were *** metric tons in interim 2016 and *** metric tons in interim 2017. CR/PR at Table III-6. Average unit values of export shipments declined appreciably throughout the POI. *Id.* In any final phase investigations, we will examine the reasons for the decline in the volume and average unit values of the domestic industry’s export shipments.

¹⁴⁶ See CR/PR at Table C-1. As measured by quantity, the market share of the domestic industry increased from *** percent in 2014 to *** percent in 2015 and *** percent in 2016. CR/PR at Table IV-5. The domestic industry’s market share was *** percent in interim 2016 and *** percent in interim 2017. *Id.*

As discussed, consistent with the long-term trend in demand, the domestic industry reduced its capacity during the POI,¹⁴⁷ and the industry's capacity utilization fluctuated within a narrow range, except for interim 2017 when it was appreciably lower than in interim 2016.¹⁴⁸ Inventories fluctuated.¹⁴⁹ The domestic industry's production-related workers, wages paid, and total hours worked declined from 2014 to 2016, while average hours worked per worker increased slightly.¹⁵⁰ The industry's productivity also generally declined over the POI.¹⁵¹

Because of the price declines for UGW paper, the domestic industry's average unit sales values fell and sales revenues declined.¹⁵² The industry's ratio of cost of goods sold (COGS) to net sales was high and increased overall during the POI.¹⁵³ The domestic industry's *** in 2014 turned into *** in 2015, 2016, and the interim periods.¹⁵⁴

Operating income declined from \$*** in 2014 to a *** in 2015, and the industry *** in 2016.¹⁵⁵ The domestic industry also sustained operating *** in interim 2016 and \$*** in

¹⁴⁷ The industry's capacity decreased from *** metric tons in 2014 to *** metric tons in 2015 and to *** metric tons in 2016. The industry's capacity was *** metric tons in interim 2016 and *** metric tons in interim 2017. CR/PR at Table III-4.

¹⁴⁸ CR/PR at Table III-4. The industry's capacity utilization decreased from *** percent in 2014 to *** percent in 2015 and then rose to *** percent in 2016. CR/PR at Table III-4. The industry's capacity utilization was *** percent in interim 2016 and *** percent in interim 2017. *Id.*

¹⁴⁹ End of period inventories declined from *** metric tons in 2014 to *** metric tons in 2015, increased to *** metric tons in 2016, and were higher (*** metric tons) in interim 2017 than in interim 2016 (*** metric tons). CR/PR at Table III-9.

¹⁵⁰ The industry's number of production-related workers declined from *** in 2014 to *** in 2015 and to *** in 2016. CR/PR at Table III-11. There were *** production-related workers in interim 2016 and *** workers in interim 2017. *Id.*

Total hours worked decreased from *** in 2014 to *** in 2015 and then fell to *** in 2016. CR/PR at Table III-11. Hours worked were *** in interim 2016 and *** in interim 2017. *Id.*

The wages the industry paid to its workers decreased from \$*** in 2014 to \$*** in 2015, and to \$*** in 2016. *Id.* Wages paid totaled \$*** in interim 2016 and \$*** in interim 2017. *Id.*

Average hours worked per worker decreased from *** in 2014 to *** in 2015, and then increased to *** in 2016. *Id.* Average hours worked per worker were *** in interim 2016 and *** in interim 2017. *Id.*

¹⁵¹ The industry's productivity measured in metric tons per hour decreased from *** in 2014 to *** in 2015, and then increased to *** in 2016. CR/PR at Table III-11. Productivity was *** metric tons per hour in interim 2016 and *** metric tons per hour in interim 2017. *Id.*

¹⁵² The domestic industry's sales revenues fell from \$*** in 2014 to \$*** in 2015 and \$*** in 2016. CR/PR at Table VI-1. Sales revenues were \$*** in interim 2016 and \$*** in interim 2017. *Id.* The industry's average sales values declined from \$*** per metric ton in 2014 to \$*** per metric ton in 2015 and \$*** per metric ton in 2016. *Id.* Its average sales values were \$*** per metric ton in interim 2016 and \$*** per metric ton in interim 2017. *Id.*

¹⁵³ The domestic industry's COGS as a ratio to net sales increased from *** percent in 2014 to *** percent in 2015 and then declined to *** percent in 2016. CR/PR at Table VI-1. The ratio was *** percent in interim 2016 and *** percent in interim 2017. *Id.*

¹⁵⁴ The domestic industry's gross profits decreased from \$*** in 2014 to *** in 2015 and *** in 2016. CR/PR at Table VI-1. Gross profits were *** in interim 2016 and *** in interim 2017. *Id.*

¹⁵⁵ CR/PR at Table VI-1.

interim 2017.¹⁵⁶ The domestic industry's operating income margins decreased from *** percent in 2014 to *** percent in 2015 and remained poor, at *** percent, in 2016.¹⁵⁷ The domestic industry's operating ratio was *** percent in interim 2016 and *** percent in interim 2017.¹⁵⁸ Following a similar trend, the domestic industry's *** increased from \$*** in 2014 to \$*** in 2015, and improved somewhat to a *** in 2016.¹⁵⁹ The industry also had *** in both interim periods.¹⁶⁰ The domestic industry's capital expenditures and spending on research and development also showed overall declines during the POI.¹⁶¹

Subject imports were significant in absolute terms and maintained a large share of the U.S. market throughout the POI.¹⁶² The record indicates that, when competing with the subject imports, domestic producers priced their product competitively to maintain their sales volumes and high rates of capacity utilization.¹⁶³ Thus, while the domestic industry maintained its market share during the POI, its prices and revenues declined; we found above that subject imports played a significant role in the declining prices for the domestic like product. Consequently, as a result of the significant volume of low-priced subject imports, the domestic industry lost sales revenues that it would have otherwise obtained.

These lost revenues were reflected in its poor and declining financial performance. For purposes of these preliminary determinations, we find that the significant volume of subject imports had a significant impact on the domestic industry.

We have considered whether there are other factors that may have had an impact on the domestic industry during the POI to ensure that we are not attributing injury from such other factors to subject imports. As discussed above, apparent U.S. consumption decreased by *** percent from 2014 to 2016.¹⁶⁴ We have found, however, that this declines in demand cannot fully explain the observed price declines for UGW paper as the domestic industry reduced its capacity by a comparable amount during the period.¹⁶⁵ Consequently, because

¹⁵⁶ CR/PR at Table VI-1.

¹⁵⁷ CR/PR at Table VI-1. The industry's return on investment expressed as a ratio of operating income to net assets was *** percent in 2014, *** percent in 2015 and *** percent in 2016. CR/PR at Table VI-6.

¹⁵⁸ CR/PR at Table VI-1.

¹⁵⁹ CR/PR at Table VI-1.

¹⁶⁰ The industry's *** were \$*** in interim 2016 and \$*** in interim 2017. CR/PR at Table VI-1.

¹⁶¹ The industry's capital expenditures were \$*** in 2014, \$*** in 2015, and \$*** in 2016. CR/PR at Table VI-5. They were \$*** in interim 2016 and \$*** in interim 2017. *Id.* The industry's research and development expenses decreased from \$*** in 2014 to \$*** in 2015, and \$*** in 2016. *Id.* They totaled \$*** in interim 2016 and *** in interim 2017. *Id.*

¹⁶² Subject imports maintained a market share of at least *** percent in every year and interim period. CR/PR at Table IV-5.

¹⁶³ CR at VI-16, PR at VI-5; Tr. at 22 (Anneberg) ("profitability is dependent on maintaining high capacity utilization rates"); Tr. at 35 (Crowley) ("we have to reduce prices to maintain sales volumes").

¹⁶⁴ See CR/PR at Table C-1.

¹⁶⁵ Apparent U.S. consumption totaled *** metric tons in 2014, *** metric tons in 2015, and *** metric tons in 2016. CR/PR at Table IV-5. Apparent U.S. consumption was *** metric tons in interim 2016 and *** metric tons in interim 2017. *Id.*

declines in demand cannot fully explain the domestic industry's price declines, it also cannot fully explain the observed reductions in revenues.

Nonsubject imports remained a minimal presence in the U.S. market at *** throughout the POI.¹⁶⁶ The very small and steady volume of nonsubject imports also cannot explain the loss in sales revenues that we have attributed to the subject imports.

Accordingly, for purposes of these preliminary determinations, we conclude that subject imports have had a significant impact on the domestic industry.

VII. 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 UGW paper from Canada that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of Canada.

¹⁶⁶ CR/PR at Table IV-7.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by North Pacific Paper Company (“NORPAC”), Longview, WA, on August 9, 2017, 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 uncoated groundwood paper (“UGW paper”)¹ from Canada, and subsidized by the Government of Canada. The following tabulation provides information relating to the background of these investigations.^{2 3}

Effective date	Action
August 9, 2017	Petition filed with Commerce and the Commission; institution of Commission investigation (82 FR 38707, August 15, 2017)
August 30, 2017	Commission’s conference
September 1, 2017	Commerce’s notice of initiation of antidumping investigation (82 FR 41599) and countervailing duty investigation (82 FR 41603)
September 22, 2017	Commission’s vote
September 25, 2017	Commission’s determination
October 2, 2017	Commission’s views

¹ See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

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 who appeared in the conference is presented in appendix B.

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 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--⁴

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, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, 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

⁴ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

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.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—⁵

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

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

UGW paper is generally used for newspapers, advertising circulars, promotional mailers, coupon flyers and directories. The leading U.S. producers of UGW paper are ***, while leading producers of UGW paper from Canada include ***, ***, and ***. The leading U.S. importers of UGW paper from Canada are ***. Leading importers of UGW paper from nonsubject countries include ***. U.S. purchasers of UGW paper are firms that publish newspapers or distribute paper and the leading responding purchaser is ***.

Apparent U.S. consumption of UGW paper totaled approximately *** metric tons (\$***) in 2016. Currently, five firms are known to produce UGW paper in the United States. These firms are NORPAC, Resolute FP US (“Resolute”), Ponderay Newsprint Company (“Ponderay”), and Inland Empire Paper Company (“Inland Empire”). U.S. producers’ U.S. shipments of UGW paper totaled *** metric tons (\$***) in 2016, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from Canada totaled 2.3 million metric tons (\$1.3 million) in 2016 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources

⁵ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

totaled *** metric tons (\$***) in 2016 and accounted for *** percent of apparent U.S. consumption by quantity and by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of four firms⁶ that accounted for the vast majority of U.S. production of UGW paper during 2016. U.S. imports are based on questionnaire response from nine companies, representing a large majority of U.S. imports from Canada in 2016 under HTS statistical reporting numbers 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4805.91.5000, 4805.91.7000, and 4805.91.9000. Usable responses to the Commission's foreign producers' or exporters' questionnaire were received from seven firms in Canada. These firms' exports to the United States accounted for approximately *** percent of U.S. imports of UGW paper from Canada.

PREVIOUS AND RELATED INVESTIGATIONS

Uncoated groundwood paper has not been the subject of any prior countervailing or antidumping duty investigations in the United States. However, there have been countervailing and antidumping duty investigations of other paper products. On September 23, 2009, a petition was filed by Appleton Coated LLC, NewPage Corp., Sappi Fine Paper North America, and the United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial, and Service Workers International Union, alleging that imports of certain coated paper suitable for high-quality print graphics using sheet-fed presses ("certain coated paper") from China and Indonesia were being sold at less-than-fair-value "LTFV" and subsidized by the Governments of China and Indonesia. Following Commerce's affirmative dumping and subsidy determinations, the Commission made affirmative injury determinations with respect to imports from China and Indonesia.⁷ Commerce issued antidumping duty orders with weighted-average margins of 7.62 percent to 135.83 percent ad valorem for imports from China, and 20.13 percent ad valorem for imports from Indonesia.⁸ It also issued a countervailing duty orders with a subsidy rates of

⁶ ***.

⁷ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia*, 74 FR 50243, September 30, 2009.

⁸ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Amended Final Determination of Sales at Less Than Fair Value and Antidumping Order*, 75 FR 70203, November 17, 2010; *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Antidumping Duty Order*, 75 FR 70205, November 17, 2010.

19.46 percent to 202.84 percent for imports from China, and 17.94 percent for imports from Indonesia.⁹

On October 1, 2015, the Commission instituted its first five year reviews of the antidumping and countervailing duty orders on imports of certain coated paper from China and Indonesia.¹⁰ On January 8, 2016, Commerce determined that revocation of the antidumping duty orders would likely lead to continuation or recurrence of dumping at weighted-average margins of 135.84 percent ad valorem for China, and 20.13 percent ad valorem for Indonesia.¹¹ On February 5, 2016, Commerce determined that revocation of the countervailing duty order would likely lead to a continuation or recurrence of a countervailable subsidy at the rate of 17.94 percent for imports from Indonesia.¹² On February 10, 2016, Commerce determined that revocation of the countervailing duty order would likely lead to a continuation or recurrence of a countervailable subsidy at the rate of 19.46 percent to 202.84 percent for imports from China.¹³

On February 26, 2015, a petition was filed by the Coalition for Fair Paper Imports, an ad hoc association of U.S. producers that includes Madison Paper Industries, Inc., and Verso Corp., alleging that imports of supercalendered paper were subsidized by the Government of Canada.¹⁴ Following Commerce's final affirmative subsidy determination, the Commission made an affirmative injury determination with respect to imports from Canada.¹⁵ On December 10, 2015, Commerce issued countervailing duty orders with subsidy rates of 17.87 percent to 20.18 percent ad valorem for imports from Canada.¹⁶

On January 21, 2015, a petition was filed by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial Service Workers International Union, Domtar Corporation, Finch Paper LLC, P.H. Glatfelter Company, and Packaging Corporation of America

⁹ *Certain Coated paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201, November 17, 2010. *Certain Coated paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Countervailing Duty Order*, 75 FR 70206, November 17, 2010.

¹⁰ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia; Institution of Five-Year Reviews*, 80 FR 59189, October 1, 2015.

¹¹ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia and the People's Republic of China: Final Results of Expedited First Sunset Reviews of the Antidumping Duty Orders*, 81 FR 907, January 8, 2016.

¹² *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Final Results of Expedited First Sunset Review of the Countervailing Duty Order*, 81 FR 6234, February 5, 2016.

¹³ *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Final Results of Expedited First Sunset Review of the Countervailing Duty Order*, 81 FR 7081, February 10, 2016.

¹⁴ *Supercalendered Paper from Canada; Institution of a Countervailing Duty Investigation and Scheduling of a Preliminary Phase Investigation*, 80 FR 12036, March 5, 2015.

¹⁵ *Supercalendered Paper from Canada; Determination*, 80 FR 76575, December 9, 2015.

¹⁶ *Supercalendered Paper from Canada: Countervailing Duty Order*, 80 FR 76668, December 10, 2015.

alleging that imports of certain uncoated paper from Australia, Brazil, China, Indonesia, and Portugal were sold at LTFV, and imports of certain uncoated paper are subsidized by the Governments of China and India.¹⁷ Following Commerce's final affirmative dumping and subsidy determinations, the Commission made an affirmative injury determination with respect to imports from Australia, Brazil, China, Indonesia, and Portugal.¹⁸ On March 3, 2016, Commerce issued antidumping duty orders with weighted-average margins of 138.87 percent to 222.46 percent ad valorem for Australia, 22.37 percent to 41.39 percent ad valorem for Brazil, 2.10 percent for Indonesia, 84.05 percent to 149.00 percent for China, and 7.80 percent for Portugal.¹⁹ It also issued countervailing duty orders with subsidy rates of 21.21 percent to 109.14 percent for Indonesia and 7.23 percent to 176.75 percent for China.²⁰

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On September 1, 2017, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on UGW paper from Canada.²¹ Commerce identified the following government programs in Canada:²²

- Federal Forestry Industry Transformation Program;
- The Federal Pulp and Paper Green Transformation Program (FPPGTP);
- Forest Innovation Program;
- Transformative Technologies Pilot Scale Demonstration Program (TTPSDP);
- Sustainable Development Technology Canada (SDTC);
- Bioenergy Producers Credit Program (BPCP) Grant in Alberta;
- Alberta Innovates;
- Alberta Mountain Pine Beetle Project;

¹⁷ *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*, 80 FR 4311, January 27, 2015.

¹⁸ *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal; Determinations*, 81 FR 9882, February 26, 2016.

¹⁹ *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal: Amended Final Affirmative Antidumping Determinations for Brazil and Indonesia and Antidumping Duty Orders*, 81 FR 11174, March 3, 2016.

²⁰ *Certain Uncoated Paper from Indonesia and the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order (Indonesia) and Countervailing Duty Order (People's Republic of China)*, 81 FR 11187, March 3, 2016.

²¹ *Certain Uncoated Groundwood Paper from Canada: Initiation of Countervailing Duty Investigation*, 82 FR 41603, September 1, 2017.

²² DOC, ITA, *Certain Uncoated Groundwood Paper from Canada: Countervailing Duty Investigation Initiation Checklist*, August 29, 2017, pp. 6-51.

- Canada – BC Job Grant;
- British Columbia Hydro Power Smart: Industrial Energy Managers Program;
- BC Hydro Power Smart: Thermomechanical Pulp (TMP) Program;
- BC Hydro Power Smart: Load Curtailment;
- BC Hydro Power Smart: Incentives;
- New Brunswick Financial Assistance to Industry Program;
- New Brunswick Total Development Fund;
- Northern New Brunswick Economic Development and Innovation Fund;
- New Brunswick Workforce Expansion: One Job Pledge;
- Forest Industry Grants under the Ontario Forest Sector Prosperity Fund;
- Ontario Forestry Growth Fund;
- Pilot Biorefinery Program;
- Ontario Northern Industrial Electricity Rate Program;
- Investment Program for Treated Partial Forests in Québec;
- Wood Fibre Technology Project for White Birch Paper’s Papier Masson Mill in Québec;
- Alberta Resource Road Program;
- New Brunswick Provision of Silviculture Grants;
- New Brunswick License Management Fee;
- Business Development Program;
- Atlantic Innovation Fund;
- Western Economic Diversification Canada’s Western Innovation Initiative;
- Newfoundland and Labrador Provision of Loans to Corner Brook;
- Loan Guarantee Program in Ontario;
- Provision of Below-Market Rate Loans from Investissement Quebec;
- Investissement Quebec Investment in Kruger;
- Federal Accelerated Capital Cost Allowances for Class 29 Assets;
- Federal Scientific Research and Experimental Development Tax Credit;
- Federal Apprenticeship Job Creation Tax Credit;
- Atlantic Investment Tax Credit;
- Alberta Tax-Exempt Fuel Program for Marked Fuel and Alberta’s Tax Rebates for Clear Fuel;
- British Columbia Powell River City Tax Exemption Program;
- British Columbia Lower Tax Rates for Coloured Fuel/BC Coloured Fuel Certification;
- Government of Newfoundland & Labrador Gasoline Tax Exemption or Rebate;
- Newfoundland and Labrador Manufacturing and Processing Profits Tax Credit;
- Quebec Tax Holiday for Large Investment Projects;
- Tax Credit for the Acquisition of Manufacturing and Processing Equipment in Quebec;
- Quebec Capital Cost Allowance for Property Used in Manufacturing and Processing;
- Credits for the Construction and Major Repair of Public Access Roads and Bridges in Forest Areas in Quebec;
- Tax Incentives for Private Forest Producers – Property Tax Refund for Forest

Producers on Private Woodlands in Quebec;

- Alberta Scientific Research and Experimental Development Tax;
- British Columbia Scientific Research and Experimental Development Tax Credit;
- New Brunswick Research and Development Tax Credit;
- Newfoundland and Labrador Scientific Research and Development Tax Credit;
- Quebec Columbia Scientific Research and Experimental Development Tax Credit;
- Export Guarantee Program;
- Alberta Export Support Fund;
- British Columbia Export Log Restraints Program;
- BC Hydro's Electricity Purchase Agreements;
- New Brunswick Large Industrial Renewable Energy Purchase Program;
- Quebec Purchase of Electricity for More than Adequate Remuneration;
- Alberta Provision of Stumpage for Less than Adequate Remuneration;
- British Columbia Provision of Stumpage for Less than Adequate Remuneration;
- New Brunswick Provision of Stumpage for Less than Adequate Remuneration;
- Ontario Provision of Stumpage for Less than Adequate Remuneration;
- Quebec Provision of Stumpage for Less than Adequate Remuneration;

Alleged sales at LTFV

On September 1, 2017, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on UGW paper from Canada.²³ Commerce has initiated antidumping duty investigations based on estimated dumping margins of 23.45 percent to 54.97 percent for UGW paper from Canada.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of these investigations as follows:

The merchandise covered by this investigation includes certain paper that has not been coated on either side and with 50 percent or more of the cellulose fiber content consisting of groundwood pulp, including groundwood pulp made from recycled paper, weighing not more than 90 grams per square meter. Groundwood pulp includes all forms of pulp produced from a mechanical pulping process, such as thermo-mechanical process (TMP), chemi-thermo mechanical process (CTMP), bleached

²³ *Certain Uncoated Groundwood Paper from Canada: Initiation of Less-Than-Fair-Value Investigation*, 82 FR 41599, September 1, 2017.

chemi-thermo mechanical process (BCTMP) or any other mechanical pulping process. The scope includes paper shipped in any form, including but not limited to both rolls and sheets.

Certain uncoated groundwood paper includes but is not limited to standard newsprint, high bright newsprint, book publishing, directory, and printing and writing papers. The scope includes paper that is white, off-white, cream, or colored.

Specifically excluded from the scope are imports of certain uncoated groundwood paper printed with final content of printed text or graphic. Also excluded are papers that otherwise meet this definition, but which have undergone a supercalendering process.

Certain uncoated groundwood paper is classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) in several subheadings including 4801.00.0120, 4801.00.0140, 4802.61.1000, 4802.61.2000, 4802.61.3110, 4802.61.3191, 4802.61.6040, 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.6140, 4802.69.1000, 4802.69.2000, 4802.69.3000. Subject merchandise may also be imported under several additional subheadings including 4805.91.5000, 4805.91.7000, and 4805.91.9000. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise is dispositive.

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 are provided for in 4801.00.01, 4802.61.10, 4802.61.20, 4802.61.31, 4802.61.60, 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.61, 4802.69.10, 4802.69.20, 4802.69.30, 4805.91.50, 4805.91.70, and 4805.91.90 of the following provisions of the Harmonized Tariff Schedule of the United States (“HTS”). These HTS subheadings also contain other products outside the scope of these investigations. The 2017 general rate of duty for all of these HTS subheadings is “free.” Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

THE PRODUCT

Description and applications

Paper Product Categories²⁴

The global paper industry produces five broad categories of printing and writing paper products, differentiated by the surface characteristics of the paper and the processes by which their wood fibers are obtained. These five categories, ranked in descending order by overall quality and price, are described below:

Coated free sheet—clay coated paper predominately composed of chemically obtained fibers (90 percent or more by weight), used primarily for permanent and higher priced publications such as premium magazines, gift books, and art reproductions.

Uncoated free sheet—similar in composition to coated free sheet but without coating and used primarily for xerographic paper, printing, drawing, and writing paper (e.g., letterhead, stationery).

Coated groundwood—clay coated paper made with substantial proportions of mechanically derived pulp, generally used for multi-colored publications that remain in use from several days to a month—primarily magazines, merchandising catalogues, and better quality newspaper inserts.²⁵

Uncoated groundwood—similar in composition to coated groundwood but without the coating, used primarily for directory stock, lesser quality drawing and writing paper, black and white publications, and relatively short-lived color publications, such as newspaper inserts.²⁶

Newsprint—a low quality uncoated groundwood paper designed exclusively for newspapers and similar publications commonly disposed of within a day.

²⁴ 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 (Preliminary)*, USITC Publication 4108, November 2009, p. I-9.

²⁵ Coated groundwood paper contains more than 10 percent mechanical pulp by weight. Paper products that contain predominately mechanical pulp are generally called “groundwood” or “mechanical” papers in the paper industry.

²⁶ Uncoated groundwood paper is composed of four categories of paper—supercalendered paper, directory paper, high-bright/super high-bright paper, and high-bulk paperback book paper. *Global Pulp & Paper Fact & Price Book 2006*, 161-62. Bedford, Massachusetts: RISI, Inc., 2006.

Physical Characteristics of Paper²⁷

The primary physical characteristics of all paper products, including UGW paper, include: (1) brightness, (2) basis weight, (3) finish, (4) opacity, (5) smoothness, and (6) caliper.

Brightness

Brightness is a measure of the paper's ability to reflect light. The higher the brightness, the greater the contrast is between the paper and the colors printed upon it. In the paper industry, brightness can be measured using several established methods, the most common being the (1) GE Brightness Scale, which is more common in North America, and (2) ISO Brightness Scale, which is more common in Europe. The two scales differ slightly in how they measure brightness and as a result ISO brightness is approximately one to two units lower than GE brightness. In the GE Brightness Scale, brightness ranges from 1, a totally black grade, to 100, the brightest measured grade.

Basis Weight

Basis weight, a traditional unit of measurement in the U.S. paper industry, is the weight in pounds of a ream of paper (500 sheets of paper) of a given size (the basis). The size of the basis can differ for various paper products. In the metric system, the weight of paper is measured in grams per square meter (gsm).

Finish

The finish on a paper product refers to the characteristics of the surface of the paper. The most common finishes are gloss, dull, and matte. Paper with a gloss finish has a very hard and smooth surface, which results in a printed image that is lustrous and shiny in appearance. Paper with a dull finish has a smooth surface but lacks luster or gloss. Paper with a matte finish also has a smooth surface but lacks gloss.

Opacity

Opacity is a measure of the amount of light which is transmitted through the paper. The higher the opacity the less likely a printed image on one side of the paper will show through to the other side. The opacity measurement is expressed as a percentage of the light that cannot pass through the sheet of paper. For example, a measurement of 98 percent opacity means

²⁷ 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.

that 98 percent of the light cannot pass through the paper. Therefore, when measuring opacity, the higher the percentage of opacity then the less 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. Using this method, the longer the time measured then the smoother the paper. For example, a surface that measures 500 Bekk seconds is smoother than a surface that measures 200 Bekk seconds. Another method, the Parker-Print Surface (“PPS”) method is designed specifically for measuring the surface roughness of printing papers and also uses forced air passing over the surface of the paper to quantify smoothness. Using this method, the lower the PPS value the smoother the paper. Generally, paper products with a gloss finish have the smoothest surface.

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, etc.).

UGW Paper

UGW paper consists of uncoated paper having 50 percent or more of the cellulose fiber content consisting of groundwood pulp or deinked pulp made from recycled old newspapers, and weighing not more than 90 grams per square meter. Chemical pulp, fillers, and other additives are also used in the production of UGW paper.²⁸ Substantially all of this paper, whether domestically produced or imported, is believed to be sold in rolls.²⁹

UGW paper consists of standard newsprint, high-bright groundwood paper, directory paper, and book publishing paper (high bulk paper). Standard newsprint ranges in weight from 40 gsm to 48.8 gsm, with 45 gsm newsprint comprising the majority of the U.S. market. Brightness levels generally range from 56 to 62. Standard newsprint can be white, off-white, or colored. End uses for standard newsprint typically include newspapers, newspaper inserts, advertising circulars, promotional mailers, and coupon flyers. High-bright groundwood paper ranges in weight from 36 gsm to 70 gsm and in brightness from 65 to 84. End uses for high-bright groundwood paper include local and community newspapers, newspaper inserts, coupon flyers, promotional mailers, and advertising circulars. This paper provides sharper color reproduction and easier legibility than that from standard newsprint.³⁰

²⁸ Petition, pp. I-5, I-7.

²⁹ Petition, p. I-5; Conference transcript, p. 183 (Lowder), (Blaine), (Stapleton), and (D’Amours).

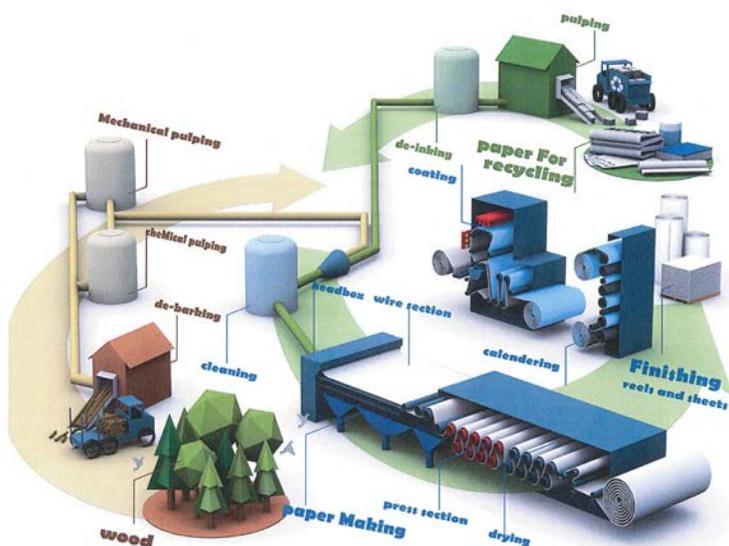
³⁰ Petition, pp. I-6, I-13.

Directory paper is a lighter paper, generally ranging in weight from 32 gsm to 42 gsm. Brightness for directory paper ranges from 56 to 65. Directory paper is frequently used for telephone and other types of directories, catalogues, inserts, and in other commercial printing applications. Book publishing paper generally ranges in weight from 52 gsm to 82 gsm and in brightness from 65 to 84. This paper can also be produced in off-white and cream shades. Book publishing paper tends to be bulkier and requires very precise thicknesses. End uses for this paper include paperback books, trade books, and workbooks.³¹

Manufacturing processes³²

As illustrated in figure I-1, the production of UGW paper from harvested log to final end use product includes the following manufacturing processes: (1) the production of pulp, (2) the production of the paper, and (3) the finishing processes.

Figure I-1
UGW Paper: Papermaking process



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

³¹ Petition, pp. I-13-I-14.

³² 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; Petition, pp. I-7, I-8; Conference transcript, pp. 28-31 (Buckingham); Saltman, David, Thompson, and Bennett. *Pulp & Paper Primer Second Edition*. Atlanta, GA: TAPPI PRESS, 1998, pp. 8-11, found at <http://www.upmpaper.com/en/papers/downloads/brochures/Pages/default.aspx> (accessed March 12, 2015); Smook, Gary. *2nd Edition Handbook of Pulp & Paper Terminology*. Bellingham, Washington: Angus Wilde Publications Inc., 2001, p. 157.

The Production of Pulp

UGW paper is made from mechanical pulp, recycled paper pulp, chemical pulp,³³ fillers, and additives.³⁴ The mechanical pulp portion is larger than the chemical pulp portion; the greater strength of the chemical pulp acts to reinforce the lower strength mechanical pulp. Mechanical pulping breaks the solid wood apart into wood fibers by one of three mechanical processes—groundwood, pressure groundwood, and thermomechanical. All three processes begin with the removal of the bark from the logs in a debarking machine. In the groundwood process, logs are ground against a rotating grindstone with an abrasive surface while a shower of water cleans and cools the grindstone and washes the fibers off of it; in the pressure groundwood process, the logs are pretreated with steam and then ground against a rotating grindstone accompanied by elevated air pressure and water temperature. In the thermomechanical process, the debarked logs are chipped into small, uniformly sized chips in a chipper. The wood chips are placed into refiners where, under heat and pressure, they are broken apart into fibers between two rotating disks. Chemical pulping breaks the solid wood apart into wood fibers by a chemical process. The wood logs are debarked and chipped and the chips 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.³⁵

The resulting wood pulp from both the mechanical and chemical processes is bleached to attain a level of whiteness and brightness required for the grade of paper being produced. The paper can be made from both pulp made from hardwood trees (hardwood pulp) and pulp made from softwood trees (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 fillers such as kaolin clay and calcium carbonate for brightness, opacity, and smoothness, additives (dyes for shade control and 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.

³³ Chemical pulp produced using a sulphate chemical process is commonly referred to as “Kraft pulp” in the paper industry.

³⁴ UGW paper can also contain recycled fiber, which is recycled paper (typically old newspapers and old magazines) returned to the paper mill where it is repulped and combined with virgin pulp. In some instances, UGW paper is made entirely from recycled fiber.

³⁵ The advantages of mechanical pulp are a higher yield (more than 90 percent of the wood is converted into pulp) and high opacity; the disadvantages are low strength and yellowing of the paper after a time. The advantages of chemical pulp are good strength, resistance to yellowing of the paper, and easier bleaching; the disadvantages are a lower yield (only 60 percent of the wood is converted into pulp) and more waste product to be treated.

The Production of the Paper

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 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 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.

The Finishing Processes

The web may then undergo calendering, a process of pressing the paper web by passing it through a series of rolls (a calender) to further finish and improve its surface. The type of calendering is determined by the kind of paper to be produced. The web snakes around each roll, with the point of contact between each of the rolls (the nip) applying heat, pressure, and friction to the web, adding smoothness and reducing stiffness. The calender can be situated at the end of the paper machine or away from the paper machine as a separate unit. After calendering, 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 ranging from 15 to 150 inches and rewinds them onto narrower reels. The reels are wrapped and labeled for delivery to customers. Until the reels 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.³⁶

³⁶ Respondents indicated that they do not disagree with the petitioner's proposed definition of the domestic like product. Conference transcript, p. 154 (Cameron).

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

U.S. MARKET CHARACTERISTICS

UGW paper is produced to different standards for newsprint (standard and improved) for newspapers, promotional mailers, advertising circulars and coupons, flyers, book grade products (trade books and workbooks), directories (phonebooks, directories, catalogues, and inserts), printing and writing paper, and machine finished paper.¹ UGW paper is typically used for printed materials that are normally disposed of relatively quickly.² An estimated 75 percent of all UGW paper is currently classified as newsprint,³ and demand for newsprint is falling more rapidly than most other end uses of UGW paper.⁴

Apparent U.S. consumption of UGW paper decreased during 2014-16. Overall, apparent U.S. consumption decreased by *** percent between 2014 and 2016 and by *** percent between interim 2016 and interim 2017. Petitioners and respondents agree that demand is falling and has been falling for a number of years. Petitioners estimated that demand has decreased by about 10 percent per year over the last three years⁵ and respondents estimated that demand has decreased by 8 to 11 percent per year over the last 15 years.⁶

CHANNELS OF DISTRIBUTION

U.S. producers and importers from both Canada and nonsubject countries sold mainly to publisher and newspaper end users, as shown in table II-1.

Table II-1

UGW paper: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2014-16, January to June 2016, January to June 2017

* * * * *

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling UGW paper to all regions in the contiguous United States (table II-2). For U.S. producers, 3.1 percent of sales were within 100 miles of their production facility, 57.7 percent were between 101 and 1,000 miles, and 39.2 percent were over 1,000 miles. Importers sold 1.3 percent within 100 miles of their U.S. point of shipment, 56.1 percent between 101 and 1,000 miles, and 42.5 percent over 1,000 miles.

¹ Petition pp. 5, 13-14.

² Petition p. 15.

³ Conference transcript, p. 177 (Lutz).

⁴ Conference transcript, p. 161 (Blaine). Demand for directory paper is falling the more rapidly than demand for any other type of UGW paper. Petitioner's postconference brief, ex. 29.

⁵ Petition p. 18.

⁶ Conference transcript, p. 131 (D'Amours).

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

Region	U.S. producers	Importers
Northeast	***	8
Midwest	***	8
Southeast	***	8
Central Southwest	***	8
Mountain	***	5
Pacific Coast	***	4
Other ¹	***	2
All regions (except Other)	***	4
Reporting firms	***	8

¹ All other U.S. markets, including AK, HI, PR, and VI.

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 UGW paper have the ability to respond to changes in demand with moderate changes in the quantity of shipments of U.S.-produced UGW paper to the U.S. market. The main contributing factor to this degree of responsiveness of supply is their ability to shift shipments from alternate markets. Factors mitigating responsiveness of supply include limited availability of unused capacity, limited inventories, and limited ability to shift production to or from alternate products.

Industry capacity

Domestic capacity utilization increased from *** percent in 2014 to *** percent in 2016. This relatively high level of capacity utilization suggests that U.S. producers may have limited ability to increase production of UGW paper in response to an increase in prices. U.S. UGW paper capacity decreased by *** percent from 2014 to 2016 while production fell by *** percent. Capacity utilization fell from *** percent January to June 2016 to *** percent January to June 2017. Capacity decreased by *** percent between January to June 2016 and January to June 2017 and production decreased by *** percent between January to June 2016 and January to June 2017.

Alternative markets

U.S. producers' exports, as a percentage of total shipments, decreased. U.S. producers' export shipments declined from *** percent of shipments in 2014 to *** percent in 2016 which

indicates that U.S. producers may have some ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

Relative to total shipments, U.S. producers' inventory levels decreased from *** percent in 2014 to *** percent in 2016. 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

Two of four responding U.S. producers stated that they could switch production from UGW paper to other products. Other products that producers reportedly can produce on the same equipment as UGW paper are ***. Production of these other products increased from *** percent of all production in 2014 to *** percent in 2016. Producers reported that their ability to shift between other products and UGW paper is limited by demand for other products, different channels of distribution, and efficiency concerns.

Supply constraints

U.S. producers reported that supply was constrained by the capacity of equipment. They also stated that frequent changing from one type of UGW to another type of UGW paper on the same piece of equipment creates some paper that is not to either standard (this must be sold at a discount), and that the inferior quality of recycled pulp limits mills' ability to produce at full capacity. Respondents also claim that U.S. producer NORPAC reduced its production in *** because of problems at the effluent treatment plant that it uses.⁷

Subject imports from Canada⁸

Based on available information, producers of UGW paper from Canada have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of UGW paper to the U.S. market. The main contributing factor to this degree of responsiveness of supply is the ability to shift shipments from alternate markets. Factors mitigating responsiveness of supply include the limited availability of unused capacity, relatively small inventories, and limited ability to shift production to or from alternate products.

⁷ Conference transcript p. 129 (Lowder) and White Birch's postconference brief, p. 32.

⁸ For data on the number of responding foreign firms and their share of U.S. imports from Canada, please refer to Part I, "Summary Data and Data Sources."

Industry capacity

Canadian producers' capacity utilization increased from *** percent in 2014 to *** percent in 2016. This relatively high level of capacity utilization suggests that Canada producers may have relatively limited ability to increase production of UGW paper in response to an increase in prices. Canadian capacity decreased by *** percent between 2014 and 2016 and production capacity declined by *** percent.

Alternative markets

Canadian producers' shipments to markets other than the United States, as a percentage of total shipments, were unchanged between 2014 and 2016 at *** percent of total shipments. Shipments to domestic markets were *** in 2014 and 2016. Canadian producers' exports indicate that producers may have substantial ability to shift shipments between domestic or other markets and the U.S. market in response to price changes.

Inventory levels

Responding Canadian producers' inventories increased. Relative to total shipments, inventory levels increased from *** percent in 2014 to *** percent in 2016. These inventory levels suggest that responding foreign firms may have limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Two of seven responding foreign producers stated that they could switch production from UGW paper to other products. Other products that responding foreign producers reportedly can produce on the same equipment as UGW paper are super-calendared paper, coated groundwood paper, specialty grades, and paper board. Foreign producers reported factors affecting their ability to shift production included: fiber supply; equipment limitations; no peroxide bleach plant; unable to make supercalender paper or kraft grades of paper; limited to producing paper from 40 grams to 52 grams; and could produce UGW paper on coated paper machines but this would be suboptimal use of this machine.

Supply constraints

Importers reported that capacity constraints included: unplanned supply disruption; a shortage of transportation equipment; and mill closures that were caused by declining demand sometimes caused supply disruptions.

Nonsubject imports

Because the HTS category for UGW paper is a basket category, it is difficult to determine how much nonsubject imports entered the United States in 2016.⁹

U.S. demand

Based on available information, the overall demand for UGW paper is likely to experience moderate changes in response to changes in price.¹⁰ The main contributing factors are the availability of some substitute products¹¹ and the moderate cost share of UGW paper in most of its end-use products.

End uses and cost share

U.S. demand for UGW paper depends on the demand for U.S.-produced downstream products. Reported end uses include newspapers and other publications such as books, flyers, inserts, and advertising.

UGW paper accounts for a moderate share of the cost of the end-use products in which it is used. Reported cost shares for some end uses were as follows: for newspapers, 12 to 20 percent;¹² books, 10 to 40 percent; and fliers and inserts, 20 to 30 percent.

Business cycles

Three of four responding U.S. producers and all eight responding importers indicated that the market was subject to business cycles or conditions of competition. All three responding producers and most importers (7 of 8) reported that there had been change in

⁹ Importers reported nonsubject imports that were *** percent of all imports. This tends to underestimate the imports from nonsubject sources since importers from these sources were less likely to complete questionnaires than importers of UGW paper from Canada. Importers that provided questionnaires reported nonsubject imports from Finland, Sweden, and Belgium.

¹⁰ Petitioner claims that demand for UGW paper is not elastic; i.e., purchase quantities will not change much in response to changes in the price of UGW paper. Petitioner's postconference brief, p. A-16. Respondents in contrast claim that demand for UGW paper is highly elastic; i.e., purchase quantities will change a great deal in response to changes in the price of UGW paper. In part they report this is the result of the poor financial condition of major newspapers and the low cost of delivery of electronic media to additional purchasers.

¹¹ The main substitute for newsprint is electronic media. This is reducing demand for print media. Large newspaper companies provide content using electronic media as well as print media, although electronic media appears to be much less profitable, even as it greatly reduces distribution costs. An increase in the price of UGW paper may accelerate the shift to electronic media.

¹² Resolute estimated that newsprint is 30 to 40 percent of the cost of producing a newspaper. Resolute's brief, attachment A, answers to questions, p. 13. NORPAC estimates that newsprint represents only 5 percent of Gannett's operating costs. NORPAC's postconference brief, p. A-17.

cycles or conditions of competition since 2014 related to the decline in printing. Three of four responding U.S. producers and four of eight responding importers reported distinctive conditions of competition. All these firms reported that the distinctive condition was that demand for UGW paper was declining because of the decline in print media and the increase in electronic media usage. One of four responding producers and seven of eight responding importers reported business cycles. In these cycles, demand was reported to peak in the fourth quarter (Thanksgiving, Black Friday, and Christmas), prior to Easter, and during back-to-school season.

Demand trends

All responding producers and importers agreed that demand for UGW paper in the United States and outside has fallen since January 1, 2014 (table II-3).

Table II-3
UGW paper: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	0	0	4	0
Importers	0	0	8	0
Demand outside the United States				
U.S. producers	0	0	4	0
Importers	0	0	8	0

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

Producers and importers were asked to rate the importance of demand shifts caused by shifts between UGW paper and other papers, the decline in demand for print media/periodicals, and the increased use of digital media (table II-4). Most responding firms rated the decline in demand for print media and use of digital media as having a substantial effect on the demand for UGW paper. Explanations provided by the firms included: the movement from print to digital media, and reduction in newspaper advertising leading to similar reduction in the news coverage; declining readership; and reductions in the total number of pages of newspapers. One firm noted that this has caused demand for UGW paper to decline over 70 percent in the last 10 years. Similarly, most firms reported that the use of digital media substantially reduced use of print media which resulted in lower demand for UGW paper.

Table II-4

UGW paper: Number of firms that reported the impact of factors on demand in the U.S. market for UGW paper products

Factor	Decreased demand in U.S. for UGW paper			No impact	Increased demand in U.S. for UGW paper		
	Sub	Mod	Min		Min	Mod	Sub
	Producers						
Demand shift between UGW paper and other paper	***	***	***	***	***	***	***
Decline in demand for print media/periodical	***	***	***	***	***	***	***
Use of digital media	***	***	***	***	***	***	***
	Importers						
Demand shift between UGW paper and other paper	1	0	4	2	0	2	0
Decline in demand for print media/periodical	7	0	0	1	0	0	0
Use of digital media	8	0	0	0	0	0	0

Note.--Sub = Substantial, Mod = Moderate, Min = Minimal.

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

Substitute products

Substitutes for UGW paper include other types of paper and electronic media. Most U.S. producers (3 of 4 responding) and importers (5 of 7) reported that there were substitutes. Reported substitutes included: super-calendared paper for inserts, flyers, and other publications; uncoated free sheet paper for books and inserts; and coated paper. UGW paper prices tend to be lower than the prices of these other types of paper.¹³ Electronic media has also reduced demand for UGW paper as news and advertising dollars shift from print media to electronic media. Respondents claim that electronic media is a substitute for UGW paper.¹⁴ Petitioners reported the increased use of digital media by firms that formerly used print media, but did not opine on whether digital media is a substitute for print media.¹⁵

SUBSTITUTABILITY ISSUES

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

¹³ Conference transcript p. 91 (Jones).

¹⁴ Conference transcript pp. 178-180 (Blaine, Shor, and Cameron).

¹⁵ Conference transcript, pp. 91-92 (Jones, Buckingham).

Petitioners claim that UGW paper is a price-sensitive commodity-like product, that domestically produced and imported UGW paper compete head to head, and that it is sold primarily based on price.¹⁶ In contrast, respondents claim that UGW paper is not a commodity product and therefore price is less important.¹⁷ Respondents state that newsprint is too expensive to ship across the continent, that demand is shifting to lighter weight newsprint (from 45 grams to 40 grams), and that 40 gram paper cannot be produced as efficiently by southern U.S. producers because they use yellow pine as their feed stock.¹⁸ Respondents state that purchasers are reluctant to change suppliers because changes in the producer may reduce the reliability of the paper in the printing presses and change the appearance of the finished paper.¹⁹

Lead times

UGW paper is primarily produced-to-order. U.S. producers reported that *** percent of their U.S. commercial shipments their UGW paper were produced-to-order, while 98.6 percent of U.S. commercial shipments of UGW paper imported from Canada were produced-to-order. Lead times for UGW paper produced-to-order averaged *** days for U.S. producers and 39 days for importers of product from Canada. The remaining *** percent of U.S. producers' commercial shipments came from inventories, with lead times averaging *** days.²⁰

Factors affecting purchasing decisions

Purchasers responding to lost sales lost revenue allegations²¹ were asked to identify the main purchasing factors their firm considered in their purchasing decisions for UGW paper. The major purchasing factors identified by firms include quality (reported by 5 of the 6 purchasers responding), price (4), location of the mill (2), contracts, customer requirements, strategic alliance, continuity of supply, service, and product range (1 each).

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

In order to determine whether U.S.-produced UGW paper can generally be used in the same applications as imports from Canada, U.S. producers and importers were asked whether

¹⁶ Conference transcript, p. 12 (Jones).

¹⁷ Conference transcript, pp. 171-32 (Lowder, Stapleton, D'Amours, Feldman).

¹⁸ Conference transcript, p. 132 (D'Amours). He estimated that shipping UGW paper within a region normally cost from 60 to 80 dollars per ton but it would cost 150 to 250 dollars per ton to ship UGW paper across the continent.

¹⁹ Conference transcript, pp. 132-133 (D'Amours).

²⁰ The remaining *** percent of importer UGW paper was sold from inventories in the United States (***) and *** percent from Canadian inventories (***)

²¹ This information is compiled from responses by purchasers identified by petitioner to the lost sales lost revenue allegations. See Part V for additional information.

the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-5, a plurality of U.S. producers and importers reported that UGW paper from all country pairs could be sometimes used interchangeably. Factors affecting interchangeability included: differences between U.S. yellow pine based paper and Canadian paper; differences between paper produced from recycled newspaper from paper that is not; and some U.S. producers are unable to produce lighter weight 40 GSM paper of the same quality as their heavier 45 GSM paper.

Table II-5
UGW paper: Interchangeability between UGW paper produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries: U.S. vs. Canada	***	***	***	***	3	1	4	0
Nonsubject countries comparisons: U.S. vs. nonsubject	***	***	***	***	2	2	3	0
Canada vs. nonsubject	***	***	***	***	2	2	2	0

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

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

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of UGW paper from the United States, Canada, or nonsubject countries. As seen in table II-6, a plurality of responding U.S. producers and importers reported that there are sometimes differences other than price. Reported differences other than price included quality, product range, dependability of supplier, relationship with the supplier, distance from mill/transportation, and the inability of some U.S. producers to produce low basis weight paper.

Table II-6
UGW paper: Significance of differences other than price between UGW paper produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries: U.S. vs. Canada	***	***	***	***	0	1	5	2
Nonsubject countries comparisons: U.S. vs. nonsubject	***	***	***	***	0	0	5	2
Canada vs. nonsubject	***	***	***	***	0	1	3	2

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

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

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 four firms that accounted for the vast majority of U.S. production of UGW paper during 2016.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to seven firms based on information contained in the petition. Four firms provided usable data on their operations.¹ Staff believes that these responses represent the vast majority of U.S. production of UGW paper. Table III-1 lists U.S. producers of UGW paper, their production locations, positions on the petition, and shares of total production.

Table III-1
UGW paper: U.S. producers of UGW paper, their positions on the petition, production location, and shares of reported production, 2016

Firm	Position on petition	Production location(s)	Share of production (percent)
NORPAC	Support	Longview, WA	***
Ponderay	***	USK, WA	***
Resolute	***	Augusta, Georgia Calhoun, Tennessee Grenada, Mississippi	***
Bear Island	***	Ashland, VA	***
Total			***

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

Table III-2 presents information on U.S. producers' ownership, related and/or affiliated firms, and share of total production of UGW paper.

Table III-2
UGW paper: U.S. producers' ownership, related and/or affiliated firms, 2014-16

* * * * *

¹ ***.

As indicated in table III-2, three U.S. producers (***, ***, and ***) are related to foreign producers of the subject merchandise. ***. ***) is a joint venture between ***.²

***. ***. In addition, as discussed in greater detail below, *** and *** directly imported the subject merchandise. Responding U.S. producers did not report purchases of the subject merchandise from U.S. importers.

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2014.

Table III-3
UGW paper: U.S. producers' reported changes in operations, since January 1, 2014

* * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-4 and figure III-1 present U.S. producers' production, capacity, and capacity utilization. Between 2014 and 2016, U.S. producers' capacity decreased by *** percent, from *** metric tons to *** metric tons. It was *** percent lower in January-June 2017 than in January-June 2016. This decline in capacity during the yearly periods primarily reflects the data of ***, which accounted for *** percent of the total decrease reported.

Table III-4
UGW paper: U.S. producers' production, capacity, and capacity utilization, 2014-16, January to June 2016 and January to June 2017

* * * * *

Figure III-1
UGW paper: U.S. producers' production, capacity, and capacity utilization, 2014-16, January to June 2016 and January to June 2017

* * * * *

***. It also ***. ***.³ ***.⁴

***, NORPAC's production capacity ***. NORPAC noted that the change in ownership to One Rock Capital has not altered its day to day operations, aside from the closure of one of its three paper machines.⁵ NORPAC stated that ***.⁶

U.S. producers' production also decreased between 2014 and 2016, from *** metric tons to *** metric tons, equivalent to a decrease of *** percent. It was *** percent less in

² ***.

³ Respondent White Birch's postconference brief, p. 25.

⁴ Conference transcript (Lowder), pp. 126-127, Respondent White Birch's postconference brief, p. 25.

⁵ Petitioner's postconference brief, answers to questions presented by ITC staff, p. A-2.

⁶ Petitioner's postconference brief, answers to questions presented by ITC staff, p. A-12.

January-June 2017 than in January-June 2016. Similar to the change in capacity, the decline in total reported production during 2014-2016 was driven by ***. ***.

U.S. producers' average capacity utilization fluctuated year to year, decreasing from *** percent in 2014 to *** percent in 2015 and increasing to *** percent in 2016. It was *** percentage points lower in January-June 2017 than in January-June 2016. ***. NORPAC ***. Bear Island and Ponderay ***.

Alternative products

As shown in table III-5, responding U.S. producers produced other products on the same equipment and machinery used to produce UGW paper. Between 2014 and 2016, U.S. producers' overall production capacity increased by *** percent from *** metric tons to *** metric tons. It was *** percent lower in January-June 2017 than in January-June 2016. Production of out-of-scope products increased by almost seven-fold during 2014-16, from *** metric tons to *** metric tons; it was *** percent higher in January-June 2017 than in January-June 2016. ***. *** also reported production of out-of-scope products in 2016. Overall, production of out-of-scope products represented *** percent to *** percent of total production on the same equipment and machinery during 2014-16. The majority of out-of-scope production was of uncoated freesheet paper.

Table III-5

UGW paper: U.S. producers' overall plant capacity and production on the same equipment as subject production, 2014-16, January to June 2016 and January to June 2017

* * * * *

As noted previously, Resolute reported that it is ***. Resolute has ***.⁷ NORPAC stated that ***. NORPAC also stated that ***. Bear Island noted that it ***.

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

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments.

Table III-6

UGW paper: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2014-16, January to June 2016 and January to June 2017

* * * * *

⁷ Respondent Resolute's postconference brief, attachment res-A, p. 7.

Between 2014 and 2016, the volume of U.S. producers' commercial U.S. shipments, grew by *** percent, from *** metric tons to *** metric tons. It was *** percent lower in January-June 2017 than in January-June 2016. Only ***. ***.

Although the volume of U.S. producers' commercial U.S. shipments increased, the value of those shipments decreased by *** percent between 2014 and 2016, from \$*** to \$***. It was *** percent lower in January-June 2017 than in January-June 2016. As a result, the average unit value declined from \$*** per metric tons in 2014 to \$*** metric tons in 2016. While every reporting U.S. producer had lower unit values for U.S. commercial shipments from 2014 to 2015, three out of the four U.S. producers reported higher unit values in 2016 than in 2015.

During 2014-16, U.S. producers' total shipments, by quantity, declined by *** percent from *** million metric tons to *** million metric tons. This decline was driven by a *** percent decrease in export shipments. ***, which accounted for *** percent of total shipments in 2016, *** in 2016 than in 2014. ***. Total shipments were *** percent lower in January-June 2017 than in January-June 2016.

By value, total shipments fell by *** percent, from \$*** to \$***. It was *** percent lower in January-June 2017 than in January-June 2016. Consequently, the average unit value of total shipments fell from \$*** per metric ton in 2014 to \$*** per metric ton in 2016. None of the responding U.S. producers reported internal consumption or transfers to related firms between 2014 and 2016.

U.S. producer's commercial U.S. shipments by type⁸

Table III-7 presents U.S. producers' commercial U.S. shipments by product type. U.S. producer's U.S. shipments of high bright UGW paper decreased by *** percent while shipments of regular UGW paper increased by *** percent. Consequently, regular UGW paper's share of total U.S. shipments increased from *** percent in 2014 to *** percent in 2015, and to *** percent in 2016. It was *** percentage points higher in January-June 2017 than in January-June 2016.

The average unit value of high bright UGW paper and regular UGW paper fell between 2014 and 2016 although the average unit value for regular UGW paper increased from 2015 to 2016 after reaching a low in 2015. High bright UGW paper was consistently more expensive than regular UGW paper throughout 2014-16. The average unit value of high bright UGW paper was *** in January-June 2017 and January-June 2016. Conversely, the average unit value of regular UGW paper was *** percent greater in January-June 2017 than in January-June 2016.

⁸ High bright UGW paper is any paper that meets the definition of uncoated groundwood paper with ISO brightness of 65 or greater while regular UGW paper is any paper that meets the definition of uncoated groundwood paper with ISO brightness that is below 65.

Table III-7

UGW paper: U.S. producers' U.S. shipments by product type, 2014-16, January to June 2016 and January to June 2017.

* * * * *

U.S. producer's commercial U.S. shipments by region

Table III-8 presents U.S. producers' U.S. commercial shipments of newsprint by geographic region in 2016. Overall, the majority of those shipments were to the Southeast, Pacific Coast, and Central Southwest, which accounted for *** percent, *** percent, and *** percent of all U.S. commercial shipments of newsprint, respectively. *** while ***. ***.

Table III-8

UGW paper: U.S. producers' U.S. shipments of newsprint by geographic region, 2016

* * * * *

U.S. PRODUCERS' INVENTORIES

Table III-9 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. Fluctuating year-to-year, U.S. producers' end-of-period inventories fell from *** metric tons in 2014 to *** in 2015 and then grew to *** metric tons in 2016 for an overall decrease of *** percent. *** and *** accounted for *** percent of total end-of-period inventories in 2016. *** responding U.S. producers reported decreases in end-of-period inventories with *** accounting for *** of the total decrease. *** also reported a decrease in the ratio of its inventories to U.S. production during 2014-16. End-of-period inventories were *** in January-June 2017 and January-June 2016.

Table III-9

UGW paper: U.S. producers' inventories, 2014-16, January to June 2016 and January to June 2017

* * * * *

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of UGW paper are presented in table III-10. Two producers, *** and ***, imported from subject sources. Fluctuating year to year, the ratio of Resolute's U.S. production to its imports from Canada *** from *** percent in 2014 to *** percent in 2015 and *** to *** percent in 2016. It was *** percentage points higher in January-June 2017 than in January-June 2016. For Bear Island, the ratio of its U.S. production to its imports from Canada also fluctuated, *** from *** percent in 2014 to *** percent in 2015, and *** to *** percent in 2016. It was *** percentage points higher in January-June 2017 than in January-June 2016.

As shown in table III-10, Resolute noted that ***. Resolute also stated that its northeastern United States customers will not buy newsprint coming from the southern part of the United States because it does not have the same brightness or strength as newsprint from Canada.⁹ Bear Island noted that its ***.

Table III-10
UGW paper: U.S. producers' U.S. production, imports and purchases, 2014-16, January to June 2016, and January to June 2017

* * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-11 shows U.S. producers' employment-related data. The number of production and related workers ("PRWs"), total hours worked, wages paid, and productivity decreased from 2014 to 2016, while hours worked per PRW, hourly wages, and unit labor costs increased. ***. The number of PRWs, total hours worked, hours worked per PRW, wages paid, hourly wages, and productivity were lower in January-June 2017 than in January-June 2016 while unit labor costs were higher.

Table III-11
UGW paper: U.S. producers' employment related data, 2014-16, January to June 2016, and January to June 2017

* * * * *

⁹ Conference transcript (Feldman), pp. 181-182.

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

U.S. IMPORTERS

The Commission issued importer questionnaires to 24 firms believed to be importers of subject UGW paper, as well as to all U.S. producers of UGW paper.¹² Usable questionnaire responses were received from 9 companies,³ representing the vast majority of U.S. imports from Canada between 2014 and 2016 under HTS subheadings 4801.00.01, 4802.61.10, 4802.61.20, 4802.61.30, 4802.61.31, 4802.61.60, 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.61, 4802.69.10, 4802.69.20, 4802.69.30, 4805.91.50, 4805.91.70, and 4805.91.90. These HTS subheadings represent basket categories. Table IV-1 lists all responding U.S. importers of UGW paper from Canada and other sources, their locations, and their shares of U.S. imports, in 2016.

**Table IV-1
UGW paper: U.S. importers by source, 2016**

Firm	Headquarters	Share of imports by source (percent)		
		Canada	Nonsubject sources	All import sources
Aaron Paper	Conshohocken, PA	***	***	***
Alberta Newsprint	Whitecourt, AB	***	***	***
Catalyst	Seattle, WA	***	***	***
Irving	Saint John, NB	***	***	***
Kruger	Montreal, QC	***	***	***
Resolute	Catawba, SC	***	***	***
Stora Enso	Stamford, CT	***	***	***
Tembec	Toronto, ON	***	***	***
White Birch	Greenwich, CT	***	***	***
Total		***	***	***

Note – Share and ratios shown as “0.0” represent values greater than zero, but less than “0.05” percent.

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

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 one percent of total imports under HTS subheadings 4801.00.01, 4802.61.10, 4802.61.20, 4802.61.30, 4802.61.31, 4802.61.60, 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.61, 4802.69.10, 4802.69.20, 4802.69.30, 4805.91.50, 4805.91.70, and 4805.91.90 in 2016.

² Data for U.S. imports from Canada and all nonsubject sources (for all periods) as well as for U.S. importers’ U.S. commercial shipments are based on questionnaire responses.

³ The Commission received partial responses from four firms ***, ***, ***, and ***. These firms, combined, accounted for approximately *** percent of U.S. imports from Canada in 2016. The complete responses from the nine companies serve as a reliable and reasonable proxy for U.S. imports of subject merchandise. *** and *** noted that they did not import subject merchandise during the period of investigation.

U.S. IMPORTS

Between 2014 and 2016, U.S. imports of UGW paper from Canada, by volume, fell by *** percent, from *** metric tons to *** metric tons. This decline in import volume primarily reflects ***, which accounted for *** percent of the total decrease reported by U.S. importers. ***. ***. Petitioners noted that Irving entered the U.S. market in 2016 after the imposition of the countervailing duty order on imports of supercalendered paper from Canada.⁴ Irving previously produced only supercalendered paper in New Brunswick, Canada.⁵ White Birch, Catalyst, Resolute, and Kruger stated that Irving's entrance did not have much impact on their U.S. operations.⁶ U.S. imports of UGW paper from Canada were *** percent lower in January-June 2017 than in January-June 2016. The change between the interim periods is also reflected by the ***.

Although U.S. imports of UGW paper from Canada decreased, its share of total U.S. imports *** throughout 2014-16 as well as from January-June 2016 to January-June 2017. Imports from nonsubject sources fluctuated year to year, decreasing from *** metric tons in 2014 to *** metric tons in 2015 and increasing to *** metric tons in 2016 for an overall increase of *** percent. It accounted for *** percent of total U.S. imports.

As the volume of U.S. imports from Canada decreased, so too did their value which fell by *** percent between 2014 and 2016, from \$*** to \$***. Consequently, the average unit value of UGW paper imports from Canada decreased from \$*** in 2014 to \$*** in 2016. The average unit value of UGW paper imports from Canada were lower than those from nonsubject countries in 2014 and 2015, but were higher in 2016. Table IV-2 and figure IV-1 present data for U.S. imports of UGW paper from Canada and all other sources.

Table IV-2
UGW paper: U.S. imports by source, 2014-16, January to June 2016 and January to June 2017

* * * * *

Figure IV-1
UGW paper: U.S. import volumes and prices, 2014-16, January to June 2016 and January to June 2017

* * * * *

⁴ Conference transcript, p. 46 (Byers).

⁵ Ibid.

⁶ Conference transcript, pp. 188-189 (Blaine), (Stapleton), (D'Amours), and (Lowder).

U.S. importers' commercial U.S. shipments by type

Table IV-3 presents U.S. importers' commercial U.S. shipments of imports from Canada by product type.⁷ The majority of those shipments were of regular UGW paper though its share declined from *** percent in 2014, to *** percent in 2015, and to *** percent in 2016. The average unit value of high bright and regular UGW paper declined between 2014 and 2016, although regular UGW paper fell to its lowest level in 2015 and increased in 2016. High bright UGW paper was more expensive than regular UGW paper throughout 2014-16.

Table IV-3
UGW paper: U.S. importers' U.S. shipments, by type, 2014-16, January to June 2016, and January to June 2017.

* * * * *

NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.⁸ 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.⁹ Imports from Canada accounted for *** percent of total imports of UGW paper by quantity from August 2016 to July 2017, the most recent 12 month period.

Geographical markets

Table IV-4 presents data on U.S. import quantities of newsprint from Canada by region in 2016.¹⁰ The majority of subject imports of newsprint entered through U.S. ports located in

⁷ As noted previously in part III, high bright UGW paper is any paper that meets the definition of uncoated groundwood paper with ISO brightness of 65 or greater while regular UGW paper is any paper that meets the definition of uncoated groundwood paper with ISO brightness that is below 65.

⁸ 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)).

⁹ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

¹⁰ See part II for additional information on geographic markets.

the Northeast and Midwest. Such imports accounted for 54.6 percent and 35.7 percent of total subject imports, respectively.

Table IV-4
UGW paper: U.S. importers' U.S. imports of newsprint by geographic region of entry, 2016.

Item	Calendar year 2016		
	Quantity (metric tons)	Share of quantity (percent)	Number of firms (count)
U.S. imports from Canada			
U.S. imports entered in the-- Northeast	1,004,327	54.6	***
Midwest	656,951	35.7	***
Southeast	26,770	1.5	***
Central Southwest	---	---	***
Mountains	40,186	2.2	***
Pacific Coast	84,875	4.6	***
Other	25,851	1.4	***
Continental US	1,813,109	98.6	***
All US	1,838,960	100.0	***
U.S. imports from nonsubject sources			
U.S. imports entered in the-- Northeast	406	10.5	***
Midwest	27	0.7	***
Southeast	1,036	26.9	***
Central Southwest	2,105	54.7	***
Mountains	---	---	***
Pacific Coast	256	6.6	***
Other	20	0.5	***
Continental US	3,830	99.5	***
All US	3,850	100.0	***
U.S. imports from all sources			
U.S. imports entered in the-- Northeast	1,004,733	54.5	***
Midwest	656,978	35.7	***
Southeast	27,806	1.5	***
Central Southwest	2,105	0.1	***
Mountains	40,186	2.2	***
Pacific Coast	85,131	4.6	***
Other	25,871	1.4	***
Continental US	1,816,939	98.6	***
All US	1,842,810	100.0	***

Note – Shares and ratios shown as “0.0” represent values greater than zero, but less than “0.05” percent.

Source: Official U.S. import statistics using HTS statistical reporting numbers 4801.00.0020 and 4801.00.0040, accessed September 5, 2017, and proprietary customs records to count the number of unique importer of record numbers.

Figure IV-2
UGW paper: U.S. producers' U.S. shipments of newspaper by region and U.S. importers' U.S. imports of newspaper by entry district, 2016

* * * * *

APPARENT U.S. CONSUMPTION

Table IV-5 and figure IV-3 present data on apparent U.S. consumption and U.S. market shares for UGW paper. Between 2014 and 2016, apparent U.S. consumption, by quantity, decreased by *** percent, from *** metric tons to *** metric tons. Apparent U.S. consumption was *** percent less in January-June 2017 than in January-June 2016.

U.S. shipments of imports from Canada decreased by *** percent between 2014 and 2016, from *** metric tons to *** metric tons. The decline during this period can be attributed ***, ***. It more than offset ***. U.S. producers' U.S. shipments, on the other hand, grew by *** percent from *** metric tons to *** metric tons. Consequently, U.S. producers' market share increased from *** percent in 2014 to *** percent 2016 while subject imports' market share decreased from *** percent to *** percent.

Table IV-5
UGW paper: Apparent U.S. consumption, 2014-16, January to June 2016, January to June 2017

* * * * * * *

Figure IV-3
UGW paper: Apparent U.S. consumption, 2014-16, January to June 2016, January to June 2017

* * * * * * *

Apparent U.S. consumption by type

Table IV-6 presents data on apparent U.S. consumption and market share of high bright UGW paper. Fluctuating year to year, apparent U.S. consumption of high bright UGW paper fell from *** metric tons in 2014 to *** metric tons in 2015 and then increased to *** metric tons in 2016 for an overall increase of *** percent. This growth was primarily driven by increases in U.S. importers' U.S. shipments of imports from Canada, which offset the decline in U.S. producers' U.S. shipments. Consequently, U.S. producers' share of high bright UGW paper shipments fell from *** percent to *** percent while subject imports' market share increased from *** percent to *** percent.

Table IV-6
UGW paper: Apparent U.S. consumption of high bright UGW paper, 2014-16, January to June 2016, January to June 2017

* * * * * * *

Table IV-7 presents data on apparent U.S. consumption and market share of regular UGW paper. Apparent U.S. consumption of regular UGW paper exhibited the opposite trend as high bright UGW paper, decreasing by *** percent between 2014 and 2016, from *** metric tons to *** metric tons. This change is attributable to the decrease in U.S. importers' U.S. shipments of imports from Canada, which offset the growth in U.S. producers' U.S. shipments. As a result, U.S. producers' market share of regular UGW paper increased from *** percent in

2014 to *** percent in 2016 while subject imports' market share decreased from *** percent to *** percent.

Table IV-7
UGW paper: Apparent U.S. consumption of regular UGW paper, 2014-16, January to June 2016 and January to June 2017

* * * * *

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

The major input used in the production of UGW paper is groundwood pulp. Most producers of UGW paper produce most/all their groundwood pulp. UGW pulp is produced from sawmill residue and other wood, and may include some recycled paper.¹ These are combined with water and chemicals. (See part I of this report for a description of the production process.)

Transportation costs to the U.S. market

Transportation costs for UGW paper shipped from Canada to the United States averaged 2.8 percent during 2016. These estimates were derived from official import data and represent transportation and other charges on imports.²

U.S. inland transportation costs

All four responding U.S. producers and seven of eight responding importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 11 to 16 percent of total costs while most importers reported transportation costs of 12 to 18 percent of total costs.³

PRICING PRACTICES

Pricing methods

U.S. producers and importers reported using transaction-by-transaction negotiations, contracts, and other methods (table V-1).⁴

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

¹ No cost data sources were reported for any of these inputs.

² The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2016 and then dividing by the customs value based on the HTS subheading 4801.00.01, 4802.61.10, 4802.61.20, 4802.61.30, 4802.61.31, 4802.61.60, 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.61, 4802.69.10, 4802.69.20, and 4802.69.30.

³ One importer reported that U.S. transportation costs were 60 percent.

⁴ For other methods of sale, U.S. producers reported using letters of agreement and pricing to meet competition, while importers reported letters of agreement, prices tied to the industry RISI price index and agreement that set the price monthly, quarterly, or half-yearly and contain volume commitments.

Method	U.S. producers	Importers
Transaction-by-transaction	***	7
Contract	***	4
Set price list	***	1
Other	***	4
Responding firms	***	8

[†] The sum of responses down do 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 and importers reported selling most of their UGW paper using short-term or annual contracts (table V-2).

Table V-2
UGW paper: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2016

Type of sale	U.S. producers	Importers
Long-term contracts	***	13.9
Annual contracts	***	38.5
Short-term contracts	***	36.6
Spot sales	***	11.0

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

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

All four producers reporting long-term and annual contracts reported price renegotiations during the contract. Two producers reported that long-term contracts fixed price and three reported that long-term contracts had no meet-or-release provisions. One producer reported that year-long contracts fixed quantity, two reported that they fixed price, and none of the four reported any meet-or-release provisions. Three of the four responding producers reported price renegotiations during short-term contracts, while one reported no price renegotiations during a short-term contract. Two producers that reported that short-term contracts fixed prices, and one that short-term contracts fixed both price and quantity. All four responding producers reported that short-term contracts had no meet-or-release provisions. All four importers reporting use of long-term contracts stated that they allow price renegotiations. Two reported that long-term contracts fixed quantity, one that they fixed price; two reported that they had a meet-or-release provision, and one that they had no meet-or-release provision. For annual contracts, all five responding importers reported that contracts allow price renegotiations. Three reported that annual contracts fixed quantity, and one that they fixed price, and one that they fixed both price and quantity. Two reported that annual contracts contained meet-or-release provisions, and three reported no meet-or-release provisions. Under short-term contracts, three of the five responding importers reported that price renegotiations were allowed during the contracts. Two reported that contracts fix quantity, three reported no meet-or-release provision, and two reported that there were meet-or-release provisions.

Producers' and importers' long-term contracts were of two to three years duration, while their short-term contracts ranged from 30 to 180 days.

Purchasers provided a general description of their firms' method of purchase for UGW paper. Purchasers reported using both contract and spot purchases, use of RFQ (requests for quotes), use of multiple suppliers to ensure availability, and dealing directly with mill representatives with no contracts. One purchaser reported that even though they were in long-term relationship with some end users, it must match other suppliers' price reductions or the customer is lost.

Sales terms and discounts

U.S. producers and importers typically quote prices on a delivered basis.⁵ One U.S. producer reported that it offered a quantity discount, three reported total volume discounts, one reported no discount policy, and two reported proximity and early payment discounts. Three importers reported offering quantity discounts, four reported total volume discounts, three reported no discount policy, and five reported other discounts.⁶ All four responding U.S. producers and seven of eight responding importers reported sales terms of net 30 days without a discount for early payment.

Factors affecting price

Producers and importers were asked to report the importance of a number of factors on the price of their products (table V-3). Both U.S. producers and importers identified the decline in print media as having the single largest impact on prices.

Table V-3
UGW paper: U.S. producers' and importers' average rating of the importance of factors on a scale of 0 to 5 where 0 is no role, 1 is a minimal effect and 5 is a substantial effect

Factor	Producers	Importers
Decline in print media	***	4.8
Other factors causing demand for paper products to decline	***	4.0
Competition from substitute products	***	3.4
Competition from U.S. producers	***	3.4
Competition from subject importers	***	3.0

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

PRICE DATA

Publicly available price information

⁵ ***.

⁶ Importers' other discounts included proximity discounts, early payment discounts, customer specific discounts, and volume commitment discounts.

RISI publishes price data for newsprint of two weights, 48.4 gram and 45 gram, and two regions-- east and west. Prices in the east and west regions were the same for the same weight of paper through most of 2014, but then diverged with prices in the east higher than those in the west (figure V-1). Between January 2014 and July 2017, RISI reported prices in the East decreased by 5 percent while its prices in the West decreased 10 percent.

Figure V-1
Newsprint paper prices: Price per metric ton reported by RISI for the east and west regions of the United States for 48.4 gr. and 45 gr. paper, by month, January 2014 to July 2017

* * * * *

Prices from the questionnaires

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and delivered value⁷ of the following UGW paper products shipped to unrelated U.S. customers during January 2014 to June 2017.

Product 1.-- Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls.

Product 2.-- 65 Bright, 44.0-46.0 gsm (27-28 lb. newsprint weight) with ISO brightness of 65, in rolls.

Product 3.-- 80 Bright, 51.5-52.5 gsm (35.0 lb. book weight), with ISO brightness of 80, in rolls.

Four U.S. producers and seven importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.⁸ Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' shipments of product and 58.3 percent of U.S. shipments of subject imports from Canada in 2016. Petitioners questioned the validity of ***. ***. ***. Because of this, its pricing data have been included in the analysis.⁹

Price data for products 1-3 are presented in tables V-4 to V-6 and figures V-2 to V-4.

⁷ Petitioners reported that UGW paper is typically sold on a delivered basis and requested that prices be collected on a delivered basis.

⁸ Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

⁹ If *** prices are excluded, U.S. pricing coverage decreases to ***. ***.

Table V-4

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 1¹ and margins of underselling/(overselling), by quarters, January 2014-June 2017

Period	United States		Canada		
	Price (per kilogram)	Quantity (kilogram)	Price (per kilogram)	Quantity (kilogram)	Margin (percent)
2014:					
Jan.-Mar.	0.61	146,191,474	***	***	***
Apr.-June	0.61	142,509,168	***	***	***
July-Sept.	0.61	144,029,319	***	***	***
Oct.-Dec.	0.60	157,277,503	***	***	***
2015:					
Jan.-Mar.	0.57	141,105,588	***	***	***
Apr.-June	0.54	146,845,437	***	***	***
July-Sept.	0.51	139,237,000	***	***	***
Oct.-Dec.	0.49	178,414,429	***	***	***
2016:					
Jan.-Mar.	0.51	160,936,748	***	***	***
Apr.-June	0.53	156,895,092	***	***	***
July-Sept.	0.55	158,255,807	***	***	***
Oct.-Dec.	0.55	156,541,214	***	***	***
2017:					
Jan.-Mar.	0.55	137,100,140	***	***	***
Apr.-June	0.54	120,887,903	***	***	***

¹ Product 1: Newsprint, 45.0 gsm (27.7 lb. newsprint weight), with ISO Brightness of 55-62, in rolls.

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

Table V-5

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 2¹ and margins of underselling/(overselling), by quarters, January 2014- June 2017

* * * * *

Table V-6

UGW paper: Weighted-average delivered prices and quantities of domestic and imported product 3¹ and margins of underselling/(overselling), by quarters, January 2014- June 2017

* * * * *

Figure V-2

UGW paper: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2014 to June 2017

* * * * *

Figure V-3

UGW paper: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2014 to June 2017

* * * * *

Figure V-4

UGW paper: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2014 to June 2017

* * * * *

Price trends

In general, prices decreased during 2014-16. Table V-7 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases ranged from 10.8 to 12.0 percent during January 2014 to June 2017 while import price decreases ranged from 10.3 to 18.1 percent.

Table V-7

UGW paper: Summary of weighted-average delivered prices for products 1-3 from the United States and Canada

Item	Number of quarters	Low price (per unit)	High price (per unit)	Change in price ¹ (percent)
Product 1				
United States	14	0.49	0.61	(10.8)
Canada	14	0.49	0.60	(10.8)
Product 2				
United States	14	0.64	0.73	(10.9)
Canada	14	0.60	0.74	(18.1)
Product 3				
United States	14	0.75	0.85	(12.0)
Canada	14	0.74	0.82	(10.3)

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-8, prices for UGW paper imported from Canada were below those for U.S.-produced product in 37 of 42 instances (4.95 million metric tons); margins of underselling ranged from 0.2 to 12.6 percent. In the remaining 5 instances (80,496 metric tons), prices for UGW paper from Canada were between 0.0 and 2.6 percent above prices for the domestic product.

Table V-8**UGW paper: Instances of underselling/overselling and the range and average of margins, for Canada, 2014-16**

Canada	Number of quarters	Quantity (Kilograms)	Average margin (percent)	Margin range (percent)	
				Min	Max
Underselling	37	4,950,869,342	2.7	0.2	12.6
(Overselling)	5	80,496,267	(1.0)	(0.0)	(2.6)

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

LOST SALES AND LOST REVENUE

The Commission requested that U.S. producers of UGW paper report purchasers where they experienced instances of lost sales or revenue due to competition from imports of UGW paper from Canada during 2014-16. Of the four responding U.S. producers, one (***) reported that it had to either reduce prices or roll back announced price increases, and one firm (***) reported that it had lost sales. One U.S. producer (***) submitted lost sales and lost revenue allegations. The one responding U.S. producer identified 10 firms where it lost sales or revenue (4 consisting lost sales allegations, 3 consisting of lost revenue allegations, and 3 consisting of both types of allegations). Allegations covered January 2014 to April 2017 and included newsprint, book paper, and high bright paper.

Staff contacted 10 purchasers and received responses from 6 purchasers. Responding purchasers reported purchasing 3.6 million metric tons of UGW paper during 2014-16 and 1.2 million metric tons of UGW paper in 2016 (table V-9).

During 2016, responding purchasers purchased 47.5 percent from U.S. producers, 46.9 percent from Canada and 5.6 percent from other countries. Of the responding purchasers, two reported decreasing purchases from domestic producers, one reported increasing purchases, and three reported fluctuating purchases.¹⁰ *** explained that it had increased purchases of domestic product because of acquisitions and customer business. Explanations for decreasing purchases of domestic product included decreased need by the customers and replacing U.S. product with that from Canada. Two purchasers reported that they had increased purchases of Canadian product because of customer needs and price. One (***) reported decreased purchases of Canadian product because of declines in consumption.

Of the six responding purchasers, three reported that since 2014 they had purchased imported UGW paper from Canada instead of U.S.-produced product. All three of these purchasers reported that subject import prices were lower than U.S.-produced product, and all three of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product.¹¹ The three purchasers estimated the

¹⁰ Of the six responding purchasers, three purchasers indicated that they did not know the source of the UGW paper they purchased.

¹¹ One of the three reported that price was not always the primary reason for the shift, other reasons included location, quality, certification, and availability of product to customer specifications.

quantity of UGW paper from Canada purchased instead of domestic product; quantities ranged from 1,260 metric tons to 217,836 metric tons (table V-10).

Of the six responding purchasers, two reported that U.S. producers had reduced prices in order to compete with lower-priced imports from Canada (table V-11; three reported that they did not know). The reported estimated price reduction ranged from 9.2 to 10 percent. In describing the price reductions, one purchaser indicated that although the U.S. producer had reduced prices, it still was not able to make the sale and that prices of UGW paper had decreased for “several years.”

Table V-9
UGW paper: Purchasers’ responses to purchasing patterns

* * * * *

Table V-10
UGW paper: Purchasers’ responses to purchasing subject imports instead of domestic product

Purchaser	Purchased imports instead of domestic (Y/N)	Imports priced lower (Y/N)	If purchased imports instead of domestic, was price a primary reason		
			Y/N	If Yes, quantity purchased instead of domestic (short tons)	If No, non-price reason
***	No	No response	---	---	---
***	Yes	Yes	Yes	100,000	---
***	No	No response	---	---	---
***	No	No response	---	---	---
***	Yes	Yes	Yes	1,260	---
***	Yes	Yes	Yes	217,836	Price was not always the primary reason. Sometimes geographic location of the customer, quality and certifications, availability or customer specifications were the primary reasons.
Totals (if applicable)	Yes--3; No--3	Yes--3; No--0	Yes--3; No--0	319,096	

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

**Table V-11
UGW paper: Purchasers' responses to U.S. producer price reductions**

Purchaser	U.S. producers reduced priced to compete with subject imports (Y/N)	If U.S. producers reduced prices	
		Estimated U.S. price reduction (percent)	Additional information, if available
***	No	---	---
***	Yes	10.0	Until 2017, we have had price decreases on UGW annually for several years due to lower Canadian pricing despite stability in the marketplace outside of Newsprint. Many of the customers would have annual RFQ's and prices would drop mid-year for no apparent reason (other than to steal market share).
***	Don't Know	---	---
***	Yes	9.2	We were supplying paper to a large retailer at \$600 per short ton. Price competition drove the final price down to \$545 and we ultimately lost the bid.
***	Don't Know	---	---
***	Don't Know	---	---
Total / average	Yes--2; No--1	9.6	NA

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

Distributors reported that they purchased based on customer specifications; purchase from multiple sources to ensure supply; purchase based on ability to produce 40 gr. news print; and purchase to meet state mandated recycled content requirements. One distributor reported that there were long-term relationships between the end users it supplied and mills they were supplied from, however, any price reduction from other suppliers must be matched by the mill currently being used if that mill is to retain business.

In responding to the lost sales lost revenue survey, some purchasers provided additional information on purchases and market dynamics. One purchaser reported that it purchases based on price, quality, service lead time and location, and that U.S. capacity is not sufficient to meet its needs. ***. One distributor reported that its customers decide the source of the product it purchases. One firm reported that Canadian producers have benefited from the "low value" of the Canadian dollar and that manufacturers have shifted production from their mills in the United States to their mills in Canada.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Four U.S. producers provided usable financial data on their UGW paper operations.¹ These were the same firms that provided data in the trade section of the Commission's questionnaire: NORPAC,² Resolute,³ Bear Island,⁴ and Ponderay.

OPERATIONS ON UGW PAPER

Table VI-1 presents aggregate data on U.S. producers' operations in relation to UGW paper over the fiscal years 2014-16, January-June 2016, and January-June 2017, while table VI-2 presents changes in unit values, and table VI-3 provides data on a firm-by-firm basis.

Table VI-1

UGW paper: Results of operations of U.S. producers, fiscal years 2014-16, January-June 2016, and January-June 2017

* * * * *

Table VI-2

UGW paper: Changes in average unit values, between fiscal years and between interim periods

* * * * *

¹ Each firm has a fiscal year that ends on December 31 and each filed on the basis of GAAP. There were no differences between the trade and financial sections of the Commission's questionnaire. As noted earlier in the report, a fifth U.S. producer, ***.

² Prior to November 1, 2016, NORPAC was a joint venture between Weyerhaeuser and Nippon Paper Industries. On November 1, 2016, the firm was acquired by One Rock Capital Partners LLC. NORPAC stated that there have been no changes to production or sales efforts, decision-making, or the management team as a result of the acquisition. Petitioner's postconference brief, answers to staff questions, pp. A-1-A-2.

³ Resolute was formed on January 25, 2007, from the merger of Bowater Inc. and Abitibi Consolidated (announced as a merger to create AbitibiBowater) and subsequently the firm changed its name to Resolute Forest Products.

⁴ Christopher Brant, President and Chief Operating Officer of White Birch announced the closure of the Bear Island, Virginia paper and pulp mill on May 17, 2017, citing difficult market pricing, challenging cost fundamentals, and declining demand. White Birch Paper Co. press release May 17, 2017 included in Petition, Vol. I, exh. I-3.

Table VI-3
UGW paper: Results of operations of U.S. producers, by firm, 2014-16, January-June 2016, and January-June 2017

* * * * *

Net sales quantity and value

Net sales of UGW paper consisted of commercial sales only. As shown in table VI-1, aggregate UGW paper sales quantity increased from 2014 to 2015 and fell in 2016 while sales value fell from 2014 to 2016. Both were lower in interim 2017 than in interim 2016. Changes in sales quantity and value by *** accounted for the *** between the full yearly periods while ***.

The aggregate net sales unit value (per metric ton) for UGW paper declined from 2014 to 2016. Between 2015 and 2016, ***. The average unit value of sales was slightly lower in interim 2017 than in interim 2016 with ***. The firm-by-firm data shows a ***.

Cost of goods sold and gross profit or (loss)

Raw materials account for a large percentage of overall COGS, accounting for between *** percent (in 2015) and *** percent (in interim 2017) of total COGS. Raw material costs, which represented *** percent of net sales value in 2014, increased to *** percent of net sales value in 2016, and rose to *** percent in interim 2017. The Commission's questionnaire requested that firms breakout raw material costs into the cost of pulp and all other costs. Pulp includes purchases of pulp as well as the costs of producing pulp from purchased fiber materials such as wood chips or wood in other forms and from reclaimed newspapers. All other costs include energy, chemicals, bleach, and the like. The cost of pulp accounted for approximately three-quarters of total raw material costs.

NORPAC, Resolute, and Bear Island provided examples of efforts to reduce costs with regard to raw material costs. NORPAC listed its ***.⁵ Resolute reported that it had ***.⁶ Bear Island stated that it ***.⁷ Ponderay stated that ***.⁸

Other factory costs, which are composed of both variable and fixed facility overhead costs, also are a large component of total COGS. These costs decreased irregularly from 2014 to 2016 on a dollar basis (as well as on a per-unit basis), but increased irregularly as a share of sales between these periods. Other factory costs were lower on a dollar basis, as a percentage

⁵ NORPAC's postconference brief, exh. 31. Dollar values were provided for calendar years 2014-16.

⁶ Resolute's postconference brief, answers to staff question p. 19. ***.

⁷ Bear Island's postconference brief, p. 26 and exh. 11. Cost savings were provided on a per-metric ton basis. However, the firm indicated that costs in 2017 ***. Bear Island's postconference brief, p. 27 and exh. 11.

⁸ U.S. producers' questionnaire responses of Ponderay, section IV-19.

of total net sales or of total COGS, and on a per-unit basis in January-June 2017 than in the same period one year earlier (table VI-1). *** reported most of the changes in other factory costs. In particular, ***.⁹

NORPAC, Resolute, and Bear Island provided examples of efforts to reduce costs with regard to manufacturing overhead costs. NORPAC listed ***.¹⁰ Resolute ***.¹¹ Bear Island ***.¹²

The last component of COGS, direct labor, increased on a dollar basis from 2014 to 2016, but was lower in January-June 2017 compared to January-June 2016. As a share of COGS, direct labor was between *** percent (in 2014 and 2015) and *** percent (in 2016) and was *** percent in both interim periods.

NORPAC and Resolute provided examples of efforts to reduce labor costs. NORPAC listed ***.¹³ Resolute stated some cost-savings opportunities were in ***.¹⁴ Bear Island stated that its initiatives included ***.¹⁵

The COGS to sales ratio increased irregularly from 2014 (*** percent) to 2016 (*** percent), and was higher in January-June 2017 (*** percent) than in January-June 2016 (*** percent).

Gross profit fell from \$*** in 2014 to a loss of \$*** in 2016, and was greater at a loss of \$*** in January-June 2017 compared with a loss of \$*** in January-June 2016. ***.

SG&A expenses and operating income or (loss)

As shown in table VI-1, the industry's SG&A expense ratios (i.e., total SG&A expenses divided by total revenue) were between *** percent (2014) and *** percent (2015) and between *** percent (interim 2017) and *** percent (interim 2016). ***.

NORPAC, Resolute, and Bear Island provided examples of efforts to reduce SG&A expenses. NORPAC listed ***.¹⁶ Resolute stated that the firm ***.¹⁷

Operating income fell from *** in 2014 to a loss of \$*** in 2015 before improving to a loss of \$*** in 2016. The four firms together reported a lower operating loss in interim 2017 (\$***) compared with the operating loss posted in interim 2016 (\$***).

⁹ ***. ***.

¹⁰ NORPAC's postconference brief, exh. 31.

¹¹ Resolute's postconference brief, answers to staff questions, p. 18.

¹² Bear Island's postconference brief, p. 26 and exh. 11.

¹³ NORPAC's postconference brief, exh. 31.

¹⁴ Resolute's postconference brief, answers to staff questions, p. 18.

¹⁵ Bear Island's postconference brief, p. 26 and exh. 11.

¹⁶ NORPAC's postconference brief, exh. 31.

¹⁷ Resolute's postconference brief, answers to staff questions, p. 18.

Other expenses and net income or (loss)

Interest charges, other expenses, and other income are subtracted from or added to operating income. Two firms reported other expenses (***). ***.¹⁸ ***.¹⁹ ***.²⁰

The industry's net income fell from a loss of \$*** in 2014 to a loss of \$*** in 2015 before improving to a loss of \$*** in 2016; the net loss of the four firms together was approximately the same in January-June 2017 (\$***) compared to January-June 2016 (\$***). Net loss as a ratio to sales increased substantially from *** percent in 2014 to *** percent in 2015 before improving to a net loss of *** percent in 2016. The ratio of net loss to sales was higher in interim 2017 than in interim 2016. Cash flow (net income plus depreciation charges) declined from \$*** in 2014 to a negative \$*** in 2016 and was a negative \$*** in interim 2017 compared with a negative \$*** in interim 2016.

Variance analysis

A variance analysis for the operations of U.S. producers of UGW paper is presented in table VI-4.²¹ The information for this variance analysis is derived from table VI-1. The analysis illustrates that from 2014 to 2016, the increase in operating losses is primarily attributable to a higher unfavorable price variance (unit prices fell) despite a favorable net/cost variance (i.e., unit costs and expenses decreased). It also indicates that between the interim periods, volume increased to compensate for an unfavorable price variance combined with an unfavorable net cost/expense variance.

Table VI-4
UGW paper: Variance analysis on the operations of U.S. producers, 2014-16, January-June 2016, and January-June 2017

* * * * *

¹⁸ ***.

¹⁹ U.S. producers' questionnaire response of ***.

²⁰ ***.

²¹ 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.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-5 presents capital expenditures and research and development (“R&D”) expenses by firm.

Table VI-5
UGW paper: Capital expenditures and R&D expenses of U.S. producers, fiscal years 2014-16, January-June 2016, and January-June 2017

* * * * *

NORPAC stated that the focus of its capital expenditures were ***. Bear Island stated ***. Resolute responded that its capital expenditures were made to ***. ***.²²

ASSETS AND RETURN ON ASSETS

Table VI-6 presents data on the U.S. producers’ total assets and the ratio of operating income or (loss) to total assets.

Table VI-6
UGW paper: U.S. producers’ total assets and return on assets, fiscal years 2014-16, January-June 2016, and January-June 2017

* * * * *

NORPAC described the production of UGW paper as capital intensive, indicating that the investment barrier needed to enter the industry is high and plant and equipment are expensive. NORPAC estimated that a new paper machine installed in an existing paper mill with supporting pulp production would cost in excess of \$***, for example. That firm also estimates that a new greenfield paper mill with mechanical pulp capability would cost about \$***.²³ Because of the high capital cost, paper machines are designed to operate continuously and profitability is

²² U.S. producers’ questionnaire responses, section III-13.

²³ NORPAC’s postconference brief, p. 17. NORPAC estimated that a new paper machine alone would cost \$***. However a new machine would have to be accompanied by the addition of capacity to make thermomechanical pulp (“TMP”), estimated to cost \$***, as well as new buildings to house the new paper and pulp machines, estimated to cost \$***, respectively. Petitioner’s postconference brief, answers to staff questions, p. A-8.

dependent on high rates of capacity utilization.²⁴ Resolute also provided data, stating that it spent approximately \$*** to install new machinery at its Calhoun, Tennessee mill.²⁵

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of UGW paper to describe any actual or potential negative effects of imports of UGW paper from Canada on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-7 presents a tally of U.S. producers' responses and table VI-8 provides the narrative responses.

Table VI-7

UGW paper: Actual and anticipated negative effects of imports from Canada on investment and growth and development since January 1, 2014

* * * * *

Table VI-8

UGW paper: Narrative responses by U.S. producers regarding actual and anticipated negative effects of imports from Canada on investment, growth, and development since January 1, 2014

* * * * *

²⁴ When a mill runs at lower operating rates, costs increase because operating efficiency is impeded. When a machine is shut down, there are reportedly high costs associated with restarting it. See testimony on cost, Conference transcript, pp. 97-98 (Annenberg and Buckingham).

²⁵ Conference transcript, p. 159 (Blaine). This was reportedly for a ***; the *** benefitted all products produced at the Calhoun facility. Resolute also invested \$***. Resolute's postconference brief, answers to staff questions, p. 7.

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 factors¹--

- (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 CANADA

The Commission issued foreign producers' or exporters' questionnaires to seven firms believed to produce and/or export UGW paper from Canada.³ Usable responses to the Commission's questionnaire were received from seven firms: Resolute FP Canada Inc. ("Resolute Canada"),⁴ Irving Paper Limited ("Irving Paper"),⁵ Tembec,⁶ Catalyst Paper Corporation/Catalyst Pulp and Paper Sales Inc. ("Catalyst"),⁷ Kruger Inc. ("Kruger"),⁸ White Birch Paper Canada Company NSULC ("White Birch"),⁹ and Alberta Newsprint Company ("Alberta Newsprint").¹⁰ These firms' exports to the United States accounted for approximately *** percent of U.S. imports of UGW paper from Canada over the period being examined. According to estimates requested of the responding Canadian producers, the production of UGW paper in Canada reported in this Part of the report accounts for approximately *** percent of overall production of UGW paper in Canada. Table VII-1 presents information on the UGW paper operations of the responding producers and exporters in Canada.

Table VII-1
UGW paper: Summary data for producers in Canada, 2016

Firm	Production (metric tons)	Share of reported production (percent)	Exports to the United States (metric tons)	Share of reported exports to the United States (percent)	Total shipments (metric tons)	Share of firm's total shipments exported to the United States (percent)
Alberta Newsprint	***	***	***	***	***	***
Catalyst	***	***	***	***	***	***
Irving	***	***	***	***	***	***
Kruger	***	***	***	***	***	***
Resolute	***	***	***	***	***	***
Tembec	***	***	***	***	***	***
White Birch	***	***	***	***	***	***
Total	4,234,673	100.0	2,316,541	100.0	***	55.2

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

³ These firms were identified through a review of information submitted in the petition and contained in *** records.

⁴ Resolute Canada reported that ***.

⁵ Irving Paper reported that ***.

⁶ Tembec reported that ***.

⁷ Catalyst reported that ***.

⁸ Kruger reported that ***.

⁹ White Birch reported that ***.

¹⁰ Alberta Newsprint reported that ***.

Changes in operations

Canadian UGW paper producers reported several operational and organizational changes since January 1, 2014 (table VII-2). Four firms reported UGW paper producing plant closures. Catalyst reported that ***¹¹ *** reported the ***. Kruger reported that ***. ***, ***, ***, ***, ***, and *** reported labor agreements.

Table VII-2
UGW paper: Canadian producers' reported changes in operations, since January 1, 2014

* * * * *

Operations on UGW Paper

Table VII-3 presents information on the UGW paper operations of the responding producers and exporters in Canada. Responding Canadian producers' production capacity decreased by 15.5 percent from 2014 to 2016. ***. Capacity was 7.2 percent lower January-June 2017 compared to January-March 2016. Capacity is projected to stay the same in 2017 and to decrease by 2.3 percent from 2017 to 2018.

Canadian producers' production exhibited a similar trend as capacity, decreasing by 11.4 percent from 2014 to 2016. ***. *** responding Canadian producers of UGW paper reported decreases in production from 2014 to 2016. Canadian producers' production was 6.3 percent lower in January-June 2017 compared to January-June 2016. Production is projected to decrease 1.8 percent from 2017 to 2018. Capacity utilization increased from 90.6 percent in 2014 to 94.6 percent in 2016. Capacity utilization was 0.9 percentage points higher in January-June 2017 compared to January-June 2016. Capacity utilization is projected to remain unchanged from 2017 to 2018.

Responding Canadian producers' total home market shipments decreased by *** percent from 2014 to 2016. Total home market commercial shipments was *** percent lower in January-June 2017 than in January-June 2016, and are projected to decrease by *** percent from 2017 to 2018. The decline in total home market shipments reflects ***. Decreases from those firms more than offset the increases in total home market shipments reported by ***.

Exports of UGW paper to the United States decreased by 11.8 percent from 2014 to 2016. They were 7.4 percent lower in January-June 2017 compared to January-June 2016. Exports from Canada to the United States are projected to decrease by 1.7 percent from 2017 to 2018.

¹¹ Catalyst postconference brief, p. 7.

Table VII-3
UGW paper: Data for producers in Canada, 2014-16, January to June 2016 and January to June 2017, and projection calendar years 2017 and 2018

Item	Actual experience					Projections	
	Calendar year			January to June		Calendar year	
	2014	2015	2016	2016	2017	2017	2018
	Quantity (metric tons)						
Capacity	5,275,922	4,513,814	4,460,596	2,219,590	2,060,400	4,060,577	3,968,474
Production	4,778,613	4,252,861	4,234,673	2,130,341	1,996,544	3,966,790	3,894,598
End-of-period inventories	258,794	216,690	254,322	206,622	265,044	245,336	244,273
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	772,700	703,260	677,280	339,749	308,165	647,149	629,312
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	2,628,061	2,387,315	2,316,541	1,191,246	1,102,585	2,136,892	2,101,179
All other markets	1,361,577	1,197,987	1,200,841	608,702	566,340	1,188,716	1,165,170
Total exports	3,989,638	3,585,302	3,517,382	1,799,948	1,668,925	3,325,608	3,266,349
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (percent)						
Capacity utilization	90.6	94.2	94.9	96.0	96.9	97.7	98.1
Inventories/production	5.4	5.1	6.0	4.8	6.6	6.2	6.3
Inventories/total shipments	***	***	***	***	***	***	***
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
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 products

Table VII-4 presents responding Canadian producers' data on their production and overall capacity to produce products on the same equipment. *** reported production of out-of-scope merchandise using the same equipment and labor as UGW paper. *** reported that *** using the same equipment and labor as UGW paper. *** reported that *** using the same equipment and labor as UGW paper. *** reported that ***. Overall, out-of-scope products accounted for *** percent to *** percent of production of all products made on the same equipment and machinery used to produce UGW paper during 2014-16.

Table VII-4

UGW paper: Canada producers' overall capacity and production on the same equipment as subject production, 2014-16, January to June 2016 and January to June 2017

Item	Calendar year			January to June	
	2014	2015	2016	2016	2017
	Quantity (metric tons)				
Overall capacity	6,090,711	5,309,046	5,216,205	2,592,774	2,423,732
Production:					
UGW paper	4,778,613	4,252,861	4,234,673	2,130,341	1,996,544
Other uncoated paper	***	***	***	***	***
Other products	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***
	Ratios and shares (percent)				
Overall capacity utilization	91.8	94.9	94.7	95.5	95.2
Share of production:					
UGW paper	***	***	***	***	***
Other uncoated paper	***	***	***	***	***
Other products	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	100.0	100.0	100.0	100.0	100.0

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

Exports

Table VII-5 presents information on Canada's global exports classifiable under HS subheadings 4801.00, 4807.61, 4802.62, and 4802.69. These data also includes merchandise that is outside the scope of these investigations. According to the Global Trade Atlas ("GTA"), the leading export markets for UGW paper from Canada are the United States, India, and the United Kingdom. During 2016, the United States was the top export market for UGW paper from Canada, accounting for 69.8 percent, followed by India, accounting for 9.1 percent.

Table VII-5
UGW paper: Exports from Canada, 2014-16

Destination market	Calendar year		
	2014	2015	2016
	Quantity (metric tons)		
Canada exports to the United States	4,015,225	3,513,643	3,190,077
Canada exports to other major destination markets.--			
India	378,050	395,644	417,078
United Kingdom	92,707	132,864	165,238
Brazil	272,906	202,050	122,316
Israel	83,122	40,331	55,605
Colombia	74,385	68,404	53,400
Mexico	55,204	40,125	52,221
Peru	49,784	33,219	47,111
Taiwan	108,079	66,859	43,113
All other destination markets	631,777	453,584	421,439
Total Canada exports	5,761,238	4,946,723	4,567,598
	Value (1,000 dollars)		
Canada exports to the United States	2,814,366	2,257,042	1,834,504
Canada exports to other major destination markets.--			
India	222,707	201,965	206,742
United Kingdom	68,985	77,640	82,281
Brazil	167,788	109,761	60,863
Israel	42,104	15,167	22,256
Colombia	50,623	43,979	30,701
Mexico	36,877	25,642	33,100
Peru	30,938	19,194	27,261
Taiwan	49,989	32,293	21,344
All other destination markets	398,788	249,570	226,194
Total Canada exports	3,883,164	3,032,253	2,545,244

Table continued on the next page

Table VII-5 -- Continued
UGW paper: Exports from Canada, 2014-16

Destination market	Calendar year		
	2014	2015	2016
	Unit value (dollars per metric ton)		
Canada exports to the United States	701	642	575
Canada exports to other major destination markets.--			
India	589	510	496
United Kingdom	744	584	498
Brazil	615	543	498
Israel	507	376	400
Colombia	681	643	575
Mexico	668	639	634
Peru	621	578	579
Taiwan	463	483	495
All other destination markets	631	550	537
Total Canada exports	674	613	557
	Share of quantity (percent)		
Canada exports to the United States	69.7	71.0	69.8
Canada exports to other major destination markets.--			
India	6.6	8.0	9.1
United Kingdom	1.6	2.7	3.6
Brazil	4.7	4.1	2.7
Israel	1.4	0.8	1.2
Colombia	1.3	1.4	1.2
Mexico	1.0	0.8	1.1
Peru	0.9	0.7	1.0
Taiwan	1.9	1.4	0.9
All other destination markets	11.0	9.2	9.2
Total Canada exports	100.0	100.0	100.0

Source: Official export statistics under HS subheadings 4801.00, 4802.61, 4802.62, and 4802.69 as reported by various national statistical authorities in the IHS/GT database, assessed August 29, 2017. Data reported under these subheadings likely includes some merchandise outside the scope of these investigations.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-6 presents data on U.S. importers' reported inventories of UGW paper. U.S. importers' ending inventories decreased by *** percent from 2014 to 2015, then increased by *** percent from 2015 to 2016, ending *** percent lower in 2016 than in 2014. *** reported end-of-period inventories with the majority held by ***. Canadian producers' end-of-period inventories were *** percent higher in January-June 2017 compared to January-June 2016.

Table VII-6
UGW paper: U.S. importers' end-of-period inventories, 2014-16, January-June 2016 and January-June 2017

* * * * *

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of UGW paper from Canada after January 1, 2014. *** U.S. importers of UGW paper from Canada indicated that they had imported or arranged for the importation of UGW paper for delivery after June 30, 2017. Table VII-7 presents arranged imports of UGW paper after June 30, 2017.

Table VII-7
UGW paper: Arranged imports', July 2017 through June 2018

* * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

U.S. producers stated that they are unaware of any antidumping or countervailing duty orders in third-country markets on UGW paper from Canada.¹²

INFORMATION ON NONSUBJECT COUNTRIES

Asia and Europe, the major paper producing and paper consuming regions outside North America, have also experienced structural decline in demand for UGW paper in recent years as people there increasingly consumed information in digital formats and advertisers switched expenditures to digital media. UGW paper producers in these regions have therefore reduced capacity and production to keep supply in line with demand.¹⁴ In Europe, home to many UGW paper producers, demand for UGW paper declined 9.0 percent by volume between 2014 and 2016. Shipments of UGW paper by European producers fell 8.0 percent by volume between 2014 and 2016.¹⁵ According to the Japan Paper Association, Japanese production of newsprint declined 7.0 percent by volume between 2014 and 2016.¹⁶ In 2016, Chinese

¹² NORPAC postconference brief, p. A-10.

¹⁴ Conference transcript, p. 124 (Lowder).

¹⁵ European Association of Graphic Paper Producers, Monthly Statistics of the European Graphic Papers Industry. Most shipments of UGW paper by European producers remain within Europe; in 2016, only 19 percent of these shipments went to non-European countries.

¹⁶ *Japan Paper Association webpage*, <https://www.jpaa.or.jp/en/industry/data02/>, retrieved August 10, 2017. The Japan Paper Association does not provide detailed production data for the other types of UGW paper.

production and demand for newsprint by volume each decreased by 11.0 percent compared to the prior year.¹⁷

¹⁷ RISI. "CPA says China paper and board production up marginally in 2016; consumption stagnant." May 17, 2017 <http://www.risiinfo.com> (accessed May 17, 2017).

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
82 FR 38707, August 15, 2017	<i>Uncoated Groundwood Paper from Canada; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-08-15/pdf/2017-17177.pdf
82 FR 41599, September 1, 2017	<i>Certain Uncoated Groundwood Paper from Canada: Initiation of Less-Than-Fair-Value Investigation</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-09-01/pdf/2017-18726.pdf
82 FR 41603, September 1, 2017	<i>Certain Uncoated Groundwood Paper from Canada: Initiation of Countervailing Duty Investigation</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-09-01/pdf/2017-18727.pdf

APPENDIX B
CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

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

Subject: Uncoated Groundwood Paper from Canada
Inv. Nos.: 701-TA-584 and 731-TA-1382 (Preliminary)
Date and Time: August 30, 2017 – 9:30 a.m.

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

OPENING REMARKS:

Petitioner (**Stephen A. Jones**, King & Spalding LLP)
Respondents (**Elliot J. Feldman**, Baker & Hostetler LLP)

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

King & Spalding LLP
Washington, DC
on behalf of

North Pacific Paper Company

Craig A. Anneberg, Chief Executive Officer, North Pacific Paper Company

Robert W.A. Buckingham, II, Vice President of Manufacturing, North Pacific Paper Company

Leo Thomas Crowley, Vice President of Sales and Marketing, North Pacific Paper Company

Charles Anderson, Principal, Capital Trade, Inc.

Bonnie B. Byers, Senior International Trade Consultant, King & Spalding LLP

Stephen A. Jones)
) – OF COUNSEL
Benjamin J. Bay)

**In Opposition of the Imposition of
Antidumping and Countervailing Duty Orders:**

Morris, Manning & Martin, LLP
Washington, DC
on behalf of

White Birch Paper Canada Company NSULC
Papier Masson WB LP
FF Soucy WB LP
Stadacona WB LP
Bear Island Paper WB LLC, Inc.

Russell Lowder, Senior Vice President of Sales, White
Birch Paper Company

Donald B. Cameron)
Julie C. Mendoza) – OF COUNSEL
R. Will Planert)

Baker & Hostetler LLP
Washington, DC
on behalf of

Resolute FP Canada Inc.
Resolute FP US Inc.

Breen Blaine, Vice President, North American Paper
Sales, Resolute FP US Inc.

John Ovanessian, Vice President, National Account Sales
Team – North American Paper, Resolute FP US Inc.

Jennifer Lutz, Senior Economist, Economic Consulting
Services, LLC

Elliot J. Feldman)
) – OF COUNSEL
Michael S. Snarr)

**In Opposition of the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

Mowry & Grimson, PLLC
Washington, DC
on behalf of

Gannett Supply Corporation

Frank O’Toole, President, Gannett Supply Corporation

Elizabeth Allen, Vice President, Associate General Counsel,
and Secretary, Gannett Supply Corporation

Kristin H. Mowry)
) – OF COUNSEL
Jeffrey S. Grimson)

Sidley Austin LLP
Washington, DC
on behalf of

Catalyst Paper Corporation
Catalyst Pulp and Paper Sales, Inc.
Catalyst Paper (USA) Inc.

James Isaac, Vice President, Corporate Legal Counsel,
Catalyst Paper Corporation

Matthew Stapleton, Senior Vice President, Sales and
Marketing, Catalyst Paper Corporation; *and*
President and Chief Executive Officer, Catalyst
Paper (USA) Inc.

Adam McGrann, President and Chief Executive Officer,
McGrann Paper Corporation

Neil R. Ellis)
) – OF COUNSEL
Justin R. Becker)

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

Arnold & Porter Kay Scholer LLP
Washington, DC
on behalf of

Kruger Inc.

François D'Amours, Senior Vice-President and Chief
Operations Officer, Kruger Inc.

David Angel, Executive Vice President and Chief Financial
Officer, Kruger Inc.

Gene Kruger, Vice President, Business Development, Kruger Inc.

Michael Shor) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

Petitioner (**Stephen A. Jones**, King & Spalding LLP)

Respondents (**Elliot J. Feldman**, Baker & Hostetler LLP; **Donald B. Cameron**,
Morris, Manning & Martin, LLP and **Michael Shor**, Arnold & Porter
Kay Scholer LLP)

-END-

APPENDIX C
SUMMARY DATA

Table C-1

UGW paper: Summary data concerning the U.S. market, 2014-16, January to June 2016, and January to June 2017

(Quantity=metric tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per metric ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year		January to June			Calendar year		Jan-Jun	
	2014	2015	2016	2016	2017	2014-16	2014-15	2015-16	2016-17
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
Canada	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
Canada	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from:									
Canada:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All import sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers:									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000)	***	***	***	***	***	***	***	***	***
Hourly wages (dollars)	***	***	***	***	***	***	***	***	***
Productivity (metric tons per 1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Net income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
Unit net income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

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

Table C-2

UGW paper: Summary data concerning the U.S. market ***, 2014-16, January to June 2016, and January to June 2017

(Quantity=metric tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per metric ton; Period changes=percent--exceptions noted)

	Reported data					Period changes				
	Calendar year		2016	January to June		2014-16	Calendar year		2015-16	Jan-Jun 2016-17
	2014	2015		2017	2014-15					
U.S. consumption quantity:										
Amount	***	***	***	***	***	***	***	***	***	***
Producers' share (fn1):										
Included producers	***	***	***	***	***	***	***	***	***	***
Excluded producers	***	***	***	***	***	***	***	***	***	***
All producers	***	***	***	***	***	***	***	***	***	***
Importers' share (fn1):										
Canada	***	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***	***
U.S. consumption value:										
Amount	***	***	***	***	***	***	***	***	***	***
Producers' share (fn1):										
Included producers	***	***	***	***	***	***	***	***	***	***
Excluded producers	***	***	***	***	***	***	***	***	***	***
All producers	***	***	***	***	***	***	***	***	***	***
Importers' share (fn1):										
Canada	***	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from:										
Canada:										
Quantity	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***
Nonsubject sources:										
Quantity	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***
All import sources:										
Quantity	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***
U.S. producers:										
Average capacity quantity	***	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***	***
U.S. shipments:										
Quantity	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***
Export shipments:										
Quantity	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000)	***	***	***	***	***	***	***	***	***	***
Hourly wages (dollars)	***	***	***	***	***	***	***	***	***	***
Productivity (metric tons per 1,000 hours)	***	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***	***
Net sales:										
Quantity	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***	***
Net income or (loss)	***	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***	***
Unit net income or (loss)	***	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

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