

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
LINED PAPER SCHOOL SUPPLIES) Investigation Nos.:
FROM CHINA, INDIA, AND) 701-TA-442-443 and
INDONESIA) 731-TA-1095-1097
) (Preliminary)

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 INDONESIA) (Preliminary)

Friday,
 September 30, 2005

Courtroom B
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The preliminary conference commenced, pursuant to notice, at 9:30 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

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Countervailing Duties:

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JORGE BONILLA, Vice President of Sales, Norcom,
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Changshu Changjian Printing Co., Ltd., Yuan Quan Trade
Co., Ltd., Anhui Light Industrial Import & Export
Corp., Shanghai Glistar Paper Products Co., Ltd.,
Zhejiang Haiou Paper Co., Ltd., Suzhou Industrial Park
Asia Pacific Paper Converting Co., Ltd., Zhejiang
Delijia Wenju Co., Ltd., Shanghai Lian Li Paper
Products Co., Ltd., Fuda Stationery Factory Co., Ltd.,
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P R O C E E D I N G S

(9:30 a.m.)

MR. CARPENTER: Good morning, and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping investigation Nos. 701-TA-442-443 and 731-TA-1095-1097 concerning imports of Certain Lined Paper School Supplies From China, India, and Indonesia.

My name is Robert Carpenter. I'm the Commission's Director of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, George Deyman, the supervisory investigator; Jai Motwane, the investigator; on my left, Monica Stump, the attorney/advisor; Nancy Bryan, the economist; Mary Klir, the auditor; Fred Forstall, the industry analyst; and we also have Karen Driscoll from the General Counsel's Office who is sitting in on this.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask you to state your name and affiliation for the record before beginning your

1 presentation.

2 Are there any questions?

3 (No response.)

4 MR. CARPENTER: If not, welcome, Mr. Price.
5 Please come forward for your statement.

6 MR. PRICE: Good morning, Mr. Carpenter and
7 members of the Commission staff. I am Alan Price of
8 the law firm of Wiley Rein & Fielding. I am here
9 today on behalf of the Petitioner, the Association of
10 School Paper Suppliers and its individual members.

11 We are here today because the domestic
12 industry is materially injured and threatened with
13 material injury due to a surge of dumped and
14 subsidized imports from China, India and Indonesia.
15 This is a prima facie case of material injury. The
16 subject import volumes and market share are up. Way
17 up.

18 Domestic prices fell through the three full
19 years of the POI, and the cost/price squeeze continues
20 today. Industry profits are down. Employment and
21 wages are down. There can be no doubt that this
22 industry is experiencing material injury. The
23 evidence of threat of material injury in this
24 investigation is equally as strong and compelling.

25 There is significant unused foreign

1 capacity. There has been a significant increase in
2 the rate of imports. Imports will continue to enter
3 at prices that are likely to significantly depress and
4 suppress domestic prices.

5 The ability of the domestic industry to
6 continue development of more advanced products is
7 being eroded. There are significant subsidies,
8 including export subsidies. In short, when the
9 Commission applies its standard methodology to these
10 facts it must make an affirmative preliminary
11 determination.

12 Perhaps the most telling indication of the
13 injury from imports is the fact that the dumped and
14 subsidized imports of the subject merchandise are
15 available at such low prices that the domestic
16 producers have been forced to buy and sell imports
17 rather than manufacture the products themselves in the
18 United States.

19 Manufacturing facilities have been
20 shuttered, and American jobs have been lost. What
21 remains of the domestic industry is but a shadow of
22 its former self. Imports have a large and increasing
23 share of the domestic market and are overwhelming
24 what's left of domestic production. If dumped and
25 subsidized imports are not stopped, even the last

1 surviving factories will be driven out of business.

2 You will hear today testimony from the U.S.
3 producers and from the labor unions about the harm
4 being suffered and the threat of further injury posed
5 by the subject imports.

6 Thank you.

7 MR. CARPENTER: Thank you, Mr. Price.

8 Mr. Cameron, would you please come forward?

9 MR. CAMERON: For the record, my name is Don
10 Cameron of Kaye Scholer on behalf of Respondents.
11 Thanks, Mr. Carpenter.

12 On behalf of the Respondents, we would like
13 to thank the Commission staff for the opportunity to
14 appear at this conference. Personally, I've never
15 participated in a proceeding in which Petitioners have
16 shown such utter disdain for this process.
17 Petitioners have a weak case, and they evidently
18 believe that their best strategy is to hide the ball
19 and run out the clock. Don't let them do it.

20 To briefly recap events, the petition was
21 filed on September 8. Today, at least four
22 supplemental responses and amendments have been filed
23 with the Commerce Department on issues as basic as the
24 scope of the petition, the like product and basic
25 financial information of petitioning companies; all

1 information that's required to be submitted as part of
2 the petition itself. They haven't even seen fit to
3 copy the Commission on supplementary information with
4 respect to the injury volume. That's a real nice
5 touch.

6 Petitioners don't have time to complete and
7 file the information requested by the Commission, but
8 they do have time to file a letter objecting to the
9 participation by counsel for India. Thank God.

10 We asked the Commission to postpone the
11 conference so that the parties and the Commission
12 would have an opportunity to have more complete data.
13 The Commission was unable to do this, and we
14 understand, but Petitioners' actions in this case
15 threaten the integrity and fairness of the process,
16 and you ought to think about that.

17 This behavior is not accidental. It is a
18 deliberate strategy. Apparently their reading of the
19 law is that if the record is incomplete the Commission
20 must make an affirmative determination at this stage.
21 Therefore, the less the Commission knows about the
22 industry well, the Commission can just sort it out at
23 the final. That's not the correct interpretation of
24 the law, as my partner, Julie Mendoza, will explain
25 later.

1 These tactics by Petitioners should not be
2 countenanced by the Commission. The Commission has a
3 statutory obligation to conduct a preliminary
4 investigation as thoroughly as possible. Petitioners
5 are playing hide the ball for a good reason. They've
6 got a lot to hide.

7 Despite the void left by the petition and
8 Petitioners' representations to date, Respondents will
9 present evidence showing that indeed there is no basis
10 for concluding that there's a reasonable indication
11 that this industry is being injured or threatened.

12 Like product. The Petitioners have
13 gerrymandered the scope, but it appears clear that the
14 like product includes products outside the scope of
15 this petition. This is significant because it's also
16 clear that competition between in-scope subject
17 imports and out-of-scope other lined paper products is
18 attenuated. There are also issues concerning the
19 inclusion of fashion notebooks.

20 Domestic capacity to produce this product is
21 limited. The domestic industry cannot adequately
22 supply the market segment served by in-scope product
23 with their domestic production. Domestic suppliers
24 appear to be the most significant importers and
25 exporters of in-scope merchandise from both subject

1 and non-subject sources. Why? Because they don't
2 have the capacity to serve this market from domestic
3 production.

4 Prior to entreaties from Mead, for example,
5 Staples imported insignificant quantities from China.
6 This situation changed specifically because Mead asked
7 Staples to support Mead's China program. All the
8 increases in Staples' imports from China in 2005 are
9 attributable to Staples' agreement to support Mead.
10 Similarly, Mead nor Common Roaring Springs have major
11 Brazilian interests. The statute isn't designed to
12 protect imports from non-subject imports.

13 There are quality and performance
14 differences between various sources. Imports from
15 Indonesia, for instance, are different in quality, and
16 exports from Chinese and Indian exports and from U.S.
17 production. Staples does not view these sources as
18 interchangeable. Finally, there are questions
19 concerning whether certain individual suppliers even
20 meet the negligibility standards.

21 This industry is asking the Commission to
22 give it a pass until the final investigation, but they
23 haven't fulfilled the basic requirements of
24 demonstrating that there is a reasonable indication of
25 injury or threat of injury from these countries.

1 On top of that, they have actually
2 obstructed the Commission's investigation. The
3 Commission should evaluate the evidence and reach a
4 negative determination in this case.

5 Thank you very much.

6 MR. CARPENTER: Thank you, Mr. Cameron.

7 Mr. Price, would you please bring your panel
8 forward at this time?

9 (Pause.)

10 MR. PRICE: Good morning, Mr. Carpenter and
11 members of the Commission staff. With us today are
12 the critical members of the Association here and the
13 domestic industry.

14 We will start testimony with Mr. George
15 Robinson of Top Flight, Inc.

16 MR. ROBINSON: Good morning. Thank you for
17 the opportunity to share the story of my company and
18 my industry.

19 My name is George Young Robinson. I am an
20 owner and the Vice President of Sales for the Retail
21 Division of Top Flight, Inc., a third generation,
22 family owned and operated manufacturer of lined paper
23 school supplies located in Tennessee.

24 I've only 16 years' experience in the
25 industry if you don't count my days as a child loading

1 trucks, working on machines and checking orders; 22
2 years' experience if you do.

3 The founder's two sons and four of his
4 grandchildren are actively involved in the day-to-day
5 management of Top Flight. I am the largest
6 stockholder and am directly responsible for the
7 department that we call retail.

8 Today, 93 percent of my business relies on
9 being competitive in the subject merchandise of this
10 lawsuit. Needless to say, this product category is
11 vitally important to Top Flight's survival as a U.S.
12 producer.

13 Unfairly priced imports from India,
14 Indonesia and China have harmed Top Flight's business
15 in several significant ways. These unfairly priced
16 imports have reduced my company's ability to provide
17 competitive pricing on the core product category
18 referred to as certain lined.

19 Thus, these dumped and subsidized imports
20 have resulted in a reduction in my customers'
21 dependence on Top Flight for other goods also. The
22 result is no surprise -- reductions in Top Flight's
23 employment, factory output, top line sales, asset
24 values, selling margins, operating margins and now Top
25 Flight's credit reduction.

1 My family's business and other U.S.
2 producers continue to provide top-quality, low-priced
3 merchandise to the U.S. retail market. However, over
4 the last few years that work has focused not on
5 expanding on capabilities and capacities, but on
6 spending more time determining how to operate U.S.
7 factories at lower levels of output and employment
8 while increasing the assortment and volume of goods
9 produced in China, India and Indonesia.

10 The Association represents the companies
11 that in my opinion are the legitimate U.S. producers
12 of certain lined goods. We have a history of
13 reinvestment in the factory. We all operate fully
14 automated in-line production equipment which should
15 deliver the most efficiently produced product in the
16 world. I personally do not see this industry
17 surviving as a manufacturing industry in the near
18 future without some assistance in keeping dumped
19 product from entering the United States.

20 The share and volume of imports from China,
21 India and Indonesia is undoubtedly on the increase.
22 To begin with, I challenge anyone to walk the aisles
23 of Staples, WalMart, K-Mart, Eckerd, CVS, Target,
24 Giant, Shoppers Metro, Kroger, Fred Meyer, Dollar
25 Tree, Dollar General, even Albertson's or any other

1 major U.S. retailer.

2 It will be instantly clear to you that
3 imports from China, India and Indonesia are playing a
4 greater and greater role in the U.S. market. The
5 retailer may purchase the goods directly from an
6 import broker such as Attico, or they may purchase
7 merchandise brokered by distributor companies such as
8 Carolina Pad or Better Office Products, but it's
9 obvious to industry participants at all levels that
10 imports are not only on the rise, but are essentially
11 taking over the back-to-school portion of my
12 industry's business at an alarming rate.

13 These imports continue to depress U.S.
14 prices at an ever increasing pace. There are more
15 examples of this than really there is time to detail.
16 At Top Flight I've had to dramatically cut selling
17 margins to retain business, sometimes as much as 20
18 percent.

19 I've seen selling prices from importers race
20 below my production and sometimes my material costs
21 during on-line reverse auctions. In bidding for back-
22 to-school 2001, I lost my largest customers to
23 importers from China. My losing price quote -- my
24 losing price quote -- would have left me with a zero
25 percent margin to pay overhead and profit.

1 In the 2005 back-to-school season I lost my
2 company's largest order of the year to imports from
3 India and China. My price quote again lost and
4 resulted in a zero percent margin to pay overhead and
5 profit.

6 Additionally, new business opportunities
7 with major U.S. retailers begin via on-line reverse
8 auctions. These auctions are all about price. In
9 2001-2002, Top Flight could successfully move to the
10 next round of negotiations by respectfully placing in
11 the top three or four positions in an auction. In
12 2004-2005, Top Flight rarely made it past the first
13 five minutes before we were forced to quote prices
14 below levels considered acceptable by any reasonable
15 business person.

16 Imports have negatively impacted Top Flight
17 in my industry in many ways. Pricing pressure from
18 unfairly priced imports from India, China and
19 Indonesia first harmed the U.S. producers by causing
20 price concessions on the large volume buys by U.S.
21 retailers with the obvious effect of significantly
22 reducing margins on the largest portion of business.

23 Another impact on pricing was the frozen
24 price. U.S. producers were unable to pass along cost
25 increases in materials, labor and other factory

1 expenses to customers.

2 The next stage saw import pricing reach such
3 low levels that U.S. producers either lost the
4 business and the work for their company, factory and
5 employees or they kept the business, but acted simply
6 as a distributor of finished goods made in non-U.S.
7 factories.

8 U.S. producers were pressured to shift an
9 ever increasing share of business from manufacturing
10 to distributing. The alternative, of course, was that
11 the U.S. producers simply lost the business to their
12 unfairly low-priced goods.

13 U.S. producers stopped expanding U.S.
14 facilities and started developing sources for foreign
15 produced goods primarily out of India, China and
16 Indonesia. The net effect is a reduction and in some
17 cases an elimination of capital investment in U.S.
18 factories, a reduction in output by U.S. factories,
19 fewer hours and workers at each and every U.S.
20 factory, lost share of business, reduced cashflow and
21 lowered credit ratings.

22 Reduction in factory activity is the most
23 costly and emotional reduction for my company. I
24 worked with many of these factory employees as a
25 teenager and more recently as a manager. They want to

1 know why they don't get overtime. They want to know
2 why their benefits have been cut. They want to know
3 why we're laying people off. Why do those long-term
4 customers give our orders to those import guys?
5 That's what they ask.

6 I often wonder the same thing even as I am
7 forced to look for solutions to a shrinking top line,
8 a shrinking bottom line and shrinking factory
9 activity.

10 With decreasing return on investment,
11 cashflow and profits, our banking stores have
12 deteriorated over the last three to four years.
13 Several years ago our banker joked hey, we needed to
14 borrow more. Now he wants to see new machine
15 appraisals. He wants to know when we'll start
16 importing the dang stuff and cut costs. We all know
17 what that means for our U.S. production facility.

18 I am convinced that my industry will
19 continue to see substantial increases in imported
20 certain lined goods. I personally traveled to China
21 and observed several production facilities that were
22 making exclusively certain lined goods for U.S.
23 markets. The production methods that I observed in
24 China are easily expanded with low capital investment
25 and the readily available workforce.

1 India is much the same. It is my impression
2 that Indonesia's market share has expanded
3 significantly in 2004 and 2005, and they have
4 significant capacity available for the U.S. market.

5 Since 2002, I've been amazed at the market
6 penetration of imported merchandise out of China,
7 India and Indonesia. Even drug chains of 10 stores
8 have combined their back-to-school buy on certain
9 lined goods to bring product in from these three named
10 countries.

11 Retailers and wholesalers that are not
12 particularly familiar to long-term industry producers
13 will casually say during a trade show meeting that
14 they bought their stuff out of China or India or
15 Indonesia from a guy that brings stuff in. This stuff
16 is always certain lined goods that are the core of my
17 business.

18 As we look to the coming year, U.S.
19 producers see a market with frozen prices on certain
20 lined goods thanks to the imports from China, India
21 and Indonesia. My industry sells to a customer that
22 says very simply I can't give you a price increase. I
23 can get this out of China for less than last year.
24 And have you seen the stuff from Indonesia and India?
25 The story repeats itself year after year.

1 As customers' orders shift overseas, U.S.
2 factories' capacity will continue to move to China,
3 India and Indonesia. It's my opinion that unless
4 something is done to keep these dumped and subsidized
5 goods out of the U.S. market U.S. producers will have
6 no alternative but to either shut down the U.S.
7 factories for good or transfer the equipment to the
8 three named countries for useful, high capacity
9 production.

10 I know that my company has spent many hours
11 studying the likelihood, and I imagine that the other
12 U.S. producers of certain lined have also. As more
13 business volume shifts to the named countries, their
14 capabilities will increase, not decrease. They will
15 invest in fast or more efficient equipment. They will
16 develop better support networks for their sales
17 efforts. They will be able to do things because they
18 will own the revenue stream.

19 Without your assistance in keeping these
20 unfairly priced imports from India, Indonesia and
21 China out of the U.S. market, the U.S. industry will
22 lose productivity, lose buying power, lose our well
23 trained workforce and lose market share in sales in
24 the core certain lined goods.

25 I respectfully ask your help in this

1 important matter and am happy to answer questions that
2 you may have. Thank you.

3 MR. PRICE: Thank you, Mr. Robinson.

4 Now I'd like to introduce Mr. Harold Rahn of
5 Norcom, Inc.

6 MR. RAHN: Good morning. My name is Harold
7 A. Rahn, and I'm the president of Norcom, Inc., a
8 manufacturer of lined paper school supplies located in
9 Georgia. I have 12 years of experience in this
10 industry.

11 Over the past three years, I have witnessed
12 an ongoing change in the business of certain lined
13 paper school supplies. Prior to this, the
14 manufacturing of these products for the U.S. market
15 was primarily done by domestic manufacturers on the
16 cutting edge of productivity, quality and low cost.

17 Around 2001, producers in Indonesia, China
18 and India began to enter the U.S. market on a large
19 scale. Since they had no real sales and marketing
20 presence in the U.S., they directed their aggressive
21 pricing at U.S. manufacturers such as Norcom to sell
22 and distribute their product.

23 Since the retail customer was aware of this
24 trend, an immense amount of pricing pressure was felt
25 by companies such as Norcom to maintain their

1 businesses through imports rather than sound capital
2 investment and domestic production. This was done as
3 an attempt to maintain market share, some level of
4 profitability and to continue our business as an
5 ongoing entity.

6 Since 2002, there's been a continued
7 significant growth in imports of certain lined
8 products from China, Indonesia and India. These
9 imports are entering the U.S. at prices which I do not
10 believe can be supported by any cost model which
11 basically costs on the price of paper, which is the
12 major raw material used in all of these products.

13 In the fall of 2003, Norcom was faced with
14 major pricing reductions from the subject countries
15 which had significant negative impact on the
16 profitability of our company. We were informed at
17 that time by our largest customer that in order to
18 maintain any volume for back-to-school 2004 we must
19 meet a price that was approximately 26 percent lower
20 than the previous year.

21 This account represented over \$80 million in
22 sales to Norcom. Therefore, we had no real choice but
23 to meet this price in order to continue our business
24 with this customer. However, Norcom's profits
25 declined by over \$8 million in 2004 as a result of

1 this need.

2 For back-to-school 2005, the situation
3 deteriorated further. Despite aggressive cost
4 reduction efforts, we were notified in February 2005
5 that we were losing 25 percent of the business at this
6 account. That volume subsequently went to China.

7 Moreover, because of depressed pricing
8 levels we generated no margins on our largest item and
9 inadequate returns on the remaining items for the
10 volume that we were able to keep. To make matters
11 worse, this customer has indicated that an even larger
12 percentage of the business is likely to be going
13 overseas for 2006.

14 We cannot continue in this manner. Pricing
15 used to be reflective of the cost of paper, again the
16 major component of the subject merchandise. As a
17 result of unfair import competition, our prices no
18 longer can move up when input costs increase. We are
19 facing a significant cost/price squeeze.

20 Even with our prices kept at an injurious
21 low level, we are being forced to source from overseas
22 in order to lower prices even further. If we don't,
23 our accounts bypass us and go directly to the subject
24 producers.

25 The top five accounts already source

1 directly from overseas. The handwriting is on the
2 wall. We have come to realize that unless unfair
3 imports are stopped we will have to shift the
4 remainder of our business to imports to remain
5 competitive. We don't want to do that. Thus, the
6 future of domestic manufacturing will be determined by
7 this case.

8 In summary, it is important we have a level
9 playing field. We can compete with these producers on
10 every level. Our labor costs are extremely low since
11 we use automated equipment to produce these products,
12 countering any perceived advantage in this area.

13 We do not have the high additional freight
14 cost incurred when shipping from overseas
15 destinations. However, because our pricing does not
16 benefit from governmental programs or assistance we
17 cannot compete against unfairly priced imports.

18 Dumped and subsidized imports have cost my
19 company production, revenue and profitability. These
20 imports have cost U.S. workers their livelihood. My
21 company and its 200 plus employees need your help.

22 Thank you very much.

23 MR. PRICE: Thank you.

24 I'd now like to introduce Mr. Neil McLachlan
25 of MeadWestvaco.

1 MR. MCLACHLAN: Good morning. Thank you for
2 hearing us today. My name is Neil McLachlan. I'm the
3 president of MeadWestvaco Consumer & Office Products
4 Division, which manufactures certain lined paper
5 school supplies. Our main office is in Dayton, Ohio.

6 I'm here today because our industry is
7 suffering severe injury due to unfair trade practices
8 by certain producers in India, Indonesia and China.
9 I'm sure today's testimony, our petitions and your own
10 investigation will make that injury clear. This
11 industry's employees and their communities need relief
12 from this situation.

13 First though I'd like to briefly describe
14 our industry, the subject merchandise and our
15 customers. This business is highly seasonal with the
16 vast majority of these products being sold to
17 consumers during an intense period just prior to
18 children returning to school.

19 Almost 70 percent of these products cross
20 the retail counter in just 10 weeks spanning the
21 months of July, August and September. Our main
22 channels of distribution are mass retailers,
23 superstores, drugstores such as WalMart, Target,
24 K-Mart, Staples, Office Depot, Rite-Aid, CVS and
25 Walgreens. We also sell through national grocers such

1 as Safeway, Albertson's and Kroger.

2 Importers offer lower and lower prices,
3 compelling these very competitive U.S. businesses to
4 source from the subject countries. Each seeks to out-
5 discount the other in order to show that they have the
6 best prices on certain lined paper school supplies and
7 other back-to-school staple products.

8 The result of this is that many sell
9 products well below cost. A 70-count notebook, a
10 standard in our industry, sold for less than 10 cents
11 at many major retailers this past back-to-school
12 season. This is less than the cost of material
13 contained in the product. In fact, I note that our
14 paper costs have increased greatly in the last two
15 years, and we have been unable to increase prices to
16 reflect these uncontrollable input costs.

17 Instead, U.S. producers had to meet prices
18 from imports to stay competitive. Price has become
19 the overriding decision criteria for purchase on basic
20 supplies. Retailers indeed will switch suppliers for
21 as little as a tenth of a penny in price.

22 Price erosion has been significant over the
23 last three years and has driven income from these
24 products to incredibly low levels. 2005 profitability
25 is estimated to fall at least 90 percent from levels

1 experienced in 2002 and in fact could lead to a loss
2 this year. The tactics used by retailers to ensure
3 the lowest possible cost include things like
4 electronic reverse auctions, head-to-head shootouts
5 and written bids.

6 Over the past few years, driven by intense
7 price pressure, retailers have cast their nets wider
8 to seek out the absolute lowest cost of supply and now
9 include many suppliers from around the world that they
10 did not consider in the past. Even smaller regional
11 retailers have begun to copy the larger retailers by
12 building overseas sourcing networks and employing
13 similar purchasing techniques.

14 The low price of imports has pushed us and
15 many others in our industry to access converters in
16 India, China and Indonesia. This in turn has
17 encouraged those suppliers to expand dramatically over
18 the last three to five years. We have heard that a
19 Chinese supplier is actually in the process of adding
20 10 new factories this year, adding to the overcapacity
21 that will flood the U.S. market.

22 In 2000, there were very few suppliers in
23 these subject countries that could handle the volume
24 expectations of the U.S. market. Today, after huge
25 amounts of government support, the suppliers are

1 focused directly on our markets and have excessive
2 capacity beyond the needs of this market.

3 Our domestic industry is not afraid to
4 compete. We have invested significantly in plants,
5 equipment, systems and training of our people to
6 ensure that we're both effective and efficient. That
7 investment, however, cannot continue under current
8 circumstances. These producers simply have too large
9 an unfair advantage. They are dumping similar product
10 well below our cost and frequently below the cost of
11 material.

12 Our ability to invest in capital equipment
13 is severely impaired without the returns needed to
14 justify these expenditures. All investments today are
15 below maintenance levels and far less than our rate of
16 depreciation.

17 At one time we had eight factories, and now
18 our remaining two factories in Alexandria,
19 Pennsylvania, and Garden Grove, California, which
20 employ 560 people, along with a significant number of
21 our office staff of 300, are at risk.

22 We closed our Virginia facility in 2002. We
23 closed our Garland, Texas, facility in 2004, and our
24 largest plant, St. Joseph, Missouri, closed in 2004
25 also, which eliminated hundreds of jobs and over 60

1 percent of our manufacturing employees. In most cases
2 the plants were critical parts of the local economy,
3 and all communities have suffered damage by their
4 loss.

5 If action is not taken, we will need to
6 evaluate ceasing production entirely in the United
7 States. If this happens, our R&D, engineering,
8 selling and marketing activity will follow the
9 production to Asia.

10 The Pennsylvania plant that is there today
11 is the only major employer in that area, an area that
12 already has few employment opportunities for the
13 people there. These jobs are high skilled. They
14 contribute significantly to the local economy, and
15 loss of this facility would represent incredible
16 hardship to that community.

17 Today, famous and reputable companies such
18 as Stuart Hall and Pentax no longer exist. The future
19 is not good for the entire domestic industry. Already
20 severely injured, it will erode dramatically over the
21 next few years if unfair competition is left
22 unchecked. Our production facilities will continue to
23 decline as more volume will go offshore.

24 The shift is not limited to manufacturing
25 either. A few years ago it was unheard of to have

1 customers make their back-to-school buys in China.
2 Now if we are not present during those key customer
3 buying trips domestic makers are at severe
4 disadvantages.

5 The root cause of these shutdowns and
6 closures is clear. Dumped imports from China, India
7 and Indonesia are hurting U.S. business. Furthermore,
8 governments are unfairly supporting their industries,
9 giving them unfair advantage in order to gain
10 employment at our expense.

11 They subsidize the building of paper mills,
12 which need to find customers for their paper.
13 Notebooks and filler paper consume lots of paper. The
14 mills, in conjunction with local authorities, then
15 encourage converters to build more factories to make
16 more notebooks. These converting facilities employ
17 very large numbers of workers and use hand assembly
18 techniques.

19 The mills and local authorities will go to
20 great lengths to encourage new factories. On a trip
21 two years ago to China a representative of our company
22 was offered a free factory if only they would place
23 our production there and help get that factory
24 organized. This offer came from a government-owned
25 paper mill and local officials.

1 We chose not to participate, and today that
2 factory has been built and is producing notebooks and
3 filler paper. We toured the facility this year, and
4 we were again asked about our willingness to
5 participate in a free joint venture.

6 Capacities in these areas is almost
7 limitless. Huge government investments in paper
8 making have removed a constraint. Encouraged by
9 government subsidies, it's simple to start up as many
10 converting facilities as needed by hiring more
11 temporary staff to do hand assembly. The seasonal
12 nature of our business, along with the large prebuys,
13 gives ample time to ramp up production and then scale
14 it back once the season passes.

15 Discussions with the paper mills in these
16 countries to provide us with roll stock, which are the
17 large rolls of paper we use to make notebooks, are
18 also proving difficult. The conversations usually end
19 with statements that they prefer to support the needs
20 of their local converting facilities rather than us.

21 Faced with this competition, MeadWestvaco
22 has been forced by virtue of the low price of these
23 producers to switch significant volume from domestic
24 production to sourcing. Our domestic production
25 volume has been severely impacted over the last three

1 years by more than 50 percent in total and by over 70
2 percent for some products.

3 We have offset some of that decline through
4 our participation in sourcing activities, and we have
5 reduced domestic capacity by 35 percent during that
6 three years period as we built our sourcing network.

7 MR. CARPENTER: Mr. McLachlan, could you
8 just bring your microphone a little bit closer to you
9 so the people in the back can hear? Thank you.

10 MR. MCLACHLAN: In 2005, our direct import
11 program tripled from 2003 levels. This is at the cost
12 of our U.S. production, but if we didn't do this we
13 would have lost both our production jobs and our
14 headquarter jobs.

15 Of course, we're often reminded by suppliers
16 that they can easily go direct to our customers, and
17 they are doing so. Foreign government subsidies and
18 other unfair trade practices will enable this transfer
19 by aiding and continuing to build excess capacity, and
20 that excess capacity will seek large and open markets
21 like the U.S.A.

22 In summary, the dynamics of our business and
23 its future are clear. The domestic manufacturers have
24 been harmed by unfair policies designed to shift
25 manufacturing away from the United States. U.S.

1 manufacturers have responded admirably, but cannot
2 overcome the unfair trade practices through even the
3 most aggressive programs to boost efficiency and
4 effectiveness, and therefore, we join the import game.

5 That will last as a solution for only a
6 short period of time before that too loses its
7 viability. Investment will halt altogether. More of
8 the related non-manufacturing employment will also
9 move overseas, further damaging the domestic industry
10 and the communities that depend upon them.

11 On behalf of one U.S. company and its
12 employees, I ask the Commission for its help to stop
13 these unfair trade practices. Thank you.

14 MR. PRICE: Thank you.

15 I would now like to introduce Mr. Perry
16 Smith of MeadWestvaco.

17 MR. SMITH: Good morning. My name is Perry
18 Smith. I'm a 20-year employee of MeadWestvaco, and I
19 have worked at many of the plants closed in recent
20 years.

21 For the past five years I've been plant
22 manager of the Alexandria, Pennsylvania, facility, one
23 of the two remaining MeadWestvaco U.S. based school
24 supply plants.

25 When I began my career with what was then

1 the Mead Corporation, there were seven plants across
2 the country. They included Kalamazoo, Michigan, which
3 closed in 2000; Atlanta, Georgia, which closed in
4 2001; St. Joseph, Missouri, which closed in 2004; and
5 Dallas, Texas, which closed in 2004 also; Garden
6 Grove, California; and Alexandria, Pennsylvania.

7 Employment at these plants generally ranged
8 from 100 to 600 with a total of over 1,500 employees.
9 Today, the two remaining plants, Garden Grove and
10 Alexandria, account for approximately 560 employees.

11 My career with MeadWestvaco started in the
12 Alexandria plant, but I have also had the opportunity
13 to work at the Atlanta plant for five years and the
14 St. Joseph plant for six years. At one time I was
15 also responsible for a 100 plus person plant in Front
16 Royal, Virginia, acquired in 2000 and also closed
17 because of competition with imports from China, India
18 and Indonesia.

19 Early in my career the effects of imports
20 were not yet a major factor in the market. However,
21 they have now led to MeadWestvaco closing five plants
22 in the last five years. Dumped imports from China,
23 India, and Indonesia have cost hundreds of American
24 workers their jobs.

25 The closure of the Atlanta plant was a clear

1 signal that progressive union leadership and a strong
2 working relationship could not overcome the economic
3 damage that imports are inflicting on our business and
4 our employees.

5 In 2002, the Front Royal plant which I was
6 responsible for was forced to close. The Front Royal
7 facility was acquired in 2000 as a result of industry
8 consolidation spurred on by imports. It was a plant
9 manager's dream -- a greenfield facility less than
10 five years old, perfect facility layout and a very
11 good workforce. There was simply nothing the
12 workforce could do to overcome the flood of imported
13 products from China, India and Indonesia.

14 I participated directly in the closure of
15 the Front Royal plant, and it is a process that I hope
16 to never have to repeat, but I am afraid this may be
17 necessary if imports are allowed to continue to pound
18 our market.

19 The last round of closures in 2004 included
20 Dallas and St. Joseph. When I went to the St. Joseph
21 facility in 1994, our employment peaked that year with
22 nearly 850. St. Joseph was our largest facility, and
23 the history of the plant dated back to 1906. It
24 represented in many ways the pride and foundation of
25 our business. The people were proud, hardworking

1 midwestern folks that struggled with the inevitable
2 fate that good, old-fashioned, hard work could not
3 overcome.

4 I continue to remain in contact with several
5 of our former employees who lost their jobs due to
6 imports, and I am regularly reminded of their
7 struggles to move on with their lives. Virtually none
8 of them have or may be able to replace the job they
9 have lost with MeadWestvaco with a better one.

10 Today, even with the closure of five U.S.
11 plants, the loss of close to 1,000 U.S. jobs and the
12 consolidation to only two U.S. plants, the Alexandria
13 and Garden Grove facilities continue to feel
14 significant effects of imports through reduced work on
15 remaining equipment.

16 I'm afraid that unless something is done now
17 about unfairly priced imports that U.S. workers will
18 continue to lose their jobs.

19 Thank you for your time. I'd be happy to
20 answer any questions.

21 MR. PRICE: Thank you.

22 I'd now like to introduce William
23 Klinefelter.

24 MR. KLINEFELTER: Mr. Director, members of
25 the ITC staff, I'm Bill Klinefelter, Legislative and

1 Political Director of the United Steelworkers union.

2 As you know, my union has been in this
3 building many times in the history of our existence,
4 particularly since 1998 when you were very familiar
5 with us being here on steel mill products and other
6 things like ductile iron and the like. We've been
7 here this week on pipe.

8 Let me say this. We're here today because
9 in April of this year we had a merger, and that merger
10 was with PACE. Now, PACE was the merger of the OCAW,
11 Oil, Chemical and Atomic Workers, and the Paperworkers
12 union, which took place in 1999. This year they
13 merged with us and so now we have those jurisdictions,
14 as well as the other jurisdictions that this union
15 covered.

16 I have this feeling that I am going to
17 myself be here much more often in the future, and it's
18 not going to be just over steel, but we are here today
19 because we have the same problem -- different product,
20 different industry. It's dumping, and it's subsidies.

21 The reason for today's visit is the
22 producers from China, India and Indonesia have been
23 overwhelming the U.S. market with dumped and
24 subsidized notebooks and filler paper, putting U.S.
25 enterprises out of business and U.S. labor on the

1 street.

2 The producers on this panel can explain
3 better than I just what happens with subject imports
4 and their impacts on the market. What I can tell you
5 is that hard working men and women across the United
6 States and their families have been injured by this
7 unfair trade.

8 During the past five years, MeadWestvaco has
9 closed five facilities that produce the subject
10 merchandise. That's one plant per year. Hundreds of
11 workers have lost their jobs due to unfairly traded
12 imports, and wages are down for those workers who have
13 managed to keep their jobs. That is because there is
14 an incentive compensation plan at MeadWestvaco. Our
15 workers get paid based on what is produced.

16 Because of what we call the China Syndrome,
17 which is really the China-India-Indonesia Syndrome,
18 orders are smaller, the run size of the product are
19 down, and changeovers, how you have to change the
20 machine over to do different things, are more
21 frequent. When you do that, your productivity is less
22 and so your incentive bonus is less as well.

23 While we lost most of the large volume
24 commodity items to subject imports, with compensation
25 based on production the net result is lower pay for

1 our workers, an eight percent decline at the
2 Alexandria facility over the past three years to be
3 specific. We're talking about \$14 an hour jobs. An
4 eight percent decline is a significant impact on
5 income.

6 Similarly, at Roaring Springs, which also
7 produces the full range of subject merchandise,
8 including notebooks, filler paper and composition
9 books, jobs have been lost and wages cut. Last year,
10 Roaring Springs plant was put up for sale. Faced with
11 buyers only interested in equipment or trademarks, not
12 the employees, the union has been forced to grant
13 significant wage concessions. In addition, the union
14 agreed to freeze wages at reduced levels until January
15 2007.

16 The plant is still for sale, and there is a
17 cloud hanging over the heads of the workers and the
18 families. If these jobs disappear, what will be left?
19 Keep in mind these are good, family supportive
20 manufacturing jobs. You've heard that many times
21 before. They include healthcare benefits and other
22 benefits typical to the manufacturing sector,
23 including holidays and sickness and accident insurance
24 and things like that.

25 In western Pennsylvania, as in much of the

1 rest of the country, good jobs with benefits are
2 getting harder and harder to find. The union is
3 working to ensure the continued existence of this
4 industry and hundreds of jobs that keep communities
5 functioning.

6 The point is even though labor and
7 management are cooperating to ensure survival of the
8 remaining plants, they can't survive if we continue to
9 be inundated by a flood of unfair imports from subject
10 countries. Those jobs are threatened unless the
11 dumping and subsidies are stopped.

12 That is why the United Steelworkers are
13 supporting these trade cases. We are asking the
14 Commission to enforce the trade laws as you have done
15 in the past and have saved other industries, and I
16 have been here to see it happen, to show that the
17 trade laws can work as intended and that they can be
18 trusted by American workers.

19 Thank you.

20 MR. PRICE: Thank you.

21 I'd now like to introduce Mr. Seth Kaplan of
22 Charles River & Associates.

23 MR. KAPLAN: Good morning. I'm Seth Kaplan
24 of CRA International. I'll briefly discuss several of
25 the economic issues typically addressed by the staff

1 in every investigation.

2 First I'll turn to the substitutional
3 elasticity between domestic and foreign product that
4 the staff economist has to address in the report.
5 This elasticity is high. Customers have readily
6 switched between subject and domestic products due to
7 small price changes.

8 The product is often purchased at auction.
9 It's a mechanism that is price based, and customers
10 have switched sourcing year-to-year at these auctions
11 based on small price differences among potential
12 suppliers.

13 The ultimate end user, which is an
14 elementary student, usually doesn't show significant
15 preference. Typically the parent chooses the store,
16 and then you go shop for your school supplies. The
17 staff should adopt a high elasticity of substitution
18 in this case.

19 On the demand side, there really is no good
20 substitutes for filler paper, composition books and
21 spiral binders. They are the tools of the elementary
22 school student. I used them years ago, and several
23 weeks ago I went shopping with my kids, and they use
24 them today.

25 They are typically specified by the teacher.

1 The student often doesn't even have a choice. Buy
2 four composition books. Buy a three-ring binder. Buy
3 two reams of paper hole punched. That's what you go
4 get. They're almost all sold during a short period of
5 time at the beginning of the school year.

6 My son is pretty good at math, and he has
7 this big graphing calculator. Now, I'm not saying I
8 was a geeky kid, and we didn't have them back then.
9 Maybe I had a slide ruler. No matter how geeky the
10 kids are, when I was in school and when I walk around
11 my kid's school today, they aren't walking around with
12 legal pads. They're walking around with their
13 composition books and binders, and you should from
14 this conclude that demand is quite inelastic. There
15 are no good substitutes. It's not price sensitive.
16 Their product is chosen for them.

17 Information in this market is key to
18 understanding how it works, and the auction process
19 spreads this information readily, which is why you
20 could see share shifts occurring very, very quickly.
21 In some markets it's difficult to discern prices. The
22 Commission has addressed markets like that. In some
23 markets it's unsure who the producer is. There's
24 issues about what the product is like.

25 Here that is not the case. Products are

1 specified. Everyone is providing the same product.
2 Everyone is going to an auction in many cases. People
3 know what's going on. Information is spread quickly.
4 Share shift moves quickly because of this.

5 Sometimes the Commission adopts sometimes a
6 simulation model and techniques to determine what the
7 effects of dumping will be. They use this sometimes
8 in Section 201s to determine what the effects of
9 remedies would be. In this case, using these tools
10 you will find that there is an extremely large effect
11 from dumped imports on the domestic industry.

12 This is due to four reasons. First, there
13 is a large market share for subject imports. There
14 are very large alleged dumping margins, and in the
15 preliminary investigation that's the information the
16 staff works with to determine the effects if they're
17 using these types of models.

18 There is a lack of available substitutes
19 that I just discussed, and there is a very high degree
20 of substitution as reflected in the auction process.
21 Finally, purchases of these products by large
22 retailers tend to spread information and accentuate
23 the share shift.

24 The companies appearing, large retailers,
25 for Respondents in these cases are ferocious

1 competitors. They are looking to get the upper hand
2 on each other every day and every night, 365 days a
3 year. They have driven their competitors who are not
4 up to their standards and their degree of competition
5 and their dedication to finding the lowest price for
6 their customer out of business. These are the
7 survivors. They're growing, and they're growing
8 because of the way they behave.

9 Because of that, because they want to bring
10 the lowest price to their consumers and because they
11 want to get an edge on their competitors, they quickly
12 look for new sources and lowest price, particularly
13 when the products are staples and not significantly
14 differentiated, and that's what you see here.

15 That is demonstrated by the record. It's
16 demonstrated by the evidence that was just presented
17 and something that you should consider when you look
18 at the economic dynamics of this market.

19 Thank you very much.

20 MR. PRICE: And finally I'd like to
21 introduce Mr. Dan Pickard.

22 MR. PICKARD: Good morning. I'm Dan Pickard
23 of Wiley Rein & Fielding. I'd like to make some basic
24 points in regard to the issue of domestic like
25 product.

1 The Commission should find a domestic like
2 product definition that is co-extensive with the scope
3 of Commerce's investigation. The subject merchandise
4 is typically used as school supplies. These include
5 notebooks, composition books and filler paper that we
6 all used in school.

7 On the other hand, items like legal pads are
8 office supplies that are not normally used in schools.
9 This is a sharp dividing line that in the real world
10 distinguishes these products. They are distinguished
11 by physical characteristics, end uses, advertising,
12 consumption, channels of distribution, customer
13 perception, production and several other factors.

14 In regards to similar physical descriptions
15 and end uses, notebooks, composition books and filler
16 paper are produced for the use of school children.
17 School children use these products to take notes and
18 write out class assignments, and the products are
19 physically tailored to meet school children's needs.

20 In the case of notebooks they have durable
21 covers to protect school work. In the case of filler
22 paper, the product is sized and typically punched for
23 a durable binder. Legal pads are not practical
24 substitutes.

25 Interchangeability. Non-lined products are

1 not appropriate for taking notes in school as the
2 absence of lines makes this practice difficult. Non-
3 lined paper school supplies are generally used as
4 sketch pads, and in fact they're used for drawing
5 rather than for writing.

6 As a practical matter, office supplies are
7 not interchangeable with school supplies because they
8 do not meet the expectations of the teachers or
9 students. Teachers standardize the products they
10 want, and these products do not generally include
11 legal pads.

12 As to similar channels of distribution,
13 retailers recognize that school children are the
14 primary users of such products and buy them in
15 anticipation of the back-to-school season,
16 approximately a four to eight week period that counts
17 for the majority of sales of filler paper and
18 notebooks.

19 The majority of purchasing retailers for
20 these products are drugstores, grocery stores, dollar
21 stores and mass merchants. In other words, the
22 retailers purchasing filler paper and notebooks are
23 the retailers that school children and their parents
24 likely have access to.

25 The office superstores typically use

1 different buyers, display these products differently
2 and market these products differently. They buy the
3 office supplies in separate bidding procedures, or
4 they're bid in different baskets. Office supplies are
5 displayed in different sections and plan-o-grams.

6 As to similar production equipment and
7 employees, producers of notebooks and filler paper
8 dedicate machines to the production of these goods.
9 Wiring machines, for instance, can only be used to
10 produce spiral-bound notebooks. They are not used for
11 legal pads.

12 As to similar producer and consumer
13 perceptions, both producers and consumers view lined
14 paper school supplies to be a distinct product from
15 other products. Lined paper school supplies are used
16 for writing, most frequently for taking notes in
17 class.

18 Producers perceive other products to be
19 distinct and market them so. The domestic producers'
20 web page grouped school supplies, notebooks and filler
21 paper together. Similarly, office supplies should be
22 excluded from the domestic like product definition.

23 There are differences in school
24 characteristics and end uses. Legal pads, for
25 example, are aimed at consumers who intend their notes

1 to take final form elsewhere. School children's notes
2 and assignments take final form in their notebooks and
3 on filler paper collected in binders.

4 Legal pads have no covers and do not have
5 the required level of durability for school use.
6 They're also generally not punched, and their pages
7 may not be sized correctly for recollection in a
8 binder. As to interchangeability, simply put,
9 attorneys don't use looseleaf paper, and third graders
10 don't use legal pads.

11 There are different channels of distribution
12 as well. Retailers recognize that consumer
13 expectations differ significantly between the
14 notebooks and filler paper and composition books that
15 should form the like product and other lined products
16 that should be excluded.

17 Legal pads tend to be sold by office
18 specialists rather than drugstores, grocery stores,
19 dollar stores and mass merchants who are the primary
20 purchasers of notebooks, composition books and filler
21 paper. Moreover, legal pads and other office
22 supplies, unlike school supplies, are often sold
23 through catalogs.

24 There are also different equipment and
25 employees. Office supplies use different equipment

1 and employees than those used to manufacture school
2 supplies. Legal pads, for example, are produced on
3 padding machines that cannot manufacture a spiral-
4 bound notebook. Even for producers making both types
5 of products, workers are generally dedicated to
6 different machines.

7 There are also different producer and
8 consumer perception. Producers perceive school
9 supplies and office supplies to be different. Even
10 their web pages distinguish between the two groups.
11 To state the obvious, again the average kid in school
12 does not take notes on a legal pad.

13 In summary, it is completely reasonable and
14 consistent with ITC practice to define notebooks,
15 composition books and filler paper as one domestic
16 like product and to exclude office supplies from this
17 definition.

18 Thank you.

19 MR. PRICE: Thank you. That concludes are
20 direct presentation.

21 MR. CARPENTER: I want to thank the panel
22 for your presentation. We appreciate the fact that
23 all of you came here today. It's good to have such a
24 distinguished panel of experts to address our
25 questions.

1 Mr. Klinefelter, it is good to see you
2 again. Welcome back.

3 I have a couple housekeeping issues I'd like
4 to address or ask about initially. One is there have
5 been a number of submissions that were filed with the
6 Department of Commerce in response to questions that
7 they had issued. We've seen a number of those,
8 particularly the ones that resulted in amendments to
9 the petition. You have filed those with the
10 Commission as well as Commerce.

11 There have been a couple submissions that
12 were not served on the Commission. We found out about
13 these essentially from the Respondents' counsel, and
14 we then followed up with you and asked you for copies.
15 You did send over some courtesy copies yesterday
16 afternoon on some of these.

17 There is one in particular though that was
18 the September 26 submission that basically addressed
19 issues that were raised by Commerce that pertained to
20 Volume 1 of the petition, which is the injury volume.

21 We did look through last night, and in our
22 view that contains information that's directly related
23 to the Commission's investigation, so we would ask
24 that you make that an official filing with the
25 Commission with the required number of copies so that

1 the Commissioners also have access to that information
2 and we can put that on the record.

3 MR. PRICE: We will be happy to do so.

4 MR. CARPENTER: Okay. Thank you.

5 Another issue relates to questionnaires. As
6 I understand it, the producer questionnaires that we
7 received from the petitioning companies were filed
8 somewhat late and were somewhat incomplete, and we're
9 still waiting for importer questionnaires from the
10 petitioning companies.

11 In a general sense this does make it
12 difficult for us to prepare for the conference if
13 we're missing significant amounts of information,
14 important information like this. We do set the
15 deadline for returning questionnaires well in advance
16 of the conference. In this case it was one week prior
17 to the conference.

18 Our expectation would normally be that
19 Petitioners in particular would be able to meet those
20 deadlines since you control the filing date of the
21 petition, and I think as experienced counsel you're
22 aware of the types of questions that we normally ask.

23 I realize these are difficult
24 questionnaires. This is not an easy scope, and we had
25 to ask a number of detailed questions. Your various

1 company records may not be set up in a way that makes
2 it easy to fill out the information we're asking for,
3 but it does serve as somewhat of a handicap to us
4 because we view our responsibility as the staff in
5 terms of trying to develop as complete a record for
6 the Commission to base their determination on, and
7 it's helpful to have that information prior to the
8 conference.

9 In terms of the importer questionnaires in
10 particular, let me just ask you what the status of
11 those are?

12 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.
13 We had intended to submit those yesterday and will
14 have them ready today.

15 They were very difficult to put together, as
16 evidenced by the fact that there are a number of
17 others missing from the database that aren't in, and
18 the officials at the table here of course need to do
19 one final review before we can submit, but those will
20 go in today.

21 MR. CARPENTER: We will be receiving those
22 today?

23 MR. BRIGHTBILL: Yes, you will.

24 MR. CARPENTER: Okay.

25 MR. BRIGHTBILL: We appreciate the desire of

1 the staff and the need for the staff for all the
2 information here.

3 As you know, these questionnaires were very
4 complex and added a number of features to them that
5 were not part of the standard questionnaire or
6 anticipated by us when we prepared the case.

7 MR. CARPENTER: I understand that.

8 Okay. Let me turn first to a question on
9 the scope of the investigation, which we have
10 struggled with to some extent from the beginning.

11 Of course, I understand that the Commerce
12 Department will be announcing their initiation this
13 afternoon, assuming they do initiate, and they'll be
14 coming out with their final scope language, but in
15 terms of your communication with Commerce is it
16 correct to assume that your submission of
17 September 21, the amendment of the scope language,
18 represents the current scope of the investigation as
19 you understand it?

20 MR. PRICE: We believe so, but of course we
21 are not privy to what actually emerges from the
22 Commerce Department on these issues.

23 MR. CARPENTER: Okay. All right. Do you
24 have that submission in front of you? Could you
25 respond to a couple questions on it?

1 MR. BRIGHTBILL: I have a copy of the scope
2 language, but not the submission.

3 MR. CARPENTER: Okay. On the first page of
4 the submission a little over halfway down you say,
5 "Subject merchandise may or may not contain any
6 combination of a front cover, a rear cover and/or a
7 backing of any composition."

8 I'm not sure of the meaning of that
9 sentence. In my view if it said subject merchandise
10 may contain any combination of a front cover, rear
11 cover or backing then I would assume that all of those
12 products would be included in the scope, but if it
13 says may or may not then the way I read that is it
14 doesn't really say anything definitive. Is that
15 correct, or am I misinterpreting it?

16 MR. PICKARD: This is Dan Pickard from Wiley
17 Rein. I think because application of a scope is so
18 technical and off-the-cuff comments today could have
19 repercussions as far as enforcement of any Order for
20 years to come I think it might be most appropriate if
21 we responded to specific scope of products questions
22 in writing in our post-conference brief.

23 If you wanted to give us a list of what the
24 questions were we'd rather give more thorough and
25 accurate answers in a written submission.

1 MR. CARPENTER: Okay. That would be fine.
2 For right now the one clarification I had, and others
3 may have other questions, but on the second page where
4 you say writing pads with a backing, I just want to
5 get your views on this as far as what you put forward
6 on the 21st.

7 Yes, Mr. Cameron?

8 MR. CAMERON: If their interaction for you
9 not respond will scope of the investigation -- Are
10 Respondents going to get an opportunity to actually
11 respond to this?

12 The post-hearing brief is set for all
13 parties on one day, right?

14 MR. CARPENTER: Right.

15 MR. CAMERON: So the question is if they're
16 not going to clarify the scope respond or question
17 until the post-hearing brief you guys know exactly
18 when we're going to get to respond to those they made.
19 I mean, they've had the petition. They ought to be
20 able to respond to your question.

21 Thank you.

22 MR. CARPENTER: Well, I think what we'll do
23 is, first of all, we don't know exactly what the
24 Commerce Department is going to decide, and presumably
25 they'll release that information around noon today.

1 I think everyone in the room will have an
2 opportunity to respond to whatever the final language
3 is that they come up with, but at this point just for
4 my own understanding I just wanted to ask the question
5 to see if I'm interpreting this correctly as it stands
6 right now.

7 You say that writing pads with a backing,
8 including, but not limited to, products formerly known
9 as tablets, notepads, legal pads and quadropads, are
10 excluded from the investigation, provided they do not
11 have a front cover.

12 The way I interpret that is that if they
13 have a backing they are excluded from the scope.
14 However, if they have a backing but they also have a
15 cover they're included in the scope. Is that correct?

16 MR. PRICE: I think that's a reasonable
17 interpretation, yes.

18 MR. CARPENTER: Yes.

19 MR. PRICE: What's out, what is excluded, is
20 the standard legal pad or writing pad that we're all
21 familiar with.

22 MR. CARPENTER: Right. Unless that writing
23 pad happens to be hole-punched or drilled, in which
24 case they're back in the scope? Is that correct?

25 MR. PRICE: If they are glued filler paper

1 then -- I'd have to go back and look at this, but I
2 believe that they are. Notepads and legal pads are
3 excluded from the scope. Filler paper is included.

4 MR. BRIGHTBILL: Tim Brightbill. We also
5 say this exclusion does not apply to such writing pads
6 if they consist of hole-punched or drilled filler
7 paper, so if it's filler paper or looseleaf paper that
8 has simply been compiled then that exclusion would not
9 apply.

10 MR. PRICE: This is not a common product
11 distributed in the U.S., but actually is a common way
12 of distributing filler paper in some other countries.

13 MR. CARPENTER: Okay. The way I interpreted
14 this, because the sentence says, "This exclusion does
15 not apply to such writing pads..." I was assuming that
16 you meant by such writing pads you were referring back
17 to pads with a backing.

18 If you take a tablet that happens to have
19 holes punched or drilled holes in it then that would
20 be included in the scope if such a product even
21 exists? Maybe that was put in there for circumvention
22 reasons. I'm not sure.

23 MR. PRICE: That was the principal concern
24 was the circumvention concern on that.

25 MR. CARPENTER: Okay. My big concern at

1 this point is, as you know, we had to send out
2 questionnaires a couple days after the petition was
3 filed, and the definitions in the questionnaires were
4 based on the scope language that was included in the
5 petition.

6 That scope language now has been revised,
7 and to be honest I'm not 100 percent clear on exactly
8 what the scope language is right now. Of course, it
9 could be changed by the Department of Commerce also.

10 I guess the best thing to do at this point
11 is to wait until we see what Commerce's scope language
12 is, but then I would ask all of the companies who are
13 represented by parties here to go back to their
14 questionnaire responses and see whether the
15 information that they are including in the certain
16 lined paper school supplies versus the other lined
17 paper, whether those numbers might shift.

18 If so, if you would as quickly as possible
19 provide corrected information to the investigative
20 staff?

21 MR. PRICE: We will check, but I believe for
22 the Petitioners' information the information as
23 submitted is submitted to reflect the filing that was
24 made.

25 MR. CARPENTER: Okay.

1 MR. PRICE: That's one of the reasons why
2 there was some delay because that changed some of the
3 computation of information.

4 Now, while the Petitioners did that your
5 questionnaires don't necessarily reflect -- your
6 questionnaire database outside of the Petitioners
7 don't necessarily reflect those changes.

8 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.
9 Just to emphasize the products that you've asked
10 about, and we will clarify those in our follow-up
11 submissions, account for a very, very small portion of
12 this marketplace.

13 A hole-punched writing pad or legal pad as
14 you're asking about, that's not the core of this case.
15 The data that's before you on the record is the core
16 of this case, and that data is not going to change as
17 a result of these smaller gray areas.

18 MR. CARPENTER: I would assume that that
19 would be the case. However, the writing pads with a
20 backing commonly known as tablets, notebooks, legal
21 pads and quadropads I would assume would be fairly
22 significant. Hopefully we have that information now
23 in the questionnaires.

24 MR. PRICE: Right, and those are excluded.

25 MR. CARPENTER: In the Other category.

1 Okay. I had a question on like product, but
2 I'm sure you're going to get a lot of questions on
3 that later so I think I'll just defer that until
4 later.

5 With respect to the plant closings that were
6 mentioned by Mr. McLachlan and Mr. Smith I believe,
7 you mentioned a number of plants that were closed in
8 2002, 2001 or 2002, maybe 2000 and two important
9 plants in 2004.

10 One question I had is are you saying that
11 all of those plants were closed as a result of
12 competition from the subject imports, or are you just
13 talking about the two plants in 2004? Could you
14 elaborate on that?

15 MR. MCLACHLAN: All of the plants were
16 harmed by the subject imports.

17 MR. CARPENTER: Okay. Another question I
18 had is when you closed these I believe it was
19 something like five plants altogether and you had two
20 plants remaining that are open, did you increase
21 capacity at all at the two plants that continue to be
22 open as a result of these closures?

23 MR. MCLACHLAN: Yes, we did. We're down
24 about 35 percent in total capacity during the period
25 in question, even though we've moved some of the

1 productive equipment from plant to plant in order to
2 get the most effective use of that equipment in our
3 remaining plants.

4 MR. CARPENTER: Okay. So there was some
5 increase at the remaining plants, but overall your
6 capacity is down?

7 MR. MCLACHLAN: Correct.

8 MR. CARPENTER: Thank you. At this point
9 I'm going to turn the questions over to beginning with
10 Mr. Motwane.

11 MR. MOTWANE: Thank you. I'd just like to
12 thank everyone once again for taking the time to come
13 here today -- we appreciate it -- and Mr. McLachlan
14 and Mr. Smith for inviting staff to the Alexandria
15 facility. It was very informative.

16 I'd like to start with a question that
17 relates to differentiation within the products and the
18 scope. Perhaps Mr. Rahn, Mr. Robinson and Mr.
19 McLachlan could speak to this.

20 Are there any differences within the product
21 categories on the basis of grade of quality, for
22 instance, relating to weight of paper, brightness or
23 texture?

24 MR. RAHN: Between other lined products and
25 certain lined products?

1 MR. MOTWANE: No. Within the scope, so say
2 between notebooks produced by your firm and produced
3 by Mead or between --

4 MR. RAHN: Not typically. We have a very
5 common product the way the product is built, the
6 machinery they're built on. We buy our paper
7 generally from the same paper mills, so very common.

8 MR. MCLACHLAN: Yes. I'd just add to that
9 they'll all essentially similar, but in every case the
10 products are experiencing the same issue no matter
11 where they are in quality.

12 We're saying that they're all essentially
13 similar, but they're all experiencing the same issues
14 of low cost and dumping activity.

15 MR. ROBINSON: There are a variety of issues
16 in the market to produce product in the U.S. market.
17 There are a variety of sheets used in the U.S., used
18 for product made in the U.S. market and worldwide, and
19 I think they are considered to be interchangeable by
20 the retailers that buy them and the consumers that
21 purchase them.

22 MR. MOTWANE: Mr. Price? Thank you.

23 Just to clarify then, your purchasers, be
24 they retailers or not, don't ordinarily make requests
25 that the products conform to any standards with

1 respect to the paper or even the binding or the wiring
2 or any additions to the notebooks or filler paper?

3 MR. RAHN: Harold Rahn with Norcom. No
4 specific requests.

5 MR. MOTWANE: Mr. Price?

6 MR. ROBINSON: The product is common
7 throughout. The form, the binding, is common
8 throughout the world and throughout the industry for
9 the product made that comes into the United States and
10 the product that we make in our factories here.

11 MR. MOTWANE: Okay. Thank you. On a
12 similar type of question, are there any substantial
13 differences between product, the lined paper school
14 supplies produced in the United States and those that
15 are imported from the subject countries again with
16 respect to the quality of the product or the range of
17 products offered or perhaps even the type of
18 additions, fillers, et cetera, that may come with
19 them?

20 MR. ROBINSON: It's my experience that
21 retailers and consumers consider the product to be
22 interchangeable. Again, it's the same. It's really
23 the same answer to the question whether the product is
24 made here or the product is made elsewhere.

25 In the auctions and in the buying offices

1 the product is considered to be similar. It's a 10½
2 wide-ruled/college-ruled made a certain way, paper, a
3 certain kind of back and cover.

4 There are industry standards, and whether
5 those standards are used in the U.S. or used outside
6 the country for product made that comes into our
7 country they are similar, and they are similarly
8 applied.

9 MR. MOTWANE: Thank you, Mr. Robinson.

10 When Mr. Cameron referred in his opening
11 statement to a higher quality of paper from I believe
12 it was Indonesia in your experience at least you
13 haven't heard from your customers or in your own
14 viewing of these products that there is an appreciable
15 difference in terms of the quality that might make a
16 difference in the marketplace?

17 MR. ROBINSON: No, not in my experience.

18 MR. KAPLAN: To the extent that someone
19 would point at differences, we cannot discern from the
20 data and the share shifts discernable commercial
21 differences.

22 MR. MOTWANE: Thank you, Mr. Kaplan.

23 Mr. Price?

24 MR. PRICE: Yes. I would just add that not
25 only as Mr. Kaplan has pointed out you'll see the same

1 filler paper when you go from store to store --
2 Staples might be Indonesia; Target I literally found
3 Indonesia, India and China I believe sitting around on
4 the shelves -- these are not discernable differences.

5 Any differences that people point to are
6 largely differences without any kind of commercial or
7 practical meaning out there.

8 MR. MOTWANE: Thank you.

9 If I could move on to the production side,
10 are there differences between the certain lined paper
11 school supplies and other lined paper products such as
12 office products which are outside of your scope?

13 Would it be fair to say that these products,
14 these two categories of products, are produced on
15 different types of machinery?

16 MR. SMITH: Yes. As you witnessed when you
17 visited the plant, clearly different pieces of
18 manufacturing equipment produce the different lines,
19 the different product categories.

20 MR. MOTWANE: Mr. Smith, if you could just
21 bring the mic closer to you?

22 In fact, for all the panelists I know these
23 mics are a bit ancient, but try and bring them as
24 close as possible.

25 MR. SMITH: To repeat the answer, yes, the

1 different products are produced from different lines.

2 Yes.

3 MR. MOTWANE: Okay. Could the machinery in
4 those lines be reconfigured to produce the other type
5 of product if necessary?

6 MR. SMITH: Only with extreme capital
7 investment to the extent that it may make more sense
8 to buy new equipment.

9 MR. MOTWANE: Okay. Thank you.

10 Mr. Rahn or Mr. Robinson, do you care to
11 comment on that?

12 MR. ROBINSON: At Top Flight the majority of
13 our capital investment is in machines that exclusively
14 manufacture certain lined school supplies.

15 We don't have a machine that can make both
16 filler paper and make legal pads. We don't have a
17 machine that can make both filler paper and the 7x5
18 notebook or a 5½x7 notebooks. We don't have machines
19 that can do those.

20 The majority of our production is dedicated
21 to certain lined goods, the majority, and all of that
22 production produces exclusively certain lined goods.
23 We have machines in the building that make envelopes.
24 We have machines in the building that make RFID
25 labels.

1 We certainly have machines in our building
2 that produce other items. Some of those items are
3 other lined goods. There is a little blend in our
4 factory, but it's not significant.

5 MR. MOTWANE: Okay. Thank you.

6 Following up on that then, it seems to me
7 that there are certain products, lined paper school
8 supplies and certain office products, that are
9 physically at least quite similar.

10 For instance, a legal pad with a spiral
11 binding on top and a notebook with a spiral binding it
12 would seem to me would be produced on a similar
13 machine.

14 Would that be the case then for products
15 within the same size category that are both lined and
16 have a similar type of binding, but because of where
17 the line is and where the binding is they qualify as a
18 school or non-school product? Typically would those
19 two products then possibly be produced on the same
20 machinery?

21 MR. ROBINSON: This is George Robinson from
22 Top Flight. There are machines in existence that can
23 do that, but they are not cost efficient machines. In
24 this world with this sort of pricing that we're
25 experiencing in the U.S. market, which we've talked

1 about what's it been doing to us.

2 You will manufacture goods on the most
3 efficient machines, and the most efficient machines
4 for a spiral bound 70-count notebook cannot
5 manufacture a top wire legal pad; at least my machines
6 are incapable of doing it, and I believe we all run
7 the same branded machines.

8 MR. MOTWANE: Mr. McLachlan and Mr. Smith?

9 MR. SMITH: I want to make sure I understand
10 the question. Are you asking can you run a tablet on
11 a wire bound machine?

12 MR. MOTWANE: What I'm saying is that in
13 some instances a product that is a school supply and a
14 product that isn't might be very similar in terms of
15 the paper, the binding and the size, but the only
16 thing that separates them is their use, and that might
17 derive from where the binding is or where the line is.
18 A steno pad, for instance, has a line going down the
19 middle.

20 Would those two types of products, although
21 they have different end uses, could they potentially
22 be produced on the same machine?

23 MR. SMITH: Yes. Yes, you're correct.

24 MR. MOTWANE: Thank you, Mr. Smith.

25 My next question relates to sales, and if

1 you could just give me a general response? Perhaps a
2 more specific response might need to come in your
3 brief.

4 As a proportion of your sales for Norcom,
5 Top Flight and MeadWestvaco, how would you estimate
6 the breakout in terms of products within the scope of
7 school supplies and products that are produced in the
8 same factory, other lined paper products that are
9 outside the scope?

10 MR. RAHN: Harold Rahn with Norcom. I would
11 suggest that approximately 95 percent of our products
12 are a certain line of school supplies.

13 MR. MOTWANE: Mr. Robinson?

14 MR. ROBINSON: Approximately, it's in the
15 high 70s to low 80 percent. Your question was around
16 much are produced in the total factory of all products
17 in those factories? Is that what it was?

18 MR. MOTWANE: No. It was just lined paper
19 products.

20 MR. ROBINSON: As a percentage of all
21 products produced in that factory. I wasn't quite
22 clear.

23 MR. MOTWANE: Okay. What I'm asking you is
24 how much of total lined paper product sales are
25 accounted for by certain lined paper school supplies

1 within the scope?

2 MR. ROBINSON: I'm afraid I don't have that
3 detail here, but we'd be certain to give that to you
4 in the postconference brief.

5 MR. MOTWANE: Thank you. I'd appreciate
6 that.

7 With respect to manufacturing employees,
8 again, this is probably a question best for Mr. Rahn,
9 Mr. McLachlan and perhaps Mr. Smith, the employees
10 that work on these machines are they able to work on
11 both machines that produce products within the scope
12 and products outside of the scope, or are they
13 specific to those machines that produce one type?

14 MR. SMITH: In our factory they are specific
15 to the machines. They can only move to the extent
16 that contract language will allow them to move.

17 MR. MOTWANE: The machines that -- I'm
18 sorry. Mr. McLachlan.

19 MR. MCLACHLAN: I'd add that there's a great
20 deal of training goes on with these highly skilled
21 workers and that it takes a long time to get people up
22 to speed on each of the new and different pieces of
23 equipment that they would have to operate. It's a
24 very intense training program.

25 MR. MOTWANE: Would it be fair to say then

1 that the types of machine used to produce other like
2 products as opposed to certain lined paper school
3 supplies are so different that an employee trained in
4 one would have a hard time working on the other type?

5 MR. SMITH: That is correct.

6 MR. MOTWANE: Mr. Robinson or Mr. Rahn?

7 MR. ROBINSON: The same thing is true, what
8 you said. The people that work on certain line
9 machines are essentially even capable of operating the
10 other line machines because they are trained
11 specifically to operate those machines.

12 The blended machines, of course the operator
13 can run both certain or they can run other, but the
14 other portion on those machines is significant -- I'm
15 getting confused. The certain line on the blended
16 machines is not a significant factor. Most of the
17 certain lined goods which are notebooks and filler,
18 and we don't make comp books, but notebooks and filler
19 are run on dedicated machinery.

20 MR. MOTWANE: Thank you.

21 MR. RAHN: Harold Rahn with Norcom. Our
22 people on the other lined products are not technically
23 interchangeable without an extensive training program.
24 They've been trained specifically on the equipment
25 that they operate.

1 MR. MOTWANE: Thank you, Mr. Rahn. We heard
2 a lot about the back to school season and how this is
3 a seasonal industry. Do your staff levels change to
4 map this spike in the sales that comes in the back to
5 school season?

6 MR. SMITH: At our plant they spike
7 significantly. To give you an estimation our
8 employment may get close to doubling through the back
9 to school season as opposed to the slow season.

10 MR. ROBINSON: Our employment used to spike
11 during the manufacturing season for back to school,
12 but since the import product has been coming in from
13 outside the country at such low prices we haven't had
14 the need to spike for back to school.

15 MR. RAHN: Norcom typically has an increase
16 of workers as a build up for the season, but it's
17 nowhere near 50 percent. It's maybe 20, 25 percent.

18 MR. MOTWANE: Thank you.

19 This next question is for Mr. Rahn and Mr.
20 Smith. The additional workers that you bring on then
21 is it in fact additional workers, temporary workers or
22 do you just have more hours for the existing employees
23 during those busy periods?

24 MR. SMITH: At our facility it's a
25 combination of both.

1 MR. RAHN: At Norcom likewise. We have both
2 circumstances take place.

3 MR. MOTWANE: Mr. Smith, the employees that
4 you might temporarily bring in are they trained to the
5 same extent as your permanent staff with respect to
6 running machines?

7 MR. SMITH: No. The temporary staff is
8 typically unskilled workers as opposed to the machine
9 operators I believe you're speaking of.

10 MR. MOTWANE: Yet do they operate the same
11 machinery or do they undertake other tasks within the
12 factory?

13 MR. SMITH: They do the other tasks within
14 the factory.

15 MR. MOTWANE: Thank you. I have a question
16 about channels of distribution then. I know you've
17 stated that the channels of distribution for the two
18 categories of products are quite different. I'm
19 wondering whether there's any overlap at all with
20 large retailers that might purchase both lined paper
21 school supplies and office supplies from your firms?

22 Certainly it's been suggested that one of
23 the things that differentiates these two types of
24 products is the channels of distribution. You noted
25 in your September 26 submission to Commerce that lined

1 paper school supplies are typically sold to retailers
2 such as Wal-Mart, supermarkets and pharmacies whereas
3 office products are primarily sold through office
4 supply stores.

5 I'm wondering whether there are any cases
6 with large retailers, larger purchasers of yours where
7 they may overlap in terms of buying both lined paper
8 school supplies and office products?

9 MR. MCLACHLAN: Many of our customers buy
10 both, but there's a big well-developed commercial
11 distribution for the office supplies piece and that
12 tends to go through business to business distribution.
13 In addition the vast majority of customers do actually
14 treat them differently.

15 They have different buyers in some cases,
16 different merchandising for those, different
17 merchandising locations within the store, they tend to
18 advertise them differently and at different seasons.
19 They know there's different target consumers and so
20 they adjust what they do there.

21 They have different bids for these two types
22 of products and so they're bid separately. There's
23 also a far different seasonality as I said. There's a
24 big back to school time and the promotion for office
25 supplies tends to come at beginning of the year and

1 tax time, not back to school.

2 MR. MOTWANE: Mr. Kaplan?

3 MR. KAPLAN: Yes. It's just among products
4 that are seasonal and products that are year round.
5 There often tends in many industries to be differences
6 in channels of distribution.

7 The production process is geared up,
8 temporary workers are hired, stores have to be stocked
9 for a particular sale, advertising to a particular
10 target customer, buyers stocking at different stores,
11 whether it's delivered like office supplies are or
12 whether it's walk in business, so all these things
13 that are fundamentally different between the end users
14 tend to create a distribution system that is
15 different.

16 So this is not peculiar given the
17 differences in the seasonality and the differences in
18 the end users.

19 MR. PRICE: If you walk into a typical
20 superstore what you end up seeing is a large chunk of
21 the subject merchandise not in any kind of every day
22 display sale, but in the seasonal base and right after
23 the school supplies moved out the Halloween supplies
24 moved in, and right after the Halloween supplies move
25 out it's going to be the Christmas supplies, followed

1 by what's needed for spring planting.

2 Well, it goes Valentine's Day, then spring
3 planting, and barbecues and so forth for example in a
4 store like a Target or something along those lines.

5 MR. MOTWANE: Thank you.

6 I have just one more question then on the
7 lined product and perhaps, Mr. Price, you could
8 address this. There are three or four patent
9 application numbers that are referenced in the scope.

10 I'm wondering if you could just talk about
11 how those products differ from the certain lined paper
12 school supplies because it seems in terms of the six
13 factors that the Commission traditionally uses to
14 evaluate lined product that those would in fact be
15 included in the lined product. If you could address
16 that, please?

17 MR. PRICE: I'll address it more directly in
18 the postconference brief, but in the amended scope the
19 patent application has actually been removed from the
20 scope as I understand it essentially at the request of
21 the Commerce Department.

22 MR. KAPLAN: Well, we'll wait to see that
23 then. Thank you. Just touch on one more thing and
24 then I'll pass on the baton here. A number of people
25 referred to a cost price squeeze and an increase in

1 costs.

2 Someone even referred to the increase in
3 cost of paper. I think it was you, Mr. McLachlan.
4 Could you just talk about some of those costs and how
5 they've increased? By what percentage and what
6 specific costs that you're referring to within the
7 last three years covered by the period of
8 investigation here?

9 MR. MCLACHLAN: I referred to the cost of
10 paper which has gone up fairly dramatically over the
11 last two years. I'd like to give you specifics in
12 private if that's okay. We can certainly provide
13 those details. So we've seen significant increase in
14 the cost of paper. That's the major component in the
15 cost of these products.

16 There isn't much else other than the paper
17 price in there. That has increased a lot, and we have
18 not been able to increase our own selling prices
19 because of the low cost imports, unfairly subsidized
20 imports coming in from overseas.

21 MR. MOTWANE: Thank you.

22 I believe, Mr. Robinson, in your testimony
23 you also referred to labor costs increasing if I'm
24 correct. Could you just elaborate on that somewhat?

25 MR. ROBINSON: Well, there are two kinds of

1 labor costs.

2 The first is I believe our union contract is
3 three years, and so as a part of the union contract
4 there are benefits that we all know have escalating
5 prices as far as medical insurance goes and other
6 things, and also there is a cost of living adjustment
7 that is built in the labor contract, so as a result
8 labor cost increases have occurred in that area.

9 In a normal situation we would like to think
10 that productivity would allow to eat up those
11 increases so they would not be a necessary pass along
12 cost, but productivity increases are hard when you're
13 running such lower volumes of goods than we have in
14 the past.

15 Then of course it's been difficult to
16 predict what sales would do over the last few years
17 because you don't know when your largest customer will
18 take away your largest order of the year as it
19 occurred last year with my company when we lost the
20 largest order that our company ever gets every year to
21 imported product from India and from China.

22 MR. MCLACHLAN: I'd say we've worked very
23 hard at productivity as well, but George's experience
24 is very similar to ours. An attempt to overcome some
25 of those cost changes through improved productivity

1 not only in the plant, but also in our offices as
2 well, we've been doing a good job of that, but we
3 can't overcome the difference in price between these
4 unfairly dumped products and ours.

5 MR. MOTWANE: Mr. Smith?

6 MR. SMITH: If I could make a clarification
7 on an earlier question of yours, actually two. One
8 being on the influx of employment levels, how they go
9 up and down. I would like to point out that a
10 significant portion of the temporary workforce that
11 comes in is actually in the warehousing part of our
12 operation.

13 The other clarification back to your
14 question concerning could items outside the scope
15 defined as other lined products, I think your
16 reference for example would be run on a wire machine,
17 and I commented yes. Again, I wanted to reiterate
18 that it would take significant investment and tolling
19 to make that happen.

20 MR. MOTWANE: Thank you.

21 On the issue of labor expenses then I think,
22 Mr. Klinefelter, you referred to declining levels of
23 employment as well as declining wage levels. The
24 combination of those two would suggest overall
25 declining labor cost.

1 I'm wondering if, Mr. Rahn and Mr.
2 McLachlan, you could just comment on whether your
3 experience more closely mimics what Mr. Klinefelter
4 has referred to or what Mr. Robinson has referred to
5 where you've actually seen increases in labor costs as
6 a result perhaps of nonwage costs?

7 MR. MCLACHLAN: I think Mr. Klinefelter
8 referred to our incentive scheme in Blair when he made
9 his comment which means that workers get paid for
10 pieces. If we're not running very many pieces they
11 don't get paid as much as they would. They tend to
12 try to run overtime, so we've eliminated premium
13 overtime.

14 They don't get to run as many pieces, so
15 they don't get the kind of wages they had. Their wage
16 rate per hour is up as you would expect and as you
17 would expect for your own wages as well, so I don't
18 know if that clears up the question or not?

19 MR. MOTWANE: So hourly wages have actually
20 increased in your experience over the last three
21 years?

22 MR. MCLACHLAN: Wage rate has increased
23 minimally, but the amount that our workers are taking
24 home, as Mr. Klinefelter pointed out at Blair,
25 decreased because of reduced production as a result of

1 having to shift so much of this overseas.

2 MR. MOTWANE: I see.

3 MR. PRICE: I would add that one of the
4 challenges the Commission has in looking at this is
5 that there's two components of wages as you know.

6 One is the rates including any incentives
7 out there, and the other are the overhead components,
8 healthcare and so forth, which as anyone familiar with
9 those types of costs knows that those increase
10 regardless of whatever is going on in the actual
11 hourly paycheck of an employee.

12 MR. MOTWANE: Mr. Rahn?

13 MR. RAHN: Yes. I think my comment is maybe
14 a little different from Norcom's perspective. We
15 certainly have seen an increase in labor wages and
16 health benefits, but we have been fortunate in that
17 the last three years we have seen decreases at any
18 affect of the labor because we've had productivity
19 increases.

20 These increases still do not allow us to
21 keep pace with the imports from China, India and
22 Indonesia that are coming in. So our situation is a
23 little different, but in terms of the case it's
24 exactly the same.

25 MR. PRICE: As Mr. Klinefelter pointed out

1 there were significant wage rate concessions at the
2 Roaring Springs plant in an effort basically to keep
3 that plant open.

4 MR. MOTWANE: Thank you, again.

5 Mr. Carpenter, I conclude my questions.

6 MR. CARPENTER: We'll turn next to Ms. Stump
7 from the General Counsel's office.

8 MS. STUMP: Thank you, Mr. Carpenter.

9 My name is Monica Stump and I'm with the
10 Office of General Counsel. I'd also like to thank the
11 panel this morning for their testimony. It's been
12 very informative. I'd like to start with some
13 domestic like product issues and questions.

14 Just to clarify, Mr. Pickard, I just want to
15 know if it's your position that the definition of the
16 domestic like products should be coextensive with the
17 scope as modified as of September 21. Is that
18 correct?

19 MR. PICKARD: Yes, it is. It should be
20 coextensive with the most recent modification that
21 we've received from the Department of Commerce.

22 MS. STUMP: So I have some various paper
23 products up here and I just want to make sure that we
24 all understand according to those modifications
25 whether certain products would be within or without of

1 the scope. Is it correct to say then that this Five-
2 Star XL spiral notebook produced by one of the
3 petitioning firms is covered by the scope of the
4 investigation?

5 MR. PRICE: Certainly is.

6 MS. STUMP: Thank you.

7 Is this personal spiral notebook with
8 dimensions seven by five also produced by one of the
9 petitioning firms covered by the scope of the
10 investigation?

11 MR. PRICE: It's not.

12 MS. STUMP: Can you please explain the
13 differences between these two products?

14 MR. PICKARD: Just I think some of the major
15 points are number one there's a bright line of stuff,
16 physical characteristics as to size spelled out in the
17 scope. As to end use as a practical matter one is
18 more likely to be used by schoolchildren for taking
19 notes, one is not.

20 I think I'd have to defer to some of the
21 panel industries in regard to channels of distribution
22 and production equipment that they might want to talk
23 about.

24 MS. STUMP: I'd also like to hear some
25 customer perceptions, differences about these two

1 products if you could comment on that, Mr. Rahn,
2 please?

3 MR. RAHN: I think one of the distinctions
4 with a notebook for instance that we're considering in
5 the scope is that we are looking at the school
6 business primarily here and if you look on any school
7 list, which drives our business, it drives the
8 retailer's business, a school list is going to specify
9 a 10 and a half by eight single subject notebook, a
10 pack of notebook paper.

11 It would be a very, very unusual
12 circumstance to see a seven by five assignment book or
13 a very unusual circumstance to see a school requesting
14 that a child have say a legal pad or something. So to
15 us from how they are worked throughout the marketplace
16 they are completely different items.

17 MR. MCLACHLAN: I'd add to that. Teachers
18 have their lists. It's a bit like entering the Army.
19 You get your boots and your gun, and go to teachers
20 you get certain products.

21 They're general issue when you go there --
22 filler paper, comp books, subject notebooks -- and
23 those have specific sizes that they like to have so
24 that you can turn in your assignment so that you can
25 archive and keep those throughout the year. You

1 wouldn't find very many teachers who would like to
2 have their homework turned in on the small size that
3 you're looking at.

4 That's why they specify those bigger sizes.

5 MR. ROBINSON: For the consumer use I see
6 that the seven by five book, which my company made, is
7 a book that you carry in your glove compartment, it's
8 a book that you carry in your purse, it's not a
9 primary school product.

10 MS. STUMP: Would a steno pad is that
11 correct to say that this would be out of the scope?

12 MR. BRIGHTBILL: Tim Brightbill, Wiley,
13 Rein. That's specifically excluded. Yes.

14 MS. STUMP: Could you explain the difference
15 then if there are any additional comments to add
16 between the steno pad and a notebook? They look very
17 similar to me. They both have lines. I'm not quite
18 sure. Could you explain the differences there?

19 MR. ROBINSON: This is George Robinson.
20 Again, the steno notebook is not used for primary note
21 taking by schoolchildren, so it's not a basic school
22 supply. You won't find it on any school lists. If
23 you do it's a very rare exception. It's made on
24 different sorts of equipment. It's just not
25 considered to be a primary school supply item.

1 MR. MCLACHLAN: As we stated before the
2 distribution channels and where they are within
3 channels are treated differently as well.

4 MR. PRICE: I would add we will be happy to
5 supply a compilation of school supply lists which are
6 maintained in the ordinary course of business to show
7 that these distinctions are really quite real. I
8 think most of you who have children kind of understand
9 them, but they do exist and they are significant.

10 MS. STUMP: I'd also like to see a
11 discussion of these differences including a discussion
12 of the traditional domestic like product analysis the
13 Commission uses in your postconference brief, please?

14 MR. PICKARD: We'll be happy to do so.

15 MS. STUMP: Could you clarify also one
16 thing? What is glued filler paper?

17 MR. ROBINSON: It's not a very significant
18 item in the U.S., but it's called a filler pad and it
19 just has glue across the top. It is the standard size
20 for filler, it's ruled like filler paper is ruled and
21 it's such an insignificant item I would really find it
22 very difficult for you to find it anywhere other than
23 maybe an office superstore.

24 MS. STUMP: Just to clarify, this is a
25 question for the producers, do each of you produce the

1 lined paper products that you're proposing coextensive
2 with the scope? The notebooks, the compositions, the
3 filler paper and any other items that you believe are
4 within the scope? Do you each produce all those
5 products?

6 MR. RAHN: Harold Rahn with Norcom. We
7 produce everything within the scope except for comp
8 books.

9 MR. ROBINSON: George Robinson with Top
10 Flight. We produce everything except comp books.

11 MR. MCLACHLAN: Comp books is also one that
12 we've exited. We used to produce millions of them,
13 now we import them and we've moved the machinery and
14 actually taken it out of commission completely because
15 of the unfairly dumped product.

16 MR. PRICE: I would add that the union which
17 represents Roaring Springs here, they are a
18 substantial and a major composition book manufacturer
19 as well as the other supplies.

20 MS. STUMP: Do you each produce other lined
21 paper products besides those included in the scope of
22 the investigation?

23 MR. MCLACHLAN: Yes, we do.

24 MS. STUMP: Could you specify the top five
25 if it's not business confidential information?

1 MR. MCLACHLAN: Top five what?

2 MS. STUMP: Products that you sell that are
3 other lined paper? What that would we?

4 MR. PRICE: I think those are listed in the
5 questionnaire responses, actually, for each company.
6 There was a question on that.

7 MS. STUMP: The petition states on page 7
8 that certain lined paper is used to take notes. Can't
9 other paper products like a legal pad be used for that
10 very same purpose or similar purposes?

11 MR. PICKARD: I would say as a practical
12 matter they're not. The schoolchildren just don't use
13 legal pads to take school notes.

14 MS. STUMP: Are there any differences in
15 price between certain lined paper and other lined
16 paper?

17 MR. MCLACHLAN: I would say that it's a very
18 complex question because the prices are lower, there's
19 lots of different SKUs that are covered by this whole
20 scope, but I would say that in general our office
21 supplies business sees slightly higher prices than the
22 school business.

23 MS. STUMP: Mr. Price?

24 MR. PRICE: I believe there's also, well,
25 there are answers to these obviously in the

1 questionnaire I would point out, too.

2 MS. STUMP: On page 16 of the petition you
3 stated that some U.S. producers have been forced to
4 import subject merchandise. Please tell us to the
5 extent that you can comment publicly what products are
6 you importing and what is their country of origin? If
7 you can't comment publicly you can put that in your
8 postconference brief.

9 MR. MCLACHLAN: Certainly we can comment on
10 that. I was being asked if it was proprietary, but I
11 think people know where the country of origin of our
12 products are because our brand is on there and so is
13 the country of origin.

14 We import certain lined school paper
15 products from China, we also have imported from India.
16 I think the questionnaire may show some numbers on
17 those and we'd certainly be able to get you those. We
18 do not import from Indonesia today.

19 MS. STUMP: Mr. Rahn?

20 MR. RAHN: We import from the three named
21 countries and we import filler paper notebooks from --
22 yes. I'm sorry. Norcom imports from China, Indonesia
23 and a small amount from India and we import certain
24 lined products from these countries.

25 MR. ROBINSON: Top Flight imports product

1 from China, from India, from Brazil and from
2 Indonesia. We did not import product from Indonesia
3 within other or certain line, though. It's other
4 merchandise.

5 MR. MCLACHLAN: We would also comment that
6 we do import from Brazil as well.

7 MS. STUMP: Are your imports from Brazil the
8 certain lined?

9 (Nonverbal response.)

10 MS. STUMP: Okay.

11 MR. RAHN: Ms. Stump, I would also like to
12 add that we import from Brazil. I thought you were
13 just asking did we import from the three named
14 countries, but we do import from Brazil as well.

15 MS. STUMP: Just to clarify you're only
16 importing the certain lined, but Mr. Robinson, your
17 company is importing other lined paper, correct?
18 Other products besides the notebooks, the filler paper
19 and the composition books?

20 MR. RAHN: Are you saying *other* do you mean
21 in the definition of other?

22 MS. STUMP: I mean other lined paper
23 products that have been excluded from the scope as
24 proposed by the petition and the various amendments.

25 MR. RAHN: Okay. Let me think about that.

1 I need to look at the product listing.

2 MS. STUMP: Sure. Sure. You can put that
3 in your --

4 MR. RAHN: I want to give you an accurate
5 answer.

6 MS. STUMP: Thank you. I would appreciate a
7 discussion in your postconference brief.

8 MR. RAHN: Okay.

9 MS. STUMP: To the extent that you can
10 comment publicly is there any overlap between this
11 industry and the domestic industry that produces
12 paper?

13 MR. MCLACHLAN: Are you asking are we
14 vertically integrated with paper makers?

15 MS. STUMP: Yes.

16 MR. MCLACHLAN: MeadWestvaco used to have
17 paper mills and we did trade paper between the
18 different divisions, but that ended with the spinoff
19 of the New Page Company almost a year ago and so
20 there's no vertical paper maker that is also a
21 notebook, or filler paper, or comp book maker that we
22 know of in the U.S.

23 MS. STUMP: Is the paper contained in
24 certain lined paper products always white in color and
25 what affect does color have on the cost of production?

1 MR. ROBINSON: George Robinson from Top
2 Flight. All of our certain lined paper is white.

3 MS. STUMP: Mr. Rahn?

4 MR. RAHN: At Norcom I can think of no case
5 when our certain lined paper would not be white.

6 MS. STUMP: Mr. McLachlan?

7 MR. MCLACHLAN: We have a few very small
8 numbers that are covered that have I think the similar
9 paper color that you see in that notebook there.

10 MR. PRICE: Just for the record I think it's
11 fair to say it's almost all white, but we're not using
12 color as a defining characteristic for scope.

13 MS. STUMP: Do you use recycled paper, and
14 what affect if any does recycled paper have on the
15 cost of production?

16 MR. ROBINSON: George Robinson from Top
17 Flight. We use recycled paper for a few notebooks,
18 the small amount of notebooks we manufacture in the
19 college bookstore market and it doesn't affect
20 production, but it does have an affect on the cost of
21 raw materials because the recycled paper I believe is
22 slightly higher in cost.

23 MR. MCLACHLAN: My answer is exactly the
24 same as George's. Very small, it is slightly higher
25 and doesn't affect the way we run it.

1 MS. STUMP: Mr. Rahn?

2 MR. RAHN: My answer is exactly the same.

3 MS. STUMP: Thank you. What is the source
4 of the covers for notebooks and composition books? I
5 don't believe any of you are now -- you mentioned
6 you're not making the composition books, so for your
7 notebooks what is the source of the cover?

8 MR. MCLACHLAN: You're asking for the source
9 of the cover material on notebooks. Is that right?

10 MS. STUMP: Yes.

11 MR. MCLACHLAN: There's lot of different
12 substraights that are used, different types of papers,
13 different types of board and poly covers as well, so
14 there's lots of different sources for those.

15 MS. STUMP: Are you purchasing them
16 domestically? Are you making them yourself? Where
17 are they coming from?

18 MR. MCLACHLAN: We currently purchase all of
19 our covers and the ones that are made for our U.S.
20 production are sourced inside the U.S.

21 MR. ROBINSON: George Robinson from Top
22 Flight. As referenced raw materials, 100 percent of
23 all of our materials used in our factory are
24 manufactured in the United States. 99.5 percent of
25 the paper that we use is manufactured in the United

1 States. We bought two trucks of paper out of Canada,
2 so I don't think that really counts, not for much at
3 least. I've lost my answer.

4 MS. STUMP: Mr. Rahn?

5 MR. RAHN: My answer is exactly the same.

6 MS. STUMP: As Mr. Robinson's?

7 MR. RAHN: Well, we didn't buy any paper out
8 of Canada. My answer is essentially the same.

9 MS. STUMP: To the extent you can tell me
10 publicly how many employees are needed to produce a
11 notebook or a pack of filler paper during a year on
12 average I suppose? I realize it probably peaks. How
13 many do you need to produce one notebook?

14 MR. SMITH: To give you a sense on our most
15 efficient lined or the majority of this product is
16 produced two people can produce 15,000 to 20,000
17 notebooks or filler packs in an eight hour shift.

18 MR. MCLACHLAN: Those are direct labor
19 employees at the machine. Of course they're supported
20 by indirect labor throughout the factory, they're
21 supported by shipping and warehousing and they're
22 supported by a number of people from customer service
23 to accounting that make that happen.

24 MR. ROBINSON: At Top Flight I will say
25 everything that Neil said I agree with. Our most

1 efficient piece of equipment manufactures between
2 90,000 and 110,000 70 count notebooks in one day and
3 that would be a three person crew for three shifts or
4 nine people to make about 100,000 to 110,000
5 notebooks.

6 MS. STUMP: Mr. Rahn?

7 MR. RAHN: To break it down a little more we
8 can manufacture about 108 70 count books a minute with
9 two people.

10 MR. KLINEFELTER: If I could comment here I
11 think that it's very important for the staff to
12 understand what incentive systems are all about.
13 Incentive systems are very stressful systems because
14 they put the worker in a position from the time that
15 they come in to the time that they go home that they
16 are focused on how much they can put out.

17 Now, what's wonderful about incentive
18 systems when they're negotiated correctly they give
19 the proper down time and things is they can increase
20 the earnings. They increase the productivity for the
21 company, they also increase the earnings. What's
22 terrible about incentive systems is what happens when
23 the incentive system is affected by something outside
24 its control.

25 When I've worked incentives we loved nice

1 long runs because if you had a nice long run you got
2 up to speed, you got into a rhythm, and all of a
3 sudden everything was flowing out, and you looked and
4 you had 120 percent, 125 percent of your base rate and
5 you were taking home a good pay.

6 Well, if that goes on for a while think of
7 it yourself, you become depend on that 125 percent.
8 That becomes what your income is because that's what
9 you bring home. If all of a sudden something happens
10 that busts up the incentive system so that now you're
11 making your base rate and that's it then you're in
12 trouble, you're in trouble financially.

13 So what happens is when you get into these
14 situations where the runs get shorter, well, people
15 get really scared and what happens is they try to push
16 changing over the machine, they try to push how much
17 they can get in these short runs and that's not good.
18 That's not good for the stress of the workers, and
19 it's not good for the stress of the equipment and it's
20 not good for productivity overall.

21 So I think you have to truly understand that
22 we're talking about a highly competitive industry
23 where you have these rates that have to be taken into
24 consideration as your salary, and when they go down
25 your standard of living goes down. This isn't like

1 lawyers. They don't get a rate no matter what
2 happens, these people get a rate because of what they
3 produce.

4 MS. STUMP: Thank you. I just have a few
5 more questions.

6 Mr. Price, in the postconference brief could
7 you please include a discussion of the technical
8 expertise required to produce certain lined paper and
9 the value added by that work?

10 MR. PRICE: Absolutely.

11 MS. STUMP: Thank you. You mentioned that
12 there was a different market in advertising for other
13 lined paper products. I'd like to know whether there
14 is also a similar peeking season or back to work, I
15 don't know what you would call it, season for these
16 other lined paper products?

17 MR. MCLACHLAN: Our experience is that
18 office supplies tend to be fairly flat throughout the
19 year. There is some seasonality a little bit at the
20 fourth quarter and the year end turn as companies
21 renew their budgets for spending, and so people get
22 money to go ahead and replenish the supply closet.

23 There's also a time around tax time where
24 people are consuming more of those types of office
25 supplies as they prepare for tax season.

1 MR. PRICE: In our confidential brief we
2 will provide very specific data on this which we have
3 available.

4 MS. STUMP: Thank you, Mr. Price.

5 On page 15 of your petition you stated that
6 a majority of certain lined paper school supplies are
7 sold via an auction process to major mass retailers.
8 Could you please explain the auction process?
9 Describe it to us, please.

10 MR. ROBINSON: This is George from Top
11 Flight. They're a lot of fun. The auction process
12 generally begins with a questionnaire and the
13 questionnaire asks you about capacity and various
14 things. Then they usually will spec the product, and
15 then they will post their needs at a third-party and
16 they will invite certain people to participate in the
17 auctions.

18 Top Flight I'm sure, Norcom and Mead
19 received invitations as well as sources throughout the
20 world. Again, the retailers are doing their job.
21 They're trying to find the lowest priced products they
22 can that satisfy the U.S. consumer and they're trying
23 to really facilitate the pricing process for selection
24 of product to buy and to support their consumer need
25 in their store.

1 So that is what the auction does, so that
2 the auction starts at a posted price, sometimes the
3 price is determined by what you posted, what you
4 submitted as your opening price and sometimes that
5 opening price is submitted and posted by the retailer
6 as the lowest price they received in written
7 submissions, and then you have the opportunity to
8 adjust your price during a live internet auction.

9 Visibility of various things. Sometimes you
10 know how many people you're competing against,
11 sometimes you don't. Sometimes you know if you're in
12 first place or 10th place, sometimes you don't.

13 Sometimes you have to feel your way to the
14 bottom, and like my experience has been over the last
15 couple of years we were actively involved in the first
16 five minutes of a one or two hour auction and then
17 after that despite the fact that we've reinvested in
18 equipment, and have increased productivity in the
19 factory whenever we can and increased our capability
20 to produce we are not able to stay in these internet
21 auctions for more than five minutes anymore because
22 the price is raced so low, so quickly.

23 The auctions in which I participate, when I
24 look for the product to see who won it's usually from
25 India, China and Indonesia. Is that a sufficient

1 explanation of the process?

2 MS. STUMP: Yes. I'd like to hear more.
3 Are they all online?

4 MR. ROBINSON: All of the auctions that I've
5 participated in are online. Others in my company have
6 participated in a room-to-room. I think they're
7 called shootouts. Personally I have not.

8 MS. STUMP: Is that the same process, the
9 room-to-room, the shooutout?

10 MR. MCLACHLAN: The shootout's done in
11 person where people are in different hotel rooms all
12 lined up on the same side of the hotel and the buyer
13 goes from room to room and tries to negotiate with
14 each one and goes back and forth with the latest
15 quotes.

16 MS. STUMP: Mr. Kaplan?

17 MR. KAPLAN: I would like to impress upon
18 you that these are sophisticated processes. Our
19 company and other companies have practices devoted to
20 designing auctions and supporting people in auction,
21 so this is not some kind of informal thought up
22 process, let's get a low price.

23 These guys are ferocious competitors, the
24 people on the other side are trying to do the best
25 they can and in many cases auctions are designed, and

1 there's many different designs. They're all designed
2 to try to illicit the lowest price. Sometimes that
3 means that information is spread among the people
4 bidding, some people design auctions where information
5 is not spread among the people bidding.

6 This is something that is formal, and it's
7 thought out and it's designed for one purpose. So I
8 just want to impress upon you that this makes a
9 significant affect in the pricing of the product.

10 MR. MCLACHLAN: Just to understand, they're
11 clearly stressful, but we understand why our customers
12 do those things. They're in a very competitive
13 environment and they've got to seek out the lowest
14 cost of supply particularly back to school. It's a
15 big heavy season where in many cases they're selling
16 below cost.

17 So they're looking for that and we
18 understand why they're using those types of techniques
19 and mechanisms. Our issue is with the participants
20 and those who are getting unfairly supported by their
21 governments and therefore are able to get very low
22 cost merchandise below the cost of materials into
23 those auctions. It's not about the auction.

24 MS. STUMP: Thank you.

25 MR. PRICE: I would just add one thing to

1 echo what Mr. Kaplan said because I've discussed it
2 with a number of the different sales staff and so
3 forth. There actually are a number of different
4 designs to these auctions and we can give some
5 information on some of the variations that exist.

6 So it's not always all online. There are
7 some telephone ones, but you have the general idea I
8 think.

9 MS. STUMP: Thank you. I'd appreciate that.

10 Mr. Price, if you'd please address the
11 factors the Commissioner evaluates in making a threat
12 of material injury determination in your
13 postconference brief?

14 MR. PRICE: Absolutely.

15 MS. STUMP: Thank you.

16 My last question is for Mr. McLachlan. Do
17 you agree with Mr. Cameron's statement that Mead
18 incurred Staples to support its China program?

19 MR. MCLACHLAN: I must admit that was an
20 interesting piece of conversation that I wasn't aware
21 of, but I have my head of sales in the back of the
22 room. Would you like me to ask him the very same
23 question?

24 MS. STUMP: If there's anything to add to
25 your comment that would be appreciated. The question

1 is do you agree with Mr. Cameron's statement that Mead
2 incurred Staples to support its China program?

3 MR. MCLACHLAN: We encouraged them to buy
4 from us, and that meant getting the lowest price and
5 that ended up being sourcing products in China.

6 MS. STUMP: Thank you for your responses.
7 That's all I have.

8 MR. CARPENTER: Before we move on I'd just
9 like to ask one follow-up like product question along
10 the lines of what Ms. Stump was initially asking in
11 terms of products that are within and outside the
12 scope.

13 The one product I was particularly
14 interested in, I don't know if this is eight and a
15 half by 11, but the writing pads, I hear what you said
16 about teachers tend to have certain requirements that
17 they pass along to their students and I can understand
18 what you were saying about size for example, that they
19 would want the school papers turned in in a uniform
20 size, but if I understand the scope correctly if you
21 have say an eight and a half by 11 pad like this this
22 would be outside the scope, but if it had a cover on
23 it it would be within the scope.

24 I'm looking there for what would be the
25 clear dividing line between these two products in

1 terms of interchangeability. Essentially if you rip
2 off the cover do you have the same product or are
3 there other differences that I'm not aware of?

4 MR. BRIGHTBILL: Tim Brightbill. There are
5 certainly overlaps in these categories and it is
6 possible to take notes on a writing pad. Many of the
7 writing pads are not hole-punched which would make it
8 harder to use in the school setting where students are
9 putting them in and out of binders to keep them in a
10 safe place.

11 There are obviously some shades of gray
12 within this area. I'd also like to clarify I don't
13 think we gave a very good answer to your question
14 about drilled writing pads and legal pads.

15 If they were hole-punched or drill-punched
16 those would be excluded from the scope, so legal pads,
17 writing pads are excluded from the scope and if
18 they're hole-punched or drill-punched they're also
19 excluded from the scope, it's just the concern we have
20 with this filler paper product where the filler paper
21 is glued on the top.

22 That's not sold in the United States, but
23 that would not benefit from that exclusion.

24 MR. PRICE: Let me continue. The
25 discussions with our clients are that the portions of

1 the products with coverage on them are insignificant
2 in volume. So as Mr. Brightbill said there may be
3 some shades of gray, but the shades of gray are pretty
4 insignificant and small in reality when you look at
5 the commercial volumes that are out there in the
6 marketplace.

7 MR. CARPENTER: Are you saying that's true
8 with respect to the writing pads that are typically
9 used in businesses? These types of writing pads?

10 MR. PRICE: These are typically in mass
11 volume without covers. Anything with a cover would be
12 unusual specialty product which is very, very minimal
13 volume.

14 There are practical real dividing lines here
15 much along the lines that we run into every single
16 case in here where if you walk into the smallest
17 corner you might something, but if you look at the
18 overall set of like product factors in aggregate there
19 are clear dividing lines. These are distinct and
20 cognizable products subject to their own features of
21 competition in relevant product market.

22 MR. CARPENTER: Okay. I understood what you
23 said in terms of in a lot of cases school papers end
24 up in binders, but it's been a few years since my
25 children have been out of school. That's not always

1 the case is it? Aren't there a number of papers that
2 are turned in that are not hole-punched?

3 I'm just wondering whether a teacher would
4 have a problem if a student used a pad that we
5 typically use, and just tear out a piece of paper and
6 turn in their assignment.

7 MR. PRICE: As a practical note now having
8 more familiarity with the school age situation I think
9 it's fair to say if you look at school supply lists
10 you just don't see pads like this there. They're just
11 not there. They're a different market, very separate.

12 The day of our children turning in other
13 than class notes, and class tests or maybe homework
14 that are hole-punched that the teacher wants in a
15 certain way so they put them in their own notebook,
16 reports these days are all done on computers and
17 they're all printed out today. So it would be pretty
18 unusual at this point.

19 In fact we looked at the Staples school
20 supply lists because they post them on their internet
21 site and you won't see the legal pads on them to be
22 blunt about it, you won't see steno pads on them, so I
23 think the market including the respondents when you
24 come to the real world see a pretty big difference in
25 the way they market the items, in the way they see the

1 items out there.

2 The only interesting one which was when you
3 got to colleges frankly they didn't have notebooks on
4 there, it was a computer lock at this point and sort
5 of change in direction of where the world is going.

6 MR. CARPENTER: Thank you, Mr. Price. We'll
7 move on now.

8 Ms. Bryan from the Office of Economics.

9 MS. BRYAN: Thank you, Mr. Carpenter.
10 I'm Nancy Bryan from the Office of
11 Economics. Thank you all for coming here today. It's
12 nice to see you all in person.

13 My first question I guess would be for Mr.
14 Rahn, Mr. Robinson, Mr. McLachlan and perhaps Mr.
15 Kaplan, about the differences between college-ruled
16 and wide-ruled. In my experience college-ruled is
17 used more for high school and college purposes and
18 wide-ruled for elementary school.

19 Is that your experience as well? Could you
20 comment on any quality, and price differences and
21 differences in the marketing? Thanks.

22 MR. RAHN: I think your assessment is
23 correct. The wide-rule is typically for the younger
24 children and the college-rule is for older or high
25 school kids, although some may start using it sooner.

1 I do think for the most part your assessment would be
2 mine.

3 MR. ROBINSON: George Robinson from Top
4 Flight. Wide-rule is generally used by younger kids.
5 They have sloppy handwriting and need more space.
6 College-rule, neater handwriting and don't need as
7 much space. They're interchangeable in many ways.

8 There are wide-rule eight and a half by 11
9 inch books, there are college-rule eight and a half by
10 11 inch books, there are wide-rule small books and
11 college-rule small books.

12 MR. MCLACHLAN: Nothing more to add.

13 MR. PRICE: Actually, I will add one thing
14 which is essentially the retailer puts us out to bid
15 and they basically are asking to produce a standard
16 composition book, or a standard spiral bound, or twin
17 wire notebook and they just say give us X number of
18 college-rule, X number of wide-rule, they put them on
19 the shelves together, and again, you're driven by what
20 your teacher specs.

21 There's no pricing difference between those
22 rules, no cost difference between those rules. Again,
23 it's the same thing and that's the way this market
24 works.

25 MS. BRYAN: Thank you. In terms of

1 seasonality for the back to school season I heard a
2 range of four to 10 weeks ranging from July to
3 September. Do you want to make any more comments
4 about the specific time period?

5 MR. PRICE: I think it varies. You have a
6 season that goes a little longer because the actual
7 back to school season specific market actually varies
8 because people start at different places. At the
9 retail level there's very specific data I think which
10 we can help you with, so there's a very precise answer
11 and it goes at around eight to 10 weeks is the overall
12 retail blip in there.

13 That's the spike and that's where all the
14 sales are concentrated. I know people who have
15 started in public schools as early as early August in
16 some parts and as late as mid-September in some parts
17 of the country, so we kind of get that spread
18 affecting.

19 You can see it directly in the retailers'
20 advertisements. When you hit back to school season
21 there are back to school ads with back to school
22 products, and they run for about an eight week to 10
23 week period and they're featured on the front page.

24 Folks like Staples will be out there
25 offering that 70 count notebook for essentially nine

1 cents each or their filler paper for 19 cents each a
2 package and it's essentially what they do to drive
3 their traffic in the store.

4 MS. BRYAN: Thank you. What about the rest
5 of the year. Is there a blip again in the spring
6 semester for example?

7 MR. PRICE: Mythically there is, but there
8 is actually is no data. It's essentially I think a
9 fairly flat season after that. It's the replacement
10 season by and large. You know, the kid lost the book.
11 Not that that's ever happened to us. It never
12 happened to me, right? Of course it did.

13 MR. ROBINSON: The second season is
14 something that we would love to be more substantial,
15 but it's really not. It's a refill as Mr. Price said.
16 My kids do it, they buy the second notebook, but it is
17 negligible. You'll see some advertising, but not much
18 and in most cases unfortunately our customers are just
19 kind of cleaning up inventories from what they bought
20 for back to school more often than not.

21 MS. BRYAN: To the extent to which you can
22 respond to this question publicly what percentage of
23 total sales are made via auctions? Is it all sales or
24 just a percentage?

25 MR. MCLACHLAN: I don't have a percentage

1 off the top of my head, but we can certainly try to
2 work that out for you.

3 MS. BRYAN: Thank you.

4 MR. PRICE: I think we'll get the answers
5 for you for the postconference brief.

6 MS. BRYAN: Thank you. That would be
7 appreciated.

8 MR. KAPLAN: I've got a comment that when
9 auctions are significant it spills over everywhere
10 else because now you have information about prices
11 that you could use in other contexts, so I just want
12 to point that out. It's not like suddenly everyone
13 forgot what happened at the auction when they go into
14 a negotiation. It's a nonauction negotiation.

15 MR. PRICE: My impression is that often
16 people are bound by that auction price for the rest of
17 the supplies for any refill supply that might exist.

18 MS. BRYAN: Thank you. How would you
19 characterize demand over the past two years both for
20 the domestic product and the global industry as a
21 whole? How would you characterize demand over the
22 past few years?

23 MR. MCLACHLAN: The industry continues to
24 grow. There is some good growth. Some of it is tied
25 to the number of kids going back to school, and how

1 many of those there are, and how long they stay in
2 school and what kind of supplies they consume, but
3 we've seen as an industry good growth over the last
4 few years in total.

5 Our manufacturers aren't sharing in that
6 growth, and so we're actually going the other way
7 because of the low cost imports.

8 MR. ROBINSON: I agree with what Neil said.

9 MS. BRYAN: Have you experienced that demand
10 has been influenced at all by the rise in computers
11 and like Mr. Price mentioned students using computers
12 for reports?

13 MR. MCLACHLAN: The great news is that we're
14 all co-users. Lot's of us are still wedded to paper,
15 we still turn in assignments by paper. Some schools
16 are now having them sent in by email, but even there
17 the kids are still getting the school lists and still
18 have the requirement to be able to write on paper.

19 So it's clearly going to have an influence
20 in the future, but it hasn't gotten the kind of
21 influence that other people would have put in the
22 press about it.

23 MS. BRYAN: Thank you. Could you comment on
24 your use of promotional sales and discounts? This
25 might be part of the auction question. I'm not sure

1 if discounts are ever uniquely applied outside of
2 auctions. Also, I guess this is associated with ever
3 you ever sell in multi-pack form if there's a discount
4 associated with multi-packs?

5 MR. ROBINSON: Let me speak to multi-packs
6 first. This is George from Top Flight. The
7 frustrating thing is that multi-packs actually cost
8 more than singles, and so we want to sell them for
9 more because there's more cost and my company does
10 which may explain why we don't do a lot of multi-pack
11 sales.

12 The discounts are generally driven by the
13 market. If you are going in to talk to a customer and
14 your customer tells you that they have significantly
15 discounted prices then you discount your price to get
16 the order and clearly that's your choice, but that's
17 what you do and you do it for various reasons.

18 At Top Flight we do it to keep our trained
19 crew intact to have everyday sales if that's what the
20 negotiation is about or for back to school it's in
21 order to make use of the equipment that we own today
22 that we've invested in over the last 10, 15 years.

23 MR. PRICE: I think a lot of what you're
24 seeing is not necessarily the -- items are bid,
25 they're bid out, people are going to make their

1 economic choices on that as to how they're going to
2 price them based upon their cost structure or the
3 normal competition that are out there.

4 What you're talking about is the way the
5 retailers then decide to market out to their customers
6 for their own promotional purposes, but at the end of
7 the day it's not affecting vendor selection whether
8 it's a U.S. producer, a Chinese producer, an Indian
9 producer, an Indonesian.

10 MR. KAPLAN: Yes. The notion of a discount
11 in auction is kind of an odd notion. It's not as if
12 you go in and say well, I'll discount off this or
13 that. This is a pure bidding situation and the price
14 is a market price at the end of it, so it's not really
15 in the context of discount.

16 What people are thinking about is what their
17 costs are and what their margins are. They're not
18 saying okay, well this was some kind of price I'd
19 written on a piece of paper here and I'm discounting
20 off of it. It's kind of a semantic difference, but it
21 also explains the thinking going in.

22 People aren't thinking of discounting,
23 they're thinking of what their costs are and what the
24 market price is going to be. It doesn't start out
25 from a discount situation. It's an auction. So I

1 hope that puts a little color on the notion that once
2 in a while we have to discount. No. There's a market
3 price, this information is spreading.

4 It goes through auctions, you have to meet
5 auction prices on later sales. Each negotiation is
6 kind of pseudo generous. It doesn't start at the same
7 place and then discount off of that.

8 MS. BRYAN: Thank you. Also, is it your
9 understanding that the subject producers in China,
10 India and Indonesia also use recycled paper? Do you
11 happen to know?

12 MR. MCLACHLAN: I'm not aware of them using
13 very much recycled paper at all. Generally it's
14 straw-based with some wood or completely what they
15 call wood free.

16 MS. BRYAN: This is one last question on the
17 auctions, if there's just one big auction at the back
18 to school period that kind of lasted out the year or
19 if there's multiple auctions?

20 MR. ROBINSON: George Robinson, Top Flight.
21 I've participated in maybe 20 auctions and each of the
22 auctions were for year round business, but it's clear
23 that the bulk of the goods and the auctions that we
24 participated in were for school supplies, and the bulk
25 of the goods shipped out at back to school.

1 MS. BRYAN: That's all I have. Thank you.

2 MR. CARPENTER: Ms. Klir?

3 MS. KLIR: Hi. This is Mary Klir with the
4 Office of Investigations. I'm the accountant on this
5 case. I'd like to thank this panel also for their
6 testimony. It's greatly appreciated. I'd like to
7 follow-up first with some housekeeping, tag along to
8 Bob Carpenter's comments earlier.

9 To my knowledge we still have not received
10 financials from Top Flight, specifically Questions 3-
11 11 and 3-12 of the U.S. producers questionnaire and
12 I'd like to find out the status of that information.

13 MR. BRIGHTBILL: This is Tim Brightbill. I
14 believe those were filed yesterday. I can double
15 check.

16 MS. KLIR: Okay. It's possible they haven't
17 crossed my desk yet. Thank you.

18 MR. BRIGHTBILL: We'll double check as well.

19 MS. KLIR: Regarding Norcom I know it was
20 mentioned earlier by Mr. Rahn that approximately five
21 percent of your sales are the other lined paper
22 products. I apologize, I haven't seen this either.
23 I'm not sure if we received financial data for
24 Question 3-12. I will double check after the
25 conference, but in the event that was not provided

1 we'd need to get that as well.

2 MR. RAHN: We will check as well.

3 MS. KLIR: Thank you. I just have a few
4 questions on cost. Jai Motwane stole my thunder
5 earlier. I'll let you off the hook.

6 You talked earlier about raw material and
7 direct labor cost, but regarding your fixed costs are
8 there any trends in that information that you'd like
9 the Commission to keep in mind as review the cost
10 data? For example energy costs? We hear a lot of
11 that in investigations these days. Would the industry
12 witnesses like to comment on that in your fixed cost
13 structure?

14 MR. MCLACHLAN: We've been working very hard
15 at improving our productivity and a lot of that has
16 been driven right at our fixed costs. So for instance
17 closing six manufacturing plants has taken our fixed
18 costs down considerably in order to try to be
19 competitive and we're still struggling. So we've been
20 reducing fixed costs all along and try to drive toward
21 slower, more competitive prices.

22 As far as energy is concerned everybody's
23 seen a big spike in gas and electricity. We're all
24 experiencing the same thing. I think you can get that
25 from the newspapers. We are experiencing the same

1 thing, too.

2 MS. KLIR: It's the same for the other
3 witnesses?

4 MR. RAHN: Yes. For Norcom I think the
5 thing that we anticipate having just come through back
6 to school it has not hit us in the way that it
7 probably will going forward because of the massive
8 amounts of business that take place during June and
9 July, but I'm sure that the fuel issues are going to
10 be much more important as far as our cost of goods go
11 moving into 2006.

12 MS. KLIR: Okay.

13 MR. ROBINSON: Fuel expenses affect us more
14 in the area of transportation expenses, but as far as
15 fixed overhead we have been working very hard to make
16 sure that our fixed overhead is in line with what our
17 factory activity is, which means it has been reduced
18 and reduced significantly especially for those that
19 lost their jobs, and we have also tried to consider
20 that perhaps things could improve and so we've been I
21 guess slow in reducing some of our overhead expenses
22 because we don't want to get carried away and cut
23 things too far, too hard, too fast.

24 So it's really more of a management
25 preference on Top Flight's part at this point, but we

1 have made reductions especially this year when we were
2 just absolutely hammered by the low cost imports
3 coming in.

4 MS. KLIR: Thank you. Between certain lined
5 paper products and other lined paper products, and I
6 don't know if you can comment on this, here or in your
7 postconference brief should we look for any
8 differences in the cost structure between those two
9 categories or would they generally have the same
10 trends?

11 MR. PRICE: I think we'll look at the
12 specific finances and reply in the postconference
13 brief as to any specific differences.

14 MS. KLIR: Thank you. I have no further
15 questions.

16 MR. CARPENTER: Mr. Forstall?

17 MR. FORSTALL: This is Fred Forstall of the
18 Office of Industries. Since I'm the industry analyst
19 all of my questions are going to be about the product
20 and about the scope.

21 My apologies, Mr. Pickard. If you don't
22 want to address something in the posthearing brief by
23 all means let me know. An awful lot has already been
24 said, so I'll try and go through these as quickly as
25 possible.

1 We talked a little bit earlier about the
2 dimension limitations in the scope and the small size
3 that would fall off the bottom end of the dimension
4 limitations, but if you could please comment on what
5 might fall off the upper end of the dimensions? Just
6 talking in terms of other lined paper, what other
7 lined paper would be in the market that would be
8 larger than the dimensions specified in the scope?

9 MR. PRICE: I'm not sure that we have very
10 specifics on how big the market is over 15 by 15.

11 MR. FORSTALL: Well, I didn't say how big.
12 What kind of paper or what kind of products would be
13 out there in that larger format?

14 MR. MCLACHLAN: Chart tablets and lined
15 posterboard would be the only things that come to
16 mind.

17 MR. FORSTALL: Thank you. We've already
18 talked about the issue of the tablets and the writing
19 pad. My wife teaches kindergarten and she would
20 provide a writing exercise book that would typically
21 have a front and a back cover, it would be wide-ruled,
22 it would probably be printed on a recycled sheet or
23 maybe a groundwood sheet of paper.

24 Would that be in the scope as the scope is
25 presently constituted?

1 MR. BRIGHTBILL: Tim Brightbill. If it's
2 within the size, and it's lined and it has the covers
3 it would be covered. So the quality of the paper
4 inside is not defined as a scope characteristic. So
5 yes.

6 MR. FORSTALL: Thank you.

7 MR. PRICE: There is a minimum page count,
8 too.

9 MR. FORSTALL: Correct. Now, one comment
10 that Mr. Brightbill made that just a few minutes ago
11 made me think that I don't have the latest scope
12 language, but the latest language I have with regard
13 to tablets and writing pads it says specifically this
14 exclusion does not apply to such writing pads if they
15 consist of hole-punched or drilled filler paper.

16 Does that mean if it's hole-punched, and
17 it's a tablet or a writing pad you think it's in the
18 scope?

19 MR. BRIGHTBILL: No. A writing pad or a
20 legal pad is still excluded from the scope even if it
21 is hole-punched, but if there is a product that is
22 simply filler paper that has been glued on the top
23 that is hole-punched or drilled then that remains
24 subject to the scope.

25 MR. FORSTALL: Okay. Read this again.

1 MR. BRIGHTBILL: Yes.

2 MR. FORSTALL: This exclusion does not apply
3 to such writing pads if they consist of hole-punched
4 or drilled filler paper.

5 MR. KAPLAN: I think a couple of the keys
6 are the filler paper part. I think if you think of a
7 hole-punched filler paper that goes in a kid's
8 notebook and instead of having it all loose you put
9 some glue on the top, which you don't see here in the
10 United States but you do see abroad, there is a
11 concern that it could be really bad glue and then
12 suddenly you get all kinds of filler paper showing up.

13 So this makes sure that product doesn't
14 enter that.

15 MR. BRIGHTBILL: That's correct. That's the
16 situation we were trying to address with that
17 particular language.

18 MR. FORSTALL: So that foreign product would
19 be in the scope. Where are we to find it in the
20 United States? That foreign product would be in the
21 scope?

22 MR. BRIGHTBILL: That's correct.

23 MR. FORSTALL: Thank you. Considering that
24 there's a wide variety of hole-punches which are
25 routinely found in homes, offices, and schools and

1 especially backpacks let me ask just if you would
2 comment either in the posthearing brief or now how
3 does the presence or absence of holes in the paper at
4 the point of purchase bear upon the ultimate end use
5 of the paper itself?

6 MR. PRICE: We'll address that in the
7 postconference brief.

8 MR. FORSTALL: Thank you. Considering the
9 range of school age kids it's my feeling that probably
10 the sort of paper that the kid uses changes over time
11 and probably it's pretty consistent at some point in
12 the middle, but on the lower ends especially and on
13 the upper ends there would be some difference in the
14 sorts of paper that the kids would use.

15 I gather what we're really talking about
16 here is what's used more or less in the middle, so
17 that once the kid writes well enough that he can use
18 the smaller ruled paper that's what the teachers want
19 them to have. Once he goes off to college there may
20 be some variation.

21 He may use college-ruled or he may use some
22 other form of note keeping. If you could comment on
23 that variation in terms of how the paper usage might
24 change over the school period?

25 MR. PRICE: I think it was discussed earlier

1 that the typical changes are the changes in the size
2 of the lines which we've talked about earlier which
3 start out larger and get smaller.

4 MR. FORSTALL: Okay. I guess of course I'm
5 getting to the issue of out of scope paper. If the
6 tablets and the legal pads are out of scope, the usage
7 by school age kids, whatever age, of the out of scope
8 paper. Also, I'd like to ask you to consider the
9 converse of that which is the use of in scope paper by
10 other than school kids, at what point there's a
11 blurring of the distinction.

12 If other kids or other people rather, not
13 just school kids, use the subject product. So if you
14 could in the posthearing brief comment on the usage of
15 the subject product by other than school kids?

16 MR. PRICE: We will be happy to do so.

17 MR. BRIGHTBILL: Tim Brightbill. I'll just
18 add I believe we have school supply lists covering the
19 range of ages and we'd be happy to give you some of
20 that information as well.

21 MR. FORSTALL: Thank you.

22 MR. PRICE: One other thing you should be
23 aware of when you take your legal pad, and quickly
24 look at it and flip your pages unlike a school
25 classroom list or unlike a school notebook where it's

1 going to be ruled the same way on every single page,
2 flip it over. It's designed to be written on like
3 this. So there's some real practical distinctions why
4 this is not going to end up in school applications.

5 MR. FORSTALL: Yes. If you could develop
6 those arguments in your posthearing brief that would
7 be great.

8 MR. PRICE: Thank you.

9 MR. FORSTALL: Let me ask one more question
10 with regard to the scope. The proprietary products
11 that have been excluded just a quick check of the
12 MeadWestvaco website indicated that some of those
13 products at least may contain lined paper. If you
14 could in the postconference brief develop the
15 arguments based on the six factor test as to why those
16 are not a like product for the subject product?

17 MR. PRICE: We will be happy to address that
18 in the postconference brief.

19 MR. FORSTALL: Thank you. Now, dropping
20 back just for a matter of detail and a matter of
21 working from the outside in let's drop back just to
22 the basic characteristics of the paper for the moment.
23 Could you comment on what basis weight you normally
24 buy, what range of basis weight you typically buy to
25 produce the subject paper?

1 MR. RAHN: I think probably 90 percent plus
2 of what we use in our industry is probably what is
3 classified as 15 pound uncoated free sheet tablet
4 grade paper bleached.

5 MR. FORSTALL: So that would be a 17 by 22
6 inch basis?

7 MR. RAHN: That would be.

8 MR. FORSTALL: So that would be essentially
9 five pounds basis weight difference than normal 20
10 pound cut sized copy paper?

11 MR. RAHN: Correct.

12 MR. FORSTALL: Thank you. What is the
13 typical brightness range or brightnesses that you
14 would purchase?

15 MR. RAHN: Typical mill brightness
16 historically has been in the 83/84 range. There's a
17 shift with U.S. manufacturers today to go into the
18 90s.

19 MR. FORSTALL: Now, I think we established a
20 little while ago that it's basically a chemical pulp
21 free sheet that you purchase. Is there any recycled
22 pulp content at all in the paper these days or is
23 it --

24 MR. RAHN: I think the mills are typically
25 -- there's a percentage of postconsumer waste in the

1 product, but it's not considered. If we're going to
2 sell a recycled product we would buy a sheet that is
3 "a recycled sheet" that maybe had some groundwood in
4 it or some other --

5 MR. FORSTALL: So that would be a little bit
6 less bright perhaps?

7 MR. RAHN: It would be less bright and it
8 would be a very tiny part of this market.

9 MR. FORSTALL: The recycled fiber usage that
10 they would typically use though would be envelope
11 clippings and high-end pulp substitutes, stuff like
12 that?

13 MR. RAHN: Exactly, or old copy paper or
14 something of that nature.

15 MR. FORSTALL: Right. As producers of the
16 subject product what unit of measure do you typically
17 use when you're measuring quantity in terms of output
18 in your plants?

19 MR. MCLACHLAN: Items. I think that's how
20 you measure it.

21 MR. SMITH: Are you asking unit volume?

22 MR. FORSTALL: Yes. The quantity unit
23 measure.

24 MR. SMITH: In our operations we use eaches
25 as a unit of measure.

1 MR. FORSTALL: Inches?

2 MR. SMITH: Eaches, an item. An individual
3 notebook or filler paper pack.

4 MR. FORSTALL: Thank you. Finally, let me
5 ask just a couple of questions about how this relates
6 to the HTS classifications that were shown on the
7 petition. If you can just give me your best guess as
8 to how much of the subject product is coated with cale
9 and clay?

10 MR. PRICE: We'll do that in the
11 postconference brief.

12 MR. FORSTALL: How much is light-weight
13 coated paper?

14 MR. PRICE: We'll address that in the
15 postconference brief as well.

16 MR. FORSTALL: Of course the next question
17 would become how much of the subject imports do you
18 anticipate would be coated with cale and clay and
19 therefore properly classified in HTS 4810225044?

20 MR. PRICE: We'll also follow-up with that
21 in a brief.

22 MR. FORSTALL: If I could ask you to do the
23 same thing, we mentioned the colored paper just a
24 little while ago, for your best guess as to how much
25 of the imported product would be colored and therefore

1 correctly classified in HTS 4811909010.

2 MR. PRICE: The same thing. We'll check
3 with everyone in the industry and see if --

4 MR. FORSTALL: Thank you. No further
5 questions.

6 MR. CARPENTER: Mr. Deyman?

7 MR. DEYMAN: Good afternoon. I'm George
8 Deyman, Office of Investigations. When did you first
9 become aware of the influx of the subject imports in a
10 way that disturbed you?

11 MR. ROBINSON: George Robinson from Top
12 Flight. It's probably the day I lost my largest
13 customer in 2001-2002 to import product from China. I
14 knew of imports before that, but that was when this
15 new surge came onto the radar screen so to speak.

16 MR. RAHN: For me the big blow came in the
17 fall of 2003 as I mentioned in my statement where we
18 were informed that we had a pricing situation that was
19 some 26 percent below our previous price and we were
20 at risk of losing our entire piece of business in a
21 very large account.

22 MR. MCLACHLAN: Imports have been run for a
23 long time, but the big surge has come in the last
24 three years and the price compression has been
25 extremely strong in the last three years.

1 MR. DEYMAN: When would you say your last
2 good year was for your product line that we're talking
3 about here?

4 MR. RAHN: Harold Rahn with Norcom. Before
5 the fall of 2003 was a good year and it resulted in
6 2004 being a terrible year.

7 MR. MCLACHLAN: I'd go back to 1995 when
8 there was a significant change in the paper market.

9 MR. ROBINSON: I agree with Neil. It was
10 back in the mid-1990s, late 1990s when we were making
11 what other companies considered to be an acceptable
12 return and that return has dissolved into a potential
13 loss this year. We'll know in a few days.

14 MR. PRICE: I think it's fair to say that
15 the industry members have been working through a very
16 tough competitive situation trying to do what they can
17 and as the imports mounted some responded by trying to
18 lower costs and maximize volumes, others responded by
19 trying to cut production and reallocate and
20 redistribute plants.

21 No matter how you cut it the industry has
22 been injured by the surge of the imports despite their
23 best efforts to restructure, despite their best
24 efforts to compete.

25 MR. DEYMAN: You mentioned the auctions that

1 are conducted, and what you called shootouts and that
2 sort of thing. Is this a new development since the
3 subject imports have been coming in or is it totally
4 unrelated to the fact that there's more product in the
5 marketplace, more competition?

6 MR. ROBINSON: George Robinson. We don't
7 decide to run the auctions, the retailers decide to
8 run the auctions and we choose to participate because
9 we're interested in doing business with them. I don't
10 know how connected the two are, but I know that the
11 auction process casts a wider net for accessing low
12 priced imports.

13 MR. MCLACHLAN: Electronic auctions are a
14 relatively new phenomenon for us to compete on price,
15 and clearly as George said they cast a wider net and
16 they include many other people that wouldn't normally
17 have had a seat at the table, so that's created a more
18 competitive environment.

19 MR. RAHN: I think it's safe to say that the
20 auctions have certainly sped up or accelerated the
21 rate at which the damages or the dangers have been
22 seen and felt by our industry.

23 MR. DEYMAN: What about nonsubject imports,
24 that is imports from countries other than the three
25 that you've identified? How large are they in the

1 marketplace, and have you felt competition from them
2 also? Now, you're importing some from Brazil I think
3 it said.

4 MR. MCLACHLAN: Yes. That's correct. The
5 subject countries are the ones that we believe are
6 doing the injury. There's lots of other people who
7 participate in this market and clearly they're
8 competing on a fair basis, like Brazil.

9 From time to time they're in and out of the
10 market and they continue to behave in the correct
11 manner and not available to them are some of the
12 government subsidies that you see in some of the
13 subject countries.

14 MR. RAHN: I would agree. We've certainly
15 bought product from Brazil. We've bought product
16 before from Peru, from Mexico, from many other
17 countries and we have not experienced the same type of
18 damages from those countries.

19 MR. ROBINSON: The majority of the
20 merchandise that Top Flight imports from Brazil is
21 merchandise that we don't manufacture. We don't have
22 the capability of producing it. When we traveled to
23 China, India and Indonesia and began to get prices
24 from those countries there was a substantial
25 difference in pricing between those three countries

1 and the prices that we were quoted out of Brazil.

2 For that reason we firmly believe and know
3 and have experienced that the pricing practices out of
4 those countries are very different from the pricing
5 practices out of Brazil.

6 MR. DEYMAN: Is there a lot of capacity in
7 the nonsubject countries to export to the United
8 States? I guess what I'm getting at is if you win
9 this case and anti-dumping duties are imposed how do
10 you know that nonsubject imports will simply take over
11 from the subject imports?

12 MR. MCLACHLAN: I think we still have lots
13 of capacity to meet the demands for the U.S. market
14 here in the United States and that's the first place
15 that ought to go.

16 There are other countries who can replace
17 some of that volume that would come from the subject
18 countries, and of course the subject countries can
19 continue to be brought into the United States as well
20 just at their prices, not at dumped prices with
21 artificially low margins.

22 MR. KAPLAN: Seth Kaplan. The expectation
23 is based on experience from these other countries
24 today, so the expectation given their previous history
25 is that they would not price at injurious levels with

1 dumping and subsidization and we would be able to
2 effectively compete given our excess capacity, fine
3 production process, trained workers, distribution
4 system and location in the United States which should
5 be an advantage to our customers.

6 MR. DEYMAN: Thank you. Would you say this
7 is more of a price case, or a volume case or both?

8 MR. PRICE: I think it's both. I think you
9 have factors of both. This is a typical case where
10 you have loss of price competition, you have lost
11 volume, you have lost revenues. All the types of
12 typical indicia. Different producers may respond
13 differently, but the net aggregate affects are
14 negative and injurious to the industry.

15 MR. DEYMAN: It was mentioned earlier by Mr.
16 Cameron in his opening statement that the capacity to
17 produce the product in the United States is below the
18 consumption and I know that you can't supply the
19 entire market. First of all is that true?

20 MR. MCLACHLAN: I don't believe it's true.
21 I think we have the capacity to do that. We don't run
22 our factories 24 hours a day, seven days a week every
23 day of the year. We have lots of idle capacity today
24 as a result of the reduction in volume that we've
25 seen. Even though we've taken some capacity out I

1 still believe the industry has the capability and wear
2 with all to give the U.S. consumer what they need.

3 MR. RAHN: I agree completely with that
4 statement I think there's plenty of capacity where
5 we've got enough underutilization at this point that
6 it would not be difficult at all.

7 MR. ROBINSON: I agree with what those two
8 guys said, and personally, we could triple our output.

9 MR. PRICE: I think it's also fair to say
10 that there are a number of cases that were before the
11 Commission where the capacity question is raised.
12 Even if there is a need for some imports, it's a
13 question of imports at what pricing level, you know,
14 and how the market then reacts to that.

15 MR. DEYMAN: But if it turns out that indeed
16 the industry's capacity is below that of consumption,
17 would you argue then that the reason it's below is
18 because of the subject imports? That is, have you
19 closed the plants -- I know you say that you have
20 closed the plants because of the subject imports, but
21 would that be the only reason, or are there other
22 reasons why your capacity has decreased in the past
23 few years?

24 MR. MCLACHLAN: The reason is that our
25 productive capacity has decreased as a direct result

1 of the imports. It's a direct result of the low-
2 priced imports coming into the country unfairly and
3 driving us to look for ways to save costs in our
4 manufacturing process.

5 MR. DEYMAN: You mentioned earlier that I
6 think all three of you are importing the subject
7 product. Could you roughly estimate on an aggregate
8 basis, not for each of your firms, but what share of
9 the subject imports would be accounted for let's say
10 last year by the domestic industry in terms of, you
11 know, value maybe? I mean, is it low like 10 percent
12 or would it be 50 percent or 80 percent?

13 MR. PRICE: I think we'll address that in
14 the post-conference brief, the real specifics of the
15 data, rather than state it here.

16 MR. DEYMAN: Say again.

17 MR. PRICE: We'll address that in the post-
18 conference brief.

19 MR. DEYMAN: I mean, you can't even estimate
20 on an aggregate basis? I understand you don't want to
21 talk about your individual companies, but, well, in
22 general, do you think, would you say it's low or
23 moderate or high? I think the Respondents need --
24 since they haven't received your importers'
25 questionnaires and they're going to be making a

1 presentation this afternoon, I think they need to have
2 some idea before they can ask some questions about it.

3 MR. MCLACHLAN: First, it's a little
4 complicated to answer because sometimes the imports
5 are arranged by us and not made by us, and so
6 sometimes those numbers get a little cloudy, so I'm
7 not trying to evade your question.

8 We are -- I think we have a pretty good
9 share of it, but many of our customers are going
10 direct and many of our customers are finding their own
11 sources overseas, and there's lots of importers who
12 are, you know, two people in an office in Chicago who
13 would like to have some of this business and they
14 continue to come into the market every day. So there
15 are plenty of places that these subject imports
16 continue to come from the same countries.

17 MR. DEYMAN: All right. It was mentioned
18 in -- I believe Mr. Price mentioned in your opening
19 statement that prices have fallen during the last
20 three years. I think you said calendar years, though.
21 What about this year and the partial year period that
22 we looked at? Are prices up?

23 MR. MCLACHLAN: For us, this is the worst
24 year. These are lower than last year.

25 MR. PRICE: I think one of the things we've

1 also heard is that paper costs are up this year, as
2 they are for maybe commodity products. Some people
3 have attempted to try to capture that higher price at
4 the expense of lopping off more volume and losing more
5 volume, and those are the pressures that manufacturers
6 are in when faced with dumped and subsidized import
7 competition.

8 Again, I think it varies a little. You
9 know, every producer's exact approach to this varies
10 because all these guys around this table are
11 competitors too out here and come up with their own
12 business strategies.

13 MR. KAPLAN: Price is sometimes a good
14 indicia of how the industry is doing in a time where
15 input costs are relatively stable. I mean, price is
16 kind of a proxy for profit. Costs aren't moving
17 around much. Quantity's not moving around much.

18 But similarly to a product that the
19 Commission is well aware of, and that's steel, where
20 it has a scrap cost that fluctuates, this industry has
21 paper costs that fluctuates. So to look at the prices
22 independently of the costs could be misleading, and I
23 suggest you look at the profitability in dollars and
24 the margin.

25 The margin will give you an idea of how much

1 they could go over costs, and the total profits will
2 give you an idea that even if they could hold onto
3 their margin some how much quantity they have to lop
4 off to do that at a particular firm. And I think what
5 you'll see is that different firms have responded
6 differently, but that there is injury in each firm and
7 in the aggregate.

8 MR. DEYMAN: All right. I believe it was
9 mentioned earlier by Mr. Cameron also in his opening
10 statement that the imports from Indonesia are
11 different in quality. Do you -- can you comment on
12 that? Is there anything that you perceive as
13 different about the imports from Indonesia?

14 MR. RAHN: I am an importer from Indonesia,
15 and Indonesian paper is a little bit brighter than the
16 Chinese paper, but in terms of the overall quality of
17 the product, there's very little difference. And
18 that's the comment.

19 MR. MCLACHLAN: I'd say they're
20 substantially similar and substitutable. We see the
21 same book with the same cover from two or three
22 different locations, Indonesia being one of them.

23 MR. PRICE: Often in the same store at the
24 same time, or you just go to one store or another. It
25 just depends on where you walk in. You know, at the

1 end of the day, this market is not recognizing any
2 significant quality differences. This is essentially,
3 you know, essentially bid, it's auctioned, et cetera.

4 MR. KAPLAN: From the ultimate end user's
5 perspective, neither my wife nor my son requested
6 Indonesian filler paper when they went shopping. They
7 went to a store, they picked some up, they came home,
8 put it on the shelf.

9 MR. PRICE: And they didn't go to Target or
10 Wal-Mart because one had white -- and decided to buy
11 it so the one filler paper was whiter than the others.
12 No one recognizes this as anything meaningful out
13 there in the marketplace.

14 MR. DEYMAN: To what extent then if the
15 products are so similar are the products co-mingled by
16 the importers or the retailers? You know, co-mingling
17 of subject product and non-subject and your own
18 product.

19 MR. PRICE: We will present specific
20 evidence in that in the post-conference brief, but it
21 is very typical to find the subject product and the
22 domestic product co-mingled on the shelves or on the
23 floor is where you typically find this because these
24 are all, you know, coming in on pallets and you can
25 see it co-mingled.

1 You can see it changed from day to day
2 sometimes depending on when they get the latest
3 shipment in and if they bought from AT&T, for example,
4 or one of its subsidiaries which has operations in
5 China, Indonesia. One shipment may come out of China
6 and the next shipment may come out of Indonesia. So
7 co-mingling is real, is very common.

8 MR. DEYMAN: As the supervisor on the
9 investigation, it's my job to try to make sure that
10 the Commissioners get the possible data so that they
11 can make their decision, that the data are complete,
12 consistent, and applicable to the product or products
13 in question.

14 At this moment, I'm a little worried. I
15 haven't seen the questionnaires yet. Some aren't even
16 in yet. But I just want to make sure that the data
17 that we are gathering on what was the scope in the
18 petition -- as you know, our questionnaires when we
19 sent them out, all we had was the scope of the
20 petition. Now the scope has changed so much,
21 somewhat. So I'd like you to comment on how different
22 is the scope, how different are the data between the
23 two scopes.

24 MR. PRICE: First of all, the scope change
25 that was made, so you understand, was largely made and

1 refined by your sister agency and --

2 MR. DEYMAN: Yes.

3 MR. PRICE: You know, just so you understand
4 that. And I'm not sure that they're done with it
5 either. So that's so you understand that.

6 The domestic producers have reconfigured
7 their data to match the scope as we submitted the --
8 as we were requested to submit the amendment on.

9 There are some changes or some things that
10 are explicit in there. I'll give you specifics on
11 that. Some of it was things that were not necessarily
12 intended to be in the scope that were -- you know,
13 that they said well, what about this and so, you know,
14 said well, that should be out of the scope, and so
15 there were specific reasons drawn for that.

16 But having read -- but from the original
17 scope, a third party might not have realized that, or
18 the Commerce Department might not have realized that,
19 so we will itemize those for you and give those to you
20 in the post-hearing brief. Again, it's very detailed,
21 as you know. I mean, this is a very long, written,
22 detailed scope, and so we'll itemize each of those and
23 the potential implications of those.

24 MR. DEYMAN: Right. I fully understand that
25 the data you're providing to us are based on the new

1 scope.

2 MR. PRICE: Right.

3 MR. DEYMAN: But the importers that provided
4 data may not have been aware of the new scope. In
5 fact, they weren't aware of the new scope for the most
6 part I would think. How different would your data
7 have been if you had reported data for the old scope
8 instead of the new scope?

9 MR. PRICE: I think it's better to say that
10 --

11 MR. DEYMAN: Was it a big change or not?

12 MR. PRICE: -- we did not see a significant
13 with our data -- having said that, I'm sure the guy
14 who is compiling the numbers in the back would --
15 basically agrees with me. However, I don't want to
16 speculate on how anyone else -- on how any individual
17 Respondent might look at that change.

18 MR. BRIGHTBILL: This is Tim Brightbill.
19 I'll just add there was not a great change in the
20 scope between what we submitted and what is before you
21 today. What we did was to try and clarify some of the
22 exclusions that we had thought were already clearer by
23 the definition that we had provided.

24 So, for example, we added a specific
25 exclusion for lined office forms. There was not any

1 intent to include lined office forms from the
2 beginning and we thought our language was clear, but
3 we added a specific exclusion for that. Shouldn't
4 change the data that you received greatly that we
5 spelled it out that much more clearly.

6 MR. PRICE: Yes. You know, there is what is
7 often called the common-sense test. You know, the
8 bulk of the notebooks, the paper, all those things
9 never really changed, okay? You know, there are
10 things that -- you know, they said like business
11 forms. Someone held up a book of business forms. I
12 mean, you know, those were never intended to be in the
13 scope.

14 Would someone have put -- could someone have
15 answered were those in the scope or in the scope?
16 Perhaps, okay? And that's -- you know, we didn't
17 think they were. We didn't intend them to be. And
18 so, you know, those things got ruled out. I don't
19 want to speculate necessarily how an importer
20 responded, however, okay?

21 MR. DEYMAN: No, I understand that. But if
22 the importers respond and provide data on the original
23 scope, are those data good enough, close enough to
24 reality to make a reasonable decision at this
25 preliminary stage?

1 MR. PRICE: We would anticipate that if
2 you're looking at notebooks and papers, if that's the
3 way people respond to what we intended, it would be
4 essentially, you know, very minimal difference, just
5 as it was for us.

6 However, what I'm saying to you, given the
7 fact that we sort of heard that, you know, everything
8 in the world was somehow covered by this and that, you
9 know, that was sort of the line that some of the
10 Respondents were trying to use on this to try, you
11 know, to say what was going on here, I don't know what
12 they would have answered or thought.

13 MR. DEYMAN: The one product I think that
14 may have differed from the original scope to the
15 current one are legal pads. I know legal pads are
16 clearly out in the new scope. I believe you intended
17 them to be out in the old scope, too, but it wasn't
18 all that clear, in my opinion.

19 So, if for some reason importers reported
20 imports of their legal pads as being in the scope
21 because they thought they were in the scope -- well, I
22 guess what I'm getting at is how important are legal
23 pads in the grand scheme of things here?

24 MR. PRICE: Legal pads, I mean, it is fair
25 to say that there is a big separate and independent

1 legal pad market out there that is a business-driven
2 market. For those of us who work in the business
3 environment, you know, we walk into our supply rooms
4 and there are mounds of legal pads. There are legal
5 pad imports from the subject countries that do exist,
6 so, I mean, there is a -- you know, so it is a
7 potential issue out there.

8 MR. DEYMAN: Okay. Now, assuming that we
9 get good data, good responses from the producers and
10 from the importers, we will have to present data for
11 the units and value, as we do in our reports.

12 I'd like for you to comment very briefly on
13 the fact that you believe that the data, the quantity
14 data, should have been and were collected in terms of
15 units and do you think that is a reasonable and
16 correct way of doing it.

17 MR. PRICE: You know, we think units are a
18 reasonable and correct way of analyzing it. It is the
19 traditional way that the ITC analyzes it over
20 preference over value, you know, out there. It
21 doesn't mean that value doesn't have some, you know,
22 some consideration in this, but we would focus -- our
23 belief at this point is that units would be -- I mean,
24 you know, units would be the best basis for focus.

25 MR. DEYMAN: And --

1 MR. PRICE: For analysis, excuse me.

2 MR. DEYMAN: -- I know that you keep your
3 data in units or what you call eaches I believe,
4 right, which are units?

5 MR. PRICE: Correct.

6 MR. DEYMAN: I guess I'll ask the importers
7 this afternoon, you know, whether their data are kept
8 on that basis or not. Of course, the HTS numbers are
9 in kilograms, if I recall.

10 MR. PRICE: Actually, it varies by HTS
11 number.

12 MR. DEYMAN: Okay.

13 MR. PRICE: Some are in units and some are
14 in kilograms, and no one keeps any data in kilograms,
15 okay? I mean, that's not -- we can convert it -- we
16 could -- you know, people could convert it out, but in
17 the commercial world, people don't buy pounds of
18 filler paper, which is what's in -- you know, they
19 buy, you know, 100 -- you know, they buy packs,
20 150-pack, 200-pack. Most of it's 150-pack. There's a
21 132-pack. There's a 150-pack. There are various
22 sizes that might exist.

23 MR. DEYMAN: Right.

24 MR. PRICE: But, you know, most of it is in
25 units or eaches or what the industry calls them.

1 MR. DEYMAN: I just have a couple of more
2 questions. With regard to value, the scope indicates
3 that subject merchandise may contain accessory or
4 informational items included but not limited to a
5 number of things which are referenced, such as the
6 stencils, protractors, writing instruments. So your
7 value data would include I presume the value of these
8 stencils and protractors and writing instruments,
9 right? Because --

10 MR. PRICE: That would be correct.

11 MR. DEYMAN: All right.

12 MR. PRICE: If you opened up a school
13 notebook, you know, all of a sudden you'll see put in
14 the back, you know, there -- you know, there could be
15 -- well, you know --

16 MR. DEYMAN: Right.

17 MR. PRICE: -- all this little stuff
18 attached or sewn in, whatever, you know.

19 MR. DEYMAN: Now do you produce those
20 products? Do you produce stencils and protractors and
21 things like that, or do you procure them from somebody
22 else and then put them in the product?

23 MR. SMITH: We procure them from someone and
24 put them in in our manufacturing process.

25 MR. DEYMAN: All right. And my last

1 question is with regard to the HTS subheadings and
2 statistical reporting numbers. You've identified
3 three. If it turns out that our questionnaire data
4 are not as good as we would like them to be, you know,
5 then we may have to rely on the official statistics.
6 So I'd like you to comment on how good a measure of
7 the subject imports using the official statistics
8 would be in those three HTS numbers.

9 MR. PRICE: We think that there are problems
10 with the tariff numbers for several different reasons.
11 You know, we've identified them based upon Customs'
12 letter rulings of what we think the right ones should
13 be. However, they're Vasque categories in many cases
14 and contain a mix of subject and non-subject
15 merchandise, which presents an issue.

16 There are imports from countries where one
17 company may be the only manufacturer in that country
18 and there's nothing coming in from that country that
19 falls in the basket, you know, for those quantities
20 that are there.

21 So there are subject products -- there are
22 products from some of the subject countries which we
23 could look at the peers' data and have mounds of
24 entries. And I can go to the retailer and see them on
25 the shelves, and yet, in the import statistics for

1 that product, there's no quantity being reported,
2 okay?

3 So, you know, there may be misclassification
4 going on. Proper, improper, I'm not alleging anything
5 here. It's just, you know, all the normal vagaries
6 that actually happen in all of this. So we think that
7 the tariff data has some challenges to it, okay, at
8 the preliminary phase of this investigation.

9 MR. DEYMAN: Well, that would be at any
10 phase, right? I mean, the import data --

11 (Laughter.)

12 MR. DEYMAN: All right. Fine. Fair enough.
13 All right. I have no further questions. Thank you.

14 MR. CARPENTER: Ms. Bryan has a followup
15 question.

16 MS. BRYAN: I just wanted to ask, the
17 Petitioners requested that we collect both net and
18 gross pricing data and I just wanted to know if you
19 could clarify what you want us to keep in mind when
20 looking at those.

21 MR. PRICE: I'm honestly not sure we
22 requested it, but it may have been, I'm not going
23 to -- but I'll respond to you in the post-hearing
24 briefs.

25 I do also want to say that I appreciate what

1 you've said about the questionnaires from the domestic
2 industry. We ourselves have been looking at the
3 importer Qs that have been received and perhaps none
4 have been served on us at this point and the minimal
5 amount that have been collected at this point and it
6 would appear to us from the questionnaires that at
7 least so far there are real and substantial gaps on
8 either the import side and the foreign producers' side
9 to get gauges of these numbers.

10 MR. CARPENTER: Ms. Stump has a follow-up.

11 MS. STUMP: This is a question for the
12 domestic productions.

13 You mentioned you have blended machines.

14 I believe, Mr. Robinson, you were talking
15 about them.

16 To the extent you can comment publicly,
17 what percentage of your production is on the blended
18 machines for certain lined paper as well as other
19 lined paper?

20 MR. ROBINSON: I would need to refer to
21 notes to give you an accurate answer, so it would be
22 best if I wait until after this and refer to that
23 post-conference.

24 MR. MCLACHLAN: I don't have the percentage
25 number here. We'd be happy to give it to you. It's

1 small.

2 MR. CARPENTER: And Mr. Motwane has a couple
3 of follow-ups also.

4 MR. MOTWANE: Mr. Price, I just want to
5 check on an administrative matter. Did you say you
6 have not been served with any importers'
7 questionnaires thus far?

8 MR. PRICE: No, we received the APO release
9 on Friday.

10 MR. MOTWANE: So you did?

11 MR. PRICE: The APO release we have, but for
12 anyone who is a party of record that would have --
13 there's a service obligation.

14 MR. MOTWANE: Okay. So you have not yet
15 received the importer's questionnaire from Staples or
16 CPP?

17 MR. CAMERON: They were served yesterday.

18 MR. PRICE: It may well be that it came in
19 last night.

20 MR. MOTWANE: Okay. So we like you --

21 MR. PRICE: Sir, it's just we haven't
22 received --

23 MR. MOTWANE: -- handle it for you so we'll
24 look into that.

25 Just two quick requests for your brief.

1 The first is if you could elaborate on any related
2 party issues to the three petitioning firms, anything
3 over and above what's already in the questionnaire,
4 ownership, joint ventures, et cetera, in China, India
5 or Indonesia, I would appreciate that.

6 Second, if you're aware of or have conducted
7 any research regarding the estimated size of this
8 market, any market studies by value or quantity for
9 the market for lined school supplies, if you could
10 include that as well it would be very useful.

11 I just have one question for the producers.

12 Based on your knowledge of the market, what
13 is the largest source of lined paper school supplies,
14 subject or non-subject, for imports? Is it one of the
15 subject producing countries or is it a non-subject
16 country?

17 MR. RAHN: It is a subject country and we
18 would suggest it's China.

19 MR. MOTWANE: China?

20 Mr. Robinson?

21 MR. ROBINSON: The same. I agree with
22 Harold.

23 MR. MOTWANE: And which would be the largest
24 non-subject source, to your knowledge, the best of
25 your knowledge?

1 MR. ROBINSON: The largest country not
2 India, not China, not Indonesia?

3 MR. MOTWANE: Correct.

4 MR. ROBINSON: I don't have any statistics
5 on it. I don't know.

6 MR. MOTWANE: Okay. That's fair.

7 Mr. Rahn?

8 MR. RAHN: It's Brazil.

9 MR. MOTWANE: Okay. Are there any other
10 major non-subject sources on the radar?

11 MR. PRICE: No.

12 MR. MOTWANE: No?

13 MR. PRICE: No. And you can just --
14 honestly, if you walk through all the supplies out
15 there, you see the U.S., obviously U.S. supplied, but
16 it's not like you see Canadian supplied, it's not like
17 you go out and you see a Mexican supply, et cetera on
18 the shelves in the United States.

19 MR. MOTWANE: Thank you.

20 Mr. Carpenter, that's all I have.

21 MR. CARPENTER: Okay. Thank you.

22 And just to follow up, in terms of service
23 requirements, I would just ask that all the parties
24 who are here today serve all documents by hand
25 delivery on the same day that they're delivered to the

1 commission, since obviously we're getting close to the
2 brief date and everyone needs this information as
3 quickly as possible.

4 At this stage, we'll take about a 15-minute
5 break and ask the Respondents to come forward for
6 their presentation at that time.

7 Thank you.

8 (A recess was taken from 12:52 p.m. until
9 1:08 p.m.)

10 MR. CARPENTER: Welcome back, everyone.

11 Please proceed, Mr. Cameron, whenever you're
12 ready, or whoever is going to start.

13 MS. MENDOZA: I was going to say good
14 morning, but I guess it's actually good afternoon.

15 My name for the record is Julie Mendoza with
16 the law firm of Kaye Scholer and we're here today
17 appearing on behalf of Staples.

18 I'd like to introduce you to Susan Ciulla
19 and Kelly O'Brien, also from Staples, who are going to
20 be doing the testimony today.

21 I'd just like to make a few comments at the
22 beginning in terms of the legal framework we're facing
23 here.

24 If ever there was a case in which the
25 statutory standard for an affirmative preliminary

1 determination has not been met, this is it. That's
2 been pretty obvious from the beginning of this case
3 when Petitioners' original petition was so inadequate
4 that they had to make at least four additional
5 submissions to get the injury portion of their
6 petition to be sufficient to even initiate.

7 That tells you something. It tells you that
8 their injury case is weak and that their scope is
9 suspicious.

10 Of course, those subsequent submissions
11 occurred long after the commission was compelled to
12 develop and send out its questionnaire.

13 Petitioners then compounded the commission's
14 difficulty in collecting data by failing to supply
15 full information in the questionnaires that apply to
16 their operations. Substantial and critical data
17 requested in the commission's questionnaires is still
18 missing, as the commission staff noted earlier.

19 The questionnaire is will Petitioners'
20 strategic shenanigans of withholding data be
21 successful and force the commission into a final
22 determination?

23 Petitioners seem to think that if they
24 withhold information, withhold data, the commission
25 will have to go forward to a final in order to develop

1 the record that they refuse to supply. But
2 Petitioners misapprehend the statute.

3 As the court said in American Lamb, the
4 standard is not whether "a reasonable indication of
5 the need for further inquiry exists; the standard is
6 whether there is a reasonable indication of material
7 injury based on the best information available to the
8 commission" and the best information available to the
9 commission does not mean whatever data Petitioners
10 choose to supply.

11 As the court also pointed out in American
12 Lamb, the commission is required to conduct a thorough
13 investigation. It is required to look not just at the
14 information that supports the petition, but the entire
15 information that the commission has requested, the
16 full record.

17 If we go back to the fundamental principles
18 of the statute, first, Petitioners have the burden of
19 presenting sufficient evidence that they are injured
20 by subject imports. How could it be otherwise? This
21 is the information that they have in their possession.

22 Second, that data must be complete. The
23 commission has to be able to carry out its statutory
24 obligations. If Petitioners have only provided data
25 that is convenient to them or favorable to their

1 position, rather than the full information, then the
2 commission is unable to evaluate the record as a
3 whole.

4 Moreover, the commission would lack
5 sufficient data on which to make the legal
6 determinations required of the magnesium.

7 Let me give you an example. There is a real
8 question in this case whether some or any of the
9 Petitioners should be treated as domestic producers,
10 given the apparent significance of their import
11 operations. Are these related parties to the
12 importing operation? Does the commission even have
13 the data yet to make this determination?

14 Without it, the commission really can't
15 decide what domestic industry it should be examining.

16 The like product that has been presented to
17 the commission is rather amazing. Petitioners so
18 transparently gerrymandered the scope of this case
19 that they have trouble keeping it straight. In fact,
20 the only unifying principle behind the definition of
21 the source and products included is this scope would
22 result in maximizing Petitioners' competitive
23 advantage. In fact, that's all it really has going
24 for it.

25 Let's look at the countries that are covered

1 and the countries that aren't covered. It's a little
2 too obvious that Brazil was excluded to protect the
3 importing operations of various petitioners. It's a
4 matter of public record that Mead owns the largest
5 producer in Brazil and Norcom has cornered the
6 sourcing of several Brazilian producers.

7 For this reason, the exclusion of Brazil
8 raises some very fundamental causation issues.

9 In Gerald Metals, the CAFC held that the
10 commission in cases involving high substitutable
11 products had to separate the effects of subject
12 imports from non-subject imports and, in fact, the
13 commission regularly examines the question in its
14 causation analysis of whether subject imports would in
15 fact simply be replaced by non-subject imports.

16 In this case, Staples will explain that
17 Brazil's imports are directly competitive with
18 Indonesian imports and that Staples used Brazil, not
19 the United States, as the alternative source of supply
20 for their Staples brand bright paper, which is the
21 cornerstone of their lined paper business.

22 The U.S. industry today simply has not
23 produced notebooks or filler paper in 92 percent
24 bright.

25 Are Brazil's prices or import volume trends

1 markedly different from the prices or trends from
2 subject countries such as Indonesia? I don't think
3 so.

4 Staples put it in a very straightforward way
5 when we first met with them. They said what effect
6 could it have on U.S. production if we buy our
7 92 percent bright paper from Brazil or Indonesia?

8 The answer to that questionnaire is that the
9 big beneficiary of this case to date has been Brazil,
10 including Mead's operations in Brazil.

11 As to the products exclusions, I'd like to
12 give a better answer to Mr. Motwane's questions
13 concerning the products that are now subject to the
14 case and the fact that patented products have been
15 removed.

16 What Petitioners didn't mention is that that
17 description still contains trademark identifications
18 which means that Petitioners' products are in fact
19 excluded, while other products such as fashion
20 notebooks, which also command a price premium and
21 which are marketed separately from other products, are
22 included in the scope.

23 I think we're going to hear more from
24 Carolina Pad & Paper about that.

25 Besides this obvious attempt to corner the

1 competitive advantage for their own imports, there's
2 no logic and no legal reasoning behind the
3 Petitioners' sliced and diced like product in this
4 case.

5 We will point out in our confidential brief
6 that Petitioner's own data, their own submissions,
7 their own questionnaire responses, don't support the
8 product definition they are proposing.

9 Our witnesses from Staples will discuss why
10 the Petitioners' definition makes no commercial sense,
11 nor is it in accord with the commission's factors in
12 evaluating like product.

13 We would like to know when some critical
14 like product issues are going to be addressed. For
15 example, how can a school product be a scope factor?
16 School excludes high school and college type products
17 where there are no lists and where there is a wide
18 variety of preferences for pads and notebooks,
19 including legal pads and small spiral notebooks.

20 We would also suggest that a very important
21 question in the financial data, given their testimony
22 today, is the other factory costs. It's going to be
23 extremely important to understand exactly what kind of
24 items are going to be contained in that line item when
25 evaluating the financial data.

1 Thank you.

2 Now, I would like to ask some --

3 MS. CIULLA: Good morning, everybody. My
4 name is Susan Ciulla and I'm a divisional merchandise
5 manager and vice president at Staples. As such, I am
6 in overall charge of all purchasing activities with
7 respect to lined paper, including the certain lined
8 paper school supplies that are the subject of this
9 investigation.

10 With me this morning is Kelly O'Brien and he
11 is the buyer of these products at Staples.

12 Staples is the largest office supply
13 retailer in the United States, with over 1200 retail
14 stores throughout the country. Staples employs over
15 40,000 employees in the United States.

16 I have been with Staples since 1995 and
17 during that time period I have been intimately
18 involved with Staples' purchases of lined paper
19 products, first starting as the buyer and now in my
20 current position.

21 Staples is one of the largest national
22 buyers of these products and over the years we have
23 purchased substantial quantities of lined paper
24 products from both the domestic industry and from
25 foreign producers located in Brazil, Indonesia and,

1 more recently, China.

2 With respect to the market for lined paper
3 products in the United States, I have four major
4 points that I would like to share with you this
5 afternoon.

6 First, I am surprised and frankly stunned
7 that this case has been brought by these U.S.
8 producers who are among them the largest importers of
9 lined paper school supplies into the United States
10 from China and Brazil. As I will discuss in a moment,
11 it was one of these Petitioners who persuaded Staples
12 to shift a portion of its sourcing to China.

13 Second, the U.S. market needs imports. The
14 domestic industry lacks the capacity to supply the
15 U.S. market for lined paper products.

16 Third, you will notice that I have referred
17 to the market for lined paper products, not the market
18 for certain lined paper school supplies. The reason
19 is simple: this selective and arbitrary product
20 definition created by the Petitioners in this case is
21 not one that makes any sense to me as a purchaser and
22 importer of lined paper products.

23 Fourth, from Staples' perspective, the
24 products from various sources are not interchangeable.
25 The lined paper produced in Brazil and Indonesia has

1 distinct characteristics that make it more desirable
2 than the paper produced in the United States, China or
3 India. Accordingly, Staples does not consider these
4 latter sources to be competitive with Brazil or
5 Indonesia with respect to our purchases of Staples
6 branded products.

7 First, lined paper imported from Brazil,
8 Indonesia, China and India has been present in the
9 market for many years. Members of the U.S. industry
10 have been leaders in developing import supply for
11 these sources. MeadWestvaco, Norcom, Top Flight,
12 Roaring Springs, they all import subject merchandise
13 from Brazil and MeadWestvaco recently purchased a
14 production facility there. In addition, and
15 particularly surprising from the perspective of
16 Staples, it was one of these Petitioners who recently
17 persuaded Staples to increase its imports from China.
18 Prior to the 2005 buying season, Staples' normal
19 buying practice was to purchase approximately
20 80 percent of our school supplies from Brazil and
21 India and then to back-up approximately 20 percent of
22 these products from domestic sources. This allowed us
23 the flexibility to get Mead quickly when we needed due
24 to increased demand.

25 In the 2005 buying season, however, we

1 determined to shift our purchases for Staples brand
2 product entirely to Brazil and Indonesia because of
3 the superior paper quality. We did continue to
4 purchase substantial quantities of domestically made
5 brand name product, such as Five Star notebooks, or
6 items made in China such as Five Star advanced
7 product.

8 When we informed one of our suppliers last
9 fall who we had purchased in the prior year, U.S.-made
10 paper, that we did not intend to purchase from them
11 again in the year 2005, they approached us about
12 purchasing paper being made in China by Watanabe
13 Products. They told us that their development of
14 China as a source of supply was an important strategic
15 initiative for their company and they promoted their
16 sourcing to us aggressively. They asked us to support
17 them in this initiative, given our long-term standing
18 relationship as a supplier. After a number of
19 discussions, we agreed to do so and, at their urging,
20 we placed substantial orders out of China, orders that
21 greatly exceeded the quantities that we had purchased
22 in the U.S. in prior years.

23 Our only condition was that they ensure that
24 the resulting paper was of the same brightness as the
25 product coming out of Brazil and Indonesia and that

1 the filler paper and notebooks would otherwise satisfy
2 our quality standards. That is not what happened.

3 As we worked through our standard factory
4 certification and product quality inspection process,
5 it was quickly apparent that there were significant
6 problems. Ultimately, Staples found it necessary to
7 cancel some orders, to reject and destroy others that
8 failed to meet our quality standards.

9 Faced with a significant shortfall and
10 anticipated product deliveries, Staples scrambled to
11 fill in with additional orders from Brazil where
12 possible. In some cases, we found it necessary to
13 shift orders to other Chinese sources to make up for
14 the shortfall.

15 In short, it was one of our suppliers who
16 came to us and urged us to buy from them in China. In
17 view of our longstanding relationship, we agreed to
18 give them this business, which represented a
19 substantial increment over previous years' volumes
20 from their U.S. production. Yet they now complain
21 that imports from China are hurting the U.S. industry
22 and seek to force Staples and other U.S. buyers of its
23 merchandise to pay punitive damages on imports that
24 they introduced into the marketplace.

25 Meanwhile, they have exempted their own

1 trademarked products such as the popular Five Star
2 advance line which is produced in China.

3 They are also now free to concentrate on
4 expanding their imports of other products from Brazil,
5 where some have recently acquired their own production
6 capacity.

7 The second point that I would like to make
8 is that the U.S. lined paper industry simply cannot
9 supply the U.S. market demand. As just one example,
10 there is only one U.S. producer, Roaring Spring, who
11 has the capability to produce composition books and
12 that is a significant portion of the market, but there
13 is no way that Roaring Spring can possibly supply the
14 U.S. market. Given the size of the market and the
15 availability of U.S. capacity, imports are a
16 necessity.

17 The third point that I would like to make is
18 that the product group that the Petitioners have
19 defined for this case, certain lined school supplies,
20 does not correspond to any product category that we
21 recognize. From our perspective, all lined paper
22 products, whether conventional notebooks, composition
23 books, poly notebooks, filler paper, et cetera, are
24 part of a single continuum of lined paper products.
25 Fundamentally, they're all lined paper products for

1 notetaking. What varies is the manner of binding, the
2 type of cover and, if any, additional features such as
3 dividers, pockets, et cetera, that may be sold with
4 the paper.

5 Consumers select the features that appeal to
6 them given their specific intended application and
7 preferences. This is true whether for school or home
8 office use and for the business customer.

9 In our stores, all of these products,
10 notebooks, filler paper, composition books, legal
11 pads, are displayed together in the same part of the
12 store and are carried for sale year round.

13 While it's certainly possible to generalize
14 that some of these individual products have been
15 traditionally intended to be used more often for
16 school application and others tend to be more
17 frequently used in business applications, there is
18 significant and increasing overlap.

19 In our own stores, for example, we are
20 increasingly marketing what we refer to as business
21 notebooks. These are high end spiral bound notebooks
22 with poly covers that are used in business as an
23 alternative to legal pads and other types of writing
24 pads. Similarly, composition books, although
25 traditionally thought of as a school item, are also

1 used in business, both for notetaking and
2 recordkeeping.

3 Conversely, the smaller sized spiral
4 notebooks which Petitioners exclude from the
5 definition of subject merchandise are used in certain
6 school applications such as assignment books and
7 notetaking.

8 The fourth and final point that I would like
9 to make is that there are significant quality
10 differences between the lined paper available from
11 Brazil and Indonesia on one hand and that produced by
12 U.S. producers and those in China and India on the
13 other. Very simply put, the paper from Brazil and
14 Indonesia is noticeably brighter.

15 Staples determined as a means of
16 distinguishing and enhancing the appeal of the Staples
17 brand that our own brand notebooks and filler paper
18 would be at least 92 bright and actually here are some
19 samples of some of the product that we've purchased in
20 the past.

21 Another note I would like to make is that
22 all the comments on these are actually taken from
23 Staples' bid process and are a key part of the award
24 decision.

25 Only Brazil and Indonesia have the ability

1 to satisfy these requirements. Plus, from our
2 perspective, lined paper products offered by U.S.
3 producers were not a viable alternative. Staples does
4 buy and will continue to buy various brand name
5 products sold by U.S. producers. For example, the
6 Mead Five Star brand notebook is a well recognized
7 premium poly cover notebook. It is by far the biggest
8 selling branded notebook in the United States and it
9 is Staples' biggest seller as well. Sales of this
10 product, however, are unaffected by any of the
11 products that we import from China and Indonesia. The
12 Five Star poly notebook does not compete in any
13 meaningful sense with standard paper cover notebooks.

14 The only Staples brand product we carry that
15 arguably competes with the Five Star is the Staples
16 elite poly cover notebook and that's the sample that
17 we're passing around now. We purchase this product,
18 however, exclusively from Brazil and the United
19 States.

20 Another branded product that we carry is the
21 Mead Five Star advance notebook, which is essentially
22 the Five Star notebook with a cloth covered spine and
23 a few extra items such as index cards. Mead has this
24 product produced for it in China and yet it has been
25 exempted from the scope of this case.

1 In summary, it appears to us that the
2 Petitioners in this case are attempting to selectively
3 disadvantage specific imported products upon which
4 Staples and other U.S. retailers depend, all the while
5 exempting their own substantial imports of the same
6 products.

7 As a U.S.-based corporation that employs
8 thousands of people in large and small communities
9 throughout the United States, Staples is very
10 concerned by this apparent attempt by a handful of
11 U.S. paper converters to misuse the U.S. unfair trade
12 laws.

13 This concludes my prepared testimony.

14 Thank you.

15 MR. MCGRATH: Mr. Chairman and members of
16 the staff, my name is Matt McGrath of Barnes,
17 Richardson & Colburn. With me is my colleague Stephen
18 Brophy. We're here today representing CPP
19 International and Mr. Clay Presley will deliver
20 testimony on their behalf.

21 There were two points that I wanted to make
22 at the outset. First of all, we will have a few
23 samples of some notebooks that we'd like to also pass
24 around at the proper time, if that's okay. One of the
25 main issues of our discussion will be focused on

1 fashion and designer notebooks, which you didn't hear
2 very much about this morning, for good reason: it
3 doesn't really compete with anything that the
4 Petitioners are making in the United States or, for
5 the most part, even importing very much of.

6 The other important point that needs to be
7 raised, and I made a point of it here, we listened to
8 the hearing this morning and it was almost two hours
9 had passed before -- and I wrote it right here in my
10 handy Mead Five Star notebook, which I purchased for a
11 reasonable price at Staples for business use before
12 I was retained by CPP. They make a very fine product
13 as well and I'll certainly be using that more often.
14 But I made a note that it took two hours before anyone
15 even mentioned the word Brazil this morning, which in
16 the industry that's pretty amazing. So we'll talk a
17 little bit more about that.

18 Mr. Clay Presley is the president and CEO of
19 CPP.

20 MR. PRESLEY: Good afternoon. My name is
21 Clay Presley and I am president and CEO and majority
22 owner of CPP International in Charlotte, North
23 Carolina; formerly known as Carolina Pad & Paper.
24 I've been in the lined paper and stationery products
25 business since 1987. CPP has been selling lined paper

1 products including school supplies since 1945 and
2 currently employs 55 people in the United States.

3 CPP was a converter of paper products until
4 2003 under the name of Carolina Pad & Paper. In 2000,
5 we made the conscious decision to switch our product
6 focus from standard paper products to fashion designer
7 paper products. Since our production facility in
8 Charlotte was not equipped to produce such
9 merchandise, it was no longer effective to operate the
10 North Carolina facility and CPP closed that facility
11 in September of 2003.

12 CPP is now an importer of lined paper
13 products from China and, to a lesser extent, from
14 India. These imports primarily consist of designer
15 fashion notebooks, although we still import some
16 standard lined paper products.

17 The petition suggests that all the paper
18 products covered in this case are interchangeable and
19 directly competitive with one another without any
20 distinction in design or quality. This is not the
21 case. There is an entirely separate market built
22 around fashion designer school paper products which is
23 important to CPP and other specialized distributors.

24 I would like to show you some samples of
25 what I'm talking about now.

1 The items that you're going to be looking
2 at, they're very distinguishable from the standard or
3 commodity notebooks about which you requested price
4 information by the fact that they are decorated with
5 trendy designs and artwork, often licensed artwork,
6 and for which customers will pay a significant
7 premium.

8 They are often made with higher quality
9 paper, high cost material such as plastic or vinyl
10 covers, special treatments including glitter,
11 flocking, multi-color process printing, poly coil,
12 high quality back covers. These items are viewed as
13 fashion accessories and their purchase is driven by
14 design appeal to a specific demographic category.
15 They are marketed in conjunction with an array of
16 products which are coordinated in style and color.

17 Again, I want to show you some other
18 examples just to make a point. My point is here we're
19 not just selling notebooks, we're selling a concept,
20 we're selling a statement of trends and design and
21 it's a coordinated effort when we're selling this
22 product.

23 The marketing strategy for these products
24 typically includes advertising and promotional
25 allowances, unlike standard or commodity products.

1 These products are generally produced using more
2 manual labor and are typically priced three to four
3 times higher at wholesale and ten to fifteen times
4 higher at retail than other products covered in the
5 scope of the petition.

6 CPP conducts market research to identify
7 what designs will be in highest demand in a given
8 season. Such research is not conducted for standard
9 notebooks.

10 These are designer products. What is sold
11 in 2003 or 2004 may actually sit on the shelves in
12 2005 and products that are hot on the market today may
13 become dead inventory next year.

14 Some of the Petitioners import these fashion
15 designer paper products, but I am not aware of any
16 measurable manufacturing activity in the United States
17 for this product.

18 MeadWestvaco does manufacture certain value
19 added products in the United States under the Five
20 Star brand. These notebooks have pockets,
21 multi-subject dividers and poly covers, but they are
22 not designer or fashion products. Their demand does
23 not fluctuate based on fashion trends or design
24 elements. Mead's Five Star notebooks are higher
25 quality than most standard or commodity notebooks, but

1 they are promoted on the basis of a brand name, not a
2 style or design.

3 We believe that CPP and certain other
4 companies such as Continental and Fab Star Point are
5 importing a product, designer fashion notebooks, that
6 face limited competition with the vast bulk of
7 domestic production since the marketing and pricing of
8 such notebooks are not determined by the marketing and
9 pricing of almost any other lined paper products made
10 and sold in the United States.

11 These fashion notebooks should in fact be
12 removed from the scope of this investigation.
13 Designer paper products compete only with other U.S.
14 imports for the demand of the younger, more fashion
15 and trend conscious consumer.

16 Now, changing subjects, with respect to the
17 overall lined paper market, an important fact is that
18 U.S. producers do not have the capacity to supply
19 domestic demand and imports will always be required in
20 this market. During the seasonal demand peak in the
21 first half of the year, all the Petitioners operate
22 their domestic plants at virtually full capacity, as
23 do many of the foreign plants. Petitioners themselves
24 recognize this fact and have long imported significant
25 volumes from China. In fact, they are by far the

1 largest importers of covered merchandise from China.

2 However, in recent years, all three
3 Petitioners have been increasing significantly their
4 imports of lined paper products from Brazil and Brazil
5 now rivals China as a leading import source for both
6 lined filler paper and notebooks. Three examples of
7 the Petitioners' recent market behavior are relevant
8 to the commission.

9 First, as commonly known in the industry,
10 Mead succeeded in acquiring a large percentage of
11 Norcom's business at Wal-Mart in 2005. At the same
12 time, Norcom was pressing Wal-Mart, still its largest
13 customer, to purchase more of its standard grade
14 product requirements from Norcom's Brazilian sourcing.
15 My point is domestic sourcing has not been a factor in
16 this effort.

17 Second, in the 2003-2004 season, Mead
18 converted certain mills from a coated paper to a
19 tablet grade paper which they used in lined paper
20 converting facilities. Mead then followed a price
21 cutting strategy to gain market share to which Norcom
22 reacted by seeking more price cuts and increased
23 volume from their Brazilian sources. After the
24 season, Mead subsequently sold the mills.

25 Third, Norcom has reportedly doubled its

1 warehouse space in the Georgia facility without adding
2 domestic converting capacity. Obviously, this space
3 is intended for increased imports.

4 So why would Petitioners exclude such a
5 large import source, Brazil, from their antidumping
6 competition?

7 Some standard products that CPP
8 International imports from China and India compete
9 with imports from Brazil and the Brazilian product is
10 priced similarly to our imports. I believe that not
11 only do Petitioners purposely exclude Brazil as a
12 subject country in order to protect their own imports,
13 but the Petitioners actually filed this petition in
14 order to secure a competitive advantage for the
15 imports from Brazil vis-a-vis imports from subject
16 countries.

17 It is our understanding that both Norcom and
18 Top Flight currently import more lined papers from
19 Brazil than from China and that Mead is moving in the
20 same direction. In 2004, Mead bought Tilibra in Sao
21 Paolo, Brazil and I understand Mead's imports of paper
22 products from Brazil have grown dramatically since
23 then.

24 Brazil needs no advantages. Since 1960, the
25 Brazilian government's forestry policy has promoted

1 tree plantations and large export oriented pulp
2 companies by means of subsidies, including direct
3 investments from the Brazilian Bank for Economic and
4 Social Development, low interest loans and tax
5 exemptions. Brazil's pulp manufacturing is centered
6 around the production of eucalyptus pulp, which is
7 bleached and used in production of lined paper.

8 Under the rationalization of environment
9 protection policy, highly subsidized mega companies
10 have flourished and the costs of Brazilian pulp have
11 become the lowest in the world. And yet Petitioners
12 choose to target relatively small suppliers like India
13 and Indonesia rather than the highly subsidized
14 Brazilian industry which supplies the Petitioners.

15 This is not an oversight. I believe that
16 this was the Petitioners' strategy from the outset.
17 This case is not about protecting the U.S. market,
18 it's about protecting Petitioners' operations and
19 supplier relationships in Brazil at the expense of
20 primarily the suppliers in China, India and Indonesia
21 and their customers that Petitioners would like to
22 shift to toward Brazilian sourcing.

23 In conclusion, it is clear there is no basis
24 for this petition which is driven more by Petitioners'
25 overall import strategy than any concern for their

1 domestic production. This is obvious even without
2 taking into consideration the fact that Petitioners
3 supplied very little data in support of the petition.

4 Furthermore, it's obvious that designer
5 fashion notebooks are a separate product category
6 which do not compete with the Petitioners' domestic
7 output and should in fact be excluded from the scope of
8 this investigation.

9 There is no injury being caused by imports
10 by China, India or Indonesia. Petitioners are simply
11 trying to invoke the government's protection in
12 support of their global import strategy. We ask the
13 commission not to condone this effort and reach a
14 negative determination.

15 Thank you for your time. I will be
16 available for question.

17 MR. MARSHAK: Good afternoon. I'm
18 Ned Marshak of Grunfeld, Desiderio, Lebowitz,
19 Silverman & Kelestadt. I am here today with my
20 colleague, Paul Figueroa on behalf of Chinese
21 manufactures and exporters of lined paper from China.

22 Yesterday, we filed with the commission
23 sixteen responses to foreign producer questionnaires.
24 We intend to file at least one additional response in
25 the immediate future. We believe we have captured the

1 majority of Chinese exports of subject merchandise to
2 the United States. This was not a simple task.

3 First, we were faced with a moving target.
4 The definition of subject merchandise when the
5 petition was filed and the questionnaire response
6 issued is not the same as the definition today. The
7 Chinese questionnaire responses are based on
8 Petitioners' new definition, but that may change, too,
9 since even Petitioners' counsel was not certain as to
10 what the scope was.

11 We query whether representatives of domestic
12 industry should be allowed to file a petition which
13 was so obviously flawed.

14 Second, our clients have been required to
15 separate into two categories lined paper products
16 which (1) are produced by the same Chinese companies,
17 (2) produced on the same or similar machinery,
18 (3) produced with the same employees, (4) produced
19 using the same materials, (5) sold to the same
20 customers, and, finally, used by the same persons for
21 the same purposes.

22 Petitioners suggest there are two like
23 products. From the perspective of Chinese
24 respondents, this doesn't make sense. From our
25 perspective as attorneys, it is clearly contrary to

1 established commission precedent and controlling law.

2 One more point. Since we're using our kids
3 as evidence today, my older daughter, for the record,
4 if my wife ever reads this, she's not average, my
5 older daughter used all too many legal pads on her
6 high school debate team starting in ninth grade. For
7 myself, I prefer ring binders with filler pages over
8 legal pads. That lets me store paper and add
9 attachments.

10 Third, to exacerbate this reporting problem,
11 we've been asked to include in the second category of
12 merchandise non-subject lined paper notebooks which
13 are identical and directly competitive with notebooks
14 in the first category, except for the one fact that
15 they bear the trademark of one of the petitioning
16 firms. Again, from the standpoint of Chinese
17 respondents, this also just doesn't make sense. From
18 the view of their U.S. attorneys, we query if this
19 type of blatant gerrymandering is allowed under United
20 States law. There is something clearly wrong and
21 inconsistent with a law intended to protect domestic
22 production if a petitioner can exclude his own
23 obviously subject imports in the scope of merchandise
24 allegedly entering that industry while including
25 competitive goods imported by his customers.

1 In fact, as the Chinese questionnaire
2 responses reveal, Petitioners themselves are among our
3 largest customers.

4 Petitioners claim that they were forced to
5 import from China because of low prices. We disagree.
6 Petitioners sought out China to complement their U.S.
7 production. Petitioners desired to source certain of
8 their loss leader commodity line paper products from
9 China.

10 If Petitioners succeed, production will not
11 return to the United States. Why? Look at Brazil.

12 The fourth point which confuses our clients
13 is they asked us to explain why Brazil was not
14 included in the petition. Look at the import
15 statistics. They might not be completely accurate as
16 to the extent of import penetration, but the trend is
17 clear. From 2002 through 2004, imports of notebooks
18 from Brazil in HTS 4820102050, the most significant
19 category of subject merchandise, increased to
20 91 million units from 23 million in 2002, an increase
21 of 68 million units, 297 percent.

22 In comparison, imports in this category from
23 China increased from 15 million units to 209 million,
24 an increase of 57 million. So imports from Brazil in
25 this clearly competitive category increased by more

1 than 10 million units than imports from China and
2 increased by seven times as much, but China is
3 included as a subject country and Brazil isn't. Our
4 clients didn't understand.

5 At the same time, look at the average unit
6 value of Brazilian imports in this category. In 2002,
7 32 cents a unit; 2003, 36 cents; 2004, 34 cents. The
8 comparable average unit value of Chinese imports in
9 these three years: 48 cents, 52 cents, 51 cents.
10 Thus, Chinese value was consistently and significantly
11 50 percent higher than the value of Brazilian imports.

12 Our clients don't understand.

13 An analysis of low priced looseleaf notebook
14 paper, 4810225044, which appears to be 100 percent
15 subject merchandise, is equally revealing. During the
16 period of investigation, from 2002 through June 2005,
17 Brazilian imports in this category were 12,000 metric
18 tons and the price was 91 cents a kilogram. Chinese
19 imports, 11,000 metric tons at the price of \$1.83 a
20 kilogram, double the value from China. Again, our
21 clients don't understand.

22 So why not Brazil? Perhaps because of
23 Mead's investment, perhaps Petitioners recognize that
24 they will need to import from Brazil if they succeed
25 in shutting down China. In any event, this is not the

1 purpose of the United States antidumping law. Its
2 purpose is to protect domestic production in the
3 United States, not the profits of a multi-national,
4 worldwide operation.

5 Again, Chinese producers have asked another
6 difficult question. They've been asked to advise the
7 commission as to the production capacity and for 2004
8 to separate this capacity into two periods, January
9 through June and July through December. This is not
10 as simple as it may seem and it also highlights a
11 critical factor in this investigation.

12 As Petitioners readily acknowledge and as
13 Chinese respondents' questionnaire responses confirm,
14 this is a seasonal industry. The majority of
15 production takes place in the first half of the year
16 as lined paper is shipped to the United States to fill
17 customer orders in a timely fashion. From January
18 through June, capacity utilization in China is very
19 high. In July to December, it is not. However, the
20 presence of available capacity in the second half of
21 the year does not constitute a threat to domestic
22 producers. The paper made in China is made to order
23 and shipped to order. Idle capacity from July to
24 December is the industry norm and will not result in
25 increased imports in the future.

1 Another tough question for the Chinese. The
2 staff has asked Chinese producers to project their
3 shipments to the United States in 2006. The
4 questionnaire responses speak for themselves. The
5 Chinese said zero. We went back to our clients when
6 they sent us these draft questionnaires and asked them
7 to project shipments as if competitive conditions were
8 normal and the AD investigation did not exist. Their
9 answer was we can only guess.

10 Why? Producers in China do not produce
11 lined paper on speculation. They do not maintain
12 significant inventory. They produce to order. If
13 firm orders are not placed at the beginning of the
14 year, they will not be shipping subject merchandise to
15 the United States.

16 In this commercial environment, zero
17 shipments is the most probable projection. In this
18 critical condition of competition, it shows that China
19 does not threaten the United States industry.

20 Chinese lined paper manufactures are at the
21 mercy of their customers. If the investigation
22 continues and Chinese exports are replaced by paper
23 from Brazil, Mead's bottom line may benefit. The
24 domestic production industry will not.

25 Finally, the commission's task in this

1 investigation is probably more difficult than it is
2 for the Chinese producers to fill out the
3 questionnaires. This is not a case in which certain
4 critical indicia of competition will be readily
5 apparent. There are no published statistics showing
6 an accurate quantity and value of imported
7 merchandise. Subject merchandise is not encompassed
8 by a particular HTS 10-digit subheading and even in
9 the existing breakouts the units of quantity are not
10 the same.

11 A second problem, Petitioners have not even
12 attempted to provide the commission with a best
13 estimate of domestic consumption throughout the POI.
14 Their questionnaire responses are clearly incomplete.

15 And then the gerrymandered domestic industry
16 suggested by Petitioners creates obvious issues as to
17 the manner in which the domestic industry performance
18 data is reported.

19 We recognize that the standard for rendering
20 an affirmative determination in a preliminary
21 investigation is not as strict as in a final. In many
22 cases, the commission has found it prudent to continue
23 the investigation if doubt exists. This is not such a
24 case.

25 Petitioners were well aware of the

1 information that the commission needed to render an
2 informed determination. They knew the target
3 deadlines which exist in a preliminary determination.
4 They should not be rewarded for their gerrymandering
5 and their failure, whether or not intentional, to
6 provide sufficient information in a timely manner.

7 Unfortunately, and this is a problem,
8 Petitioners will be rewarded if this investigation is
9 allowed to continue, regardless of the ultimate final
10 determination. United States customers will not take
11 the chance of obtaining a favorable final result.
12 They will not place orders for 2006 sales with China.

13 Will this decision benefit the domestic
14 production facilities of Petitioners? We firmly
15 believe that the answer to this critical question will
16 be no. Orders for subject merchandise will be placed
17 with other offshore vendors, perhaps Brazil, perhaps
18 to the benefit of Petitioners who own Brazilian
19 facilities, but this is not the purpose of the dumping
20 law and Petitioners should not be allowed to take
21 advantage of this law for their own selfish interests
22 unrelated to the benefit of domestic production
23 facilities and their domestic employees.

24 Thank you.

25 MR. MROCZKA: Mr. Carpenter, commission

1 staff, good afternoon. My name is Victor Mroczka from
2 Willkie, Farr & Gallagher. With me is Dave Rao from
3 American Scholar and Ranjit Singh Bindra from Fibro
4 Source USA. We appear on behalf of the Indian
5 producers and U.S. importers that deal exclusively
6 with subject merchandise from India. I will address
7 India's negligibility while Dave will testify to
8 problems with Petitioners' import data and claims
9 based on his experience in the industry.

10 The negligibility statute states that if the
11 volume of subject imports from India is less than
12 3 percent of total imports antidumping duties may not
13 be imposed and for India, as a developing country, if
14 its imports are less than 4 percent, countervailing
15 duties may not be imposed.

16 The statute's 7 and 9 percent qualifiers to
17 the negligibility thresholds are relevant in this
18 case, as there are no other subject countries that
19 will qualify for negligibility.

20 The relevant period is the most recent 12
21 months preceding the filing of the petition for which
22 data are available as of vote date. There is time to
23 get the numbers right and the commission is not
24 handcuffed by the petition's allegations regarding
25 negligibility data. And, as is evident from recent

1 trends that will be demonstrated in our
2 post-conference brief, there is no imminent potential
3 that India will exceed the negligibility thresholds.

4 A negative preliminary determination is
5 therefore required by law for India in both the
6 antidumping and countervailing duty investigations.

7 Petitioners have purposefully confused the
8 definition of subject merchandise to obscure this
9 reality. It is an old and tired tactic. Once the
10 commission has the correct and most current data which
11 we are confident will be sought aggressively by you,
12 the numbers will dictate the outcome we advocate.
13 This largely explains why the Commerce Department has
14 required numerous separate amendments to the petition
15 before deciding initiation.

16 The petition at one point states that the
17 tariff data are unreliable because the HTS numbers are
18 basket categories that are considerably broader than
19 the scope of these investigations and therefore
20 contain large quantities of non-subject merchandise,
21 yet it goes on to use the same numbers to make a
22 non-negligibility allegation with respect to India.

23 Well, which is it?

24 One thing is for certain: the import
25 volumes of subject merchandise from India are grossly

1 overstated based on the HTS items alleged in the
2 petition for the negligibility analysis for reasons
3 that Dave will discuss shortly.

4 Finally, I note as a matter of law the
5 commission need not have perfect data to render a
6 negative determination based on negligibility. The
7 statute expressly provides for the use of, and
8 I quote, "reasonable estimates on the basis of
9 available statistics."

10 This provision is equally applicable in
11 preliminary and final determinations. A petition's
12 purposeful shenanigans to skew import volumes of
13 subject merchandise to avoid preliminary negative
14 negligibility determinations is no basis and should
15 not be allowed to be an excuse for unwarranted
16 antidumping and countervailing duty investigations
17 such as these against India to proceed to the final
18 stage.

19 Congress gave the commission the authority
20 to use reasonable estimates in negligibility
21 determinations for a reason and, to quote the SAA,
22 "Particularly in preliminary investigations."

23 The SAA goes on to state that, and I quote,
24 "If available U.S. Government import statistics
25 concern a basket provision that is broader than the

1 like product designated by the commission, the
2 commission may reasonably estimate a figure from the
3 data available or the total imports corresponding to
4 the like product."

5 It's as if the SAA was written with this
6 case in mind.

7 I thank the commission for its time. Dave
8 and I would be happy to answer staff's questions at
9 the conclusion of his testimony.

10 Dave?

11 MR. RAO: Thank you, ladies and gentlemen of
12 the commission, staff, for the opportunity to speak
13 with you today. Good afternoon. Allow me to
14 introduce myself. My name is Dave Rao. I am Vice
15 President of American Scholar, a 40-year-old
16 manufacturing company of school supplies based in New
17 York. All of our subject merchandise imports are from
18 India and we represent the majority of the imports of
19 subject merchandise from India.

20 I would like to talk to you today about a
21 number of problem areas in this case as they relate
22 specifically to India.

23 First, when I look at the data for subject
24 merchandise in this case, I'm a bit puzzled. When
25 I import items such as marble composition books, they

1 are classified under HTS provision 48201020, the same
2 HTS number that is listed in the petition. According
3 to the most recent import data available, the volume
4 of imports constitutes approximately 30 million units
5 and \$10 million in terms of value. This is not
6 possible.

7 The HTS items are capturing a lot of
8 non-subject merchandise which distorts any legitimate
9 analysis in this case. Based on our experience and
10 our knowledge of the industry, the volume should be
11 approximately 15 million units and only \$5 million in
12 value. This assumes I understand the scope correctly.

13 This would be the true numerator of the
14 negligibility analysis that Victor spoke of earlier
15 and this is what the commission should be focused on
16 when making its preliminary determination regarding
17 India.

18 Second, I would like to comment on the
19 calculation of the denominator as well. Petitioners
20 claim that the official statistics, for what they're
21 worth, are misleading in regard to Canadian imports
22 into the United States. Petitioners claim that there
23 are no Canadian producers of subject merchandise that
24 export to the United States. This is simply false.
25 I know of at least three Canadian Companies, Hilroy,

1 which is one of the largest manufacturers in Canada
2 and happens to be owned by Mead, one of the
3 petitioning companies; North American Paper, to whom
4 we ourselves sold equipment used to make the subject
5 merchandise; and Fiero. If the commission would like,
6 I can submit information about this in the
7 post-conference submission.

8 I would also like to make a brief comment on
9 imports in general. Petitioners will try and make you
10 believe the U.S. industry is being crippled by
11 imports. Please closely examine these accusations.
12 The three Petitioners who claim to be crippled are in
13 fact the largest importers of these products by far.

14 For example, Mead owns a Brazilian
15 manufacturer called Tilibra, which has been shipping
16 subject merchandise to the United States for the past
17 20 years. Based on the most recent data available,
18 Brazil is the second largest importer to the United
19 States. Based on my knowledge of the industry,
20 Brazil's exports are primarily of subject merchandise,
21 therefore, for Brazil, the import volumes will not
22 change as much.

23 As I stated earlier, there are some serious
24 problems with the Petitioners' data regarding the
25 scope of this case. I would also like to point out

1 something about the quantification of this data as
2 well. In an attempt to make an apples to apples
3 comparison regarding the trade data, Petitioners apply
4 a conversion factor to two of the HTS numbers to
5 convert kilograms to units. The conversion factor is
6 based on what Petitioners claim is the weight of the
7 most common filler paper product. However, it makes
8 no sense to unilaterally apply such a conversion
9 factor over an industry that sells many different
10 types of products in various weights.

11 When I sell subject merchandise in the
12 United States, I sell it on a piece basis. This is
13 the most common measurement basis for sales and the
14 one the commission should focus on in its analysis.
15 Otherwise, the data is unreliable.

16 If Petitioners cannot even measure the data
17 as it is done by the industry, then we shouldn't even
18 be here.

19 Finally, I would like to say something about
20 India's current and future shipments. Based on the
21 orders I have to date, India's import volume for 2006
22 will be below the level in 2005. Therefore, not only
23 are India's levels so low that it should be excluded
24 from this case, but they will not reach a level where
25 they can even pose a threat to the Petitioners in the

1 future.

2 This concludes my comments at this time.
3 I thank the commission staff for its time and I would
4 welcome any questions that you might have.

5 MR. CAMERON: That concludes our
6 presentation.

7 MR. CARPENTER: Thank you very much for your
8 presentation. We appreciate your coming here today.

9 We will begin the questions with
10 Mr. Motwane.

11 MR. MOTWANE: Thank you, Mr. Carpenter.
12 It's a slightly more difficult task with this many
13 people. I guess I'll start with this end of the
14 table.

15 Ms. Ciulla, thank you for your testimony.

16 The Petitioners have claimed that an
17 organization such as yours has used these products
18 differently in terms of how you purchase them, where
19 you put them in your store, who your customers are for
20 them. I know you stated earlier that that difference
21 doesn't really exist, but could you elaborate on that
22 in terms of your purchasing, your product placement,
23 price and any other characteristics that might
24 differentiate how you deal with certain lined paper
25 school supplies and other lined paper school supplies

1 within your organization?

2 MS. CIULLA: I'll start with how we position
3 it in the store because where this really all starts
4 from in a retailer like Staples' perspective is our
5 customer. So we start by presenting this product in
6 one location in the store.

7 We have a section that's approximately 24
8 feet long where we align all the shelves and we start
9 at one end with products such as legal pads and we end
10 up at the other end with business notebooks.
11 Throughout that planogram, we merchandise intermingled
12 with each other products like steno books, perf pads,
13 filler paper, notebooks large and small, and we end up
14 with business notebooks. So from the customer
15 perspective, we do recognize that some items may be
16 used more in a business sense, some items may be used
17 more home, some items may have a stronger school
18 slant, but we don't look at the business as
19 school-related or not, we don't categorize it that
20 way.

21 As a matter of fact, we always do this
22 planogram at the same time, all of these products
23 together, because frequently from one year to the next
24 we move more product back and forth between them as we
25 see the way the customer changes the way they purchase

1 or how they might make the purchasing decision.

2 One of the other trends that we have really
3 seen in the last couple of years is an increased usage
4 in notebooks in the business sector. So for us, not
5 only is there a lot of crossover and blurred lines,
6 but we see that growing, not declining.

7 MR. MOTWANE: And in terms of your
8 purchasing departments, you don't have separate
9 individuals or separate departments that purchase
10 office as opposed to school supplies?

11 MS. CIULLA: No, we do not. It is one
12 person and that's Kelly O'Brien.

13 MR. MOTWANE: And with respect to
14 advertising?

15 MS. CIULLA: When we say both, again, it's
16 one, so I wouldn't say both, but, yes, it's Kelly
17 O'Brien, it's in one department, it's one straight
18 planogram, so that is how we approach it.

19 MR. MOTWANE: Okay.

20 MS. CIULLA: And in terms of advertising?

21 MR. MOTWANE: Yes.

22 MS. CIULLA: And in terms of advertising, as
23 was discussed earlier, some of these items in the
24 scope are definitely listed on school supply lists
25 from teachers. Things like filler paper, composition

1 books, 70-count notebook are the most common, those
2 three items. School lists tend to focus very heavily
3 on the younger grades and become less defined or not
4 used at all as kids get into junior high, high school
5 and college.

6 MR. MOTWANE: Thank you.

7 Do you in your sales at your retail stores
8 observe the same back to school spike that the
9 producers experience in terms of their sales to you?

10 MS. CIULLA: We pretty much do. At Staples,
11 we consider the back to school season a 13-week time
12 period. In that 13-week time period, there is an
13 increased demand for products, but it is a lot of
14 products and it's a lot of products that are out of
15 scope that fall into that demand at Staples. So, yes,
16 we do see that.

17 MR. MOTWANE: So in your experience,
18 products such as legal pads or other products not in
19 the scope also follow a similar trend, maybe not as
20 exaggerated?

21 MS. CIULLA: When it comes to legal pads,
22 it's not as exaggerated, but we do see a very, very
23 heavy spike on smaller notebooks that were left out of
24 scope, the smaller sizes. As a matter of fact, we
25 have an assortment of those products that we bring in

1 just for the back to school time period, the demand is
2 so high it can't be supported by our everyday
3 products.

4 In terms of other peaks, one of the things
5 discussed earlier is there is what we call at Staples
6 and what we market at Staples as second semester. For
7 the month of January, we do put these products on the
8 shelf again in our stores, so we have a planogram. If
9 you think of a supermarket, a planogram is the product
10 that's in the aisle and promotion is what we drop in
11 the big open spaces. We do do that in the month of
12 January because we do see a spike. It's not as big as
13 back to school but it's still significant enough.

14 MR. MOTWANE: Okay. Thank you.

15 The second point you made relating to the
16 quality of product from Brazil and Indonesia, the
17 brightness, is that a criteria that comes from your
18 customers? Are there customers who say to you we want
19 a product of this certain brightness? Would certain
20 customers not purchase the product if it didn't have
21 that brightness? Is that a significant characteristic
22 that a product needs to have or is that more of an
23 internal standard that you have?

24 MS. CIULLA: One of the things that each
25 retailer does is their own industry knowledge and

1 research to determine what we need to supply to our
2 customers. This is a big part of Staples' brand and
3 what we want to mean to our customers. So with
4 Staples' brand, we have elevated over the last several
5 years to be more than just a commodity low end
6 product, but to be equal to or better than the
7 national brands. As we've raised those standards, one
8 of the things that we have determined is we will not
9 put our name on it if it's not 92 bright unless it's
10 recycled product, which is not a big part of our
11 business. So that is very, very important to us.

12 We believe that we have developed some
13 customer loyalty for that. We do have some customers
14 that notice the difference. As a matter of fact, I do
15 have with me a customer complaint this year for the
16 quality of our products. So we believe our customer
17 does notice and that it is a differentiating factor.

18 In our purchasing decision, the quality
19 which the brightness is a big part of is the first
20 qualifying factor and price is second.

21 MR. MOTWANE: Okay. What I guess I'm trying
22 to see is how your firm would be impacted were
23 additional duties to be placed on imports from China,
24 India and Indonesia and from what you say, you don't
25 seem to have much interest in imports from China and

1 India because they don't quite meet that brightness
2 standard. Would it be possible then for you to shift
3 entirely to imports from Brazil? Are they otherwise
4 comparable between Brazil and Indonesia in terms of
5 price, et cetera?

6 MS. CIULLA: Brazil and Indonesia, quality
7 wise, are very comparable. They're interchangeable.
8 Yes.

9 MR. MOTWANE: Okay. Thank you.

10 Regarding the story that you related with
11 Watanabe, when you did engage with that firm, as you
12 stated, at the request of Mead -- or Petitioner,
13 forgive me -- was the price that you agreed to then
14 comparable with the price that you had been quoted for
15 the firms that you were initially looking at, that you
16 had thought to --

17 MS. CIULLA: We would prefer to respond to
18 that confidentially.

19 MR. MOTWANE: Okay. That's fine.

20 MS. CIULLA: We will answer. Yes.

21 MR. MOTWANE: I appreciate it.

22 I'll leave it at that for the moment and
23 move on to Mr. Presley.

24 I appreciated your argument that the
25 products sold by your firm imported from China are

1 essentially a different product because they're
2 fashion designer notebooks. I'm wondering whether
3 that means that you see the products produced by the
4 domestic industry as a single type without much
5 differentiation in terms of the quality and the
6 designer value of those products. Would you say that
7 there isn't much difference between the most basic
8 notebook that Mead or Top Flight produces and their
9 fanciest, if I can use that word, notebook? Or do you
10 see the products produced by them as one block of
11 homogenous non-fashion goods?

12 MR. PRESLEY: I think you have a standard
13 commodity grade notebook and then, in our case, you
14 have a fashion-oriented notebook, but there's also a
15 value added category out there that's similar to the
16 Mead Five Star.

17 MR. MOTWANE: Okay. So would it be fair to
18 say, then, that your products are at the extreme end
19 of the continuum of products?

20 MR. PRESLEY: From a fashion perspective,
21 yes.

22 MR. MOTWANE: And that some of the high end
23 products produced by the domestic industry would if
24 not be substitutable with yours, at least come close
25 in terms of their accessories or designer appeal?

1 MR. PRESLEY: No, I wouldn't because ours is
2 based on -- it is an accessory product and it is a
3 design-oriented product. Theirs is typically marked
4 from a branding standpoint.

5 MR. MCGRATH: This is Matt McGrath. Just to
6 maybe anticipate the question, we are not proposing to
7 draw a distinction in terms of a like product between
8 the designer product and the commodity or standard
9 product. What we're trying to do is point out some
10 points of attenuated competition. It's always
11 difficult, obviously, to draw like product
12 distinctions at the beginning of a case where you have
13 to quickly get out a questionnaire, you don't have
14 data to even do it if you wanted to. But there is a
15 distinction clearly in the business and the end that
16 we're talking about, if you want to call it high end,
17 the difference between it being really a high end of a
18 continuum and being something separate is just what
19 you saw there. The fact that it's marketed with other
20 products, that it's color coordinated, that its appeal
21 is to try to sell a group of things together so that
22 the purchaser says "I like this notebook and I'd also
23 like this folder and I would like this small notebook"
24 and is looking at buying a number of other items that
25 are outside the scope.

1 MR. MOTWANE: Are the notebook products
2 within those ranges sold separately as well or are all
3 the products that you market sold in groups of
4 accessories?

5 MR. PRESLEY: Virtually all the notebooks we
6 have have accessory products that go with them. They
7 can be bought individually.

8 MR. MOTWANE: Okay. Thank you.

9 I'll just move to the representative of
10 foreign producers.

11 I guess I'll start with you, Mr. Mroczka.

12 With your knowledge -- and Mr. Rao and
13 Mr. Bindra, please feel free to answer as well --
14 where does the United States stand in terms of export
15 destinations for India? Does it rank amongst the
16 highest? Is it the sole destination for Indian
17 exports? Are there other important markets?

18 MR. RAO: My experience has been that the
19 U.S. is probably somewhere in the middle. Given the
20 price of oil and the proximity, the Gulf regions and
21 the African markets have been a strength for India.
22 The U.S. is a factor, but generally I would say the
23 Middle East as well as the African markets are a
24 strength, as well as parts of Europe. Denmark, Israel
25 we sell to.

1 MR. BINDRA: I agree. This is Ranjit Bindra
2 with Fibro Source. I agree. That is generally the
3 destination of Indian stationery product. There's
4 more going into Africa, Europe, and the U.S. plays an
5 important role, but certainly not the largest role.

6 MR. MOTWANE: And as an industry, are
7 domestic sales important as well to the Indian paper
8 industry or is this an industry that's focused
9 primarily on exports?

10 MR. BINDRA: No. By far the largest share
11 of production goes into the domestic market. It does
12 tend to be very fragmented producers, which is why
13 actually there is not as much as an export. We don't
14 have the machinery capable of delivering what this
15 market needs, other than extremely labor intensive
16 products.

17 MR. MOTWANE: Just on an administrative
18 point, Mr. Rao or American Scholar, do you intend to
19 submit an importer's questionnaire?

20 MR. RAO: We just got that yesterday, with
21 all the revisions from the scope. We will have it to
22 you in time.

23 MR. MOTWANE: Okay. Do you have an estimate
24 of when that might be able to come in?

25 MR. RAO: I would say Monday.

1 MR. MOTWANE: Okay. Great.

2 Mr. Marshak, if I could just ask you some of
3 the same questions for the Chinese side? Is this an
4 industry that also has a large domestic market over in
5 China or are we talking mainly for export?

6 MR. MARSHAK: I believe it's all over,
7 you'll have to look at the foreign producers'
8 questionnaires and we will e-mail your questions out
9 to China tonight and hope to get quick answers for
10 you.

11 MR. MOTWANE: Okay. Fair enough.

12 I guess I'll go back to Mr. Rao and
13 Mr. Bindra, if you know anything about this. Based on
14 your experience with Indian exporters, are products
15 there produced to spec on the basis of what U.S.
16 customers and other customers want or is it a case of
17 this is a product we're producing, here it is offered,
18 take it or leave it?

19 MR. RAO: I would say it would be
20 produced -- there are several grades that come out of
21 India and there are several markets within the United
22 States that require different things. As Susan
23 mentioned before, Staples has certain requirements.
24 The Dollar Store markets, the distributors, they have
25 different requirements. So there are several

1 different versions out there and the Indian domestic
2 market is a different market compared to the U.S. as
3 well.

4 MR. BINDRA: To answer your question, no.
5 Nobody in India produces to stock. Everybody produced
6 against firm orders. Where just as Staples sets the
7 standard of 92 brightness, there are other retailers
8 who choose 80 brightness or 100 percent recycled
9 sheets which are produced in India.

10 MR. MOTWANE: Okay. Thank you.

11 Mr. Marshak, a question for you. I've
12 focused a lot on the Brazilian imports and the unit
13 value of those imports. Are you suggesting that
14 Brazilian imports may have been the cause of some
15 injury to the U.S. industry? I just want to get clear
16 exactly how your view on the Brazilian imports would
17 come into the commission's analysis or be incorporated
18 in the staff's report.

19 MR. MARSHAK: I think what's going on is the
20 Petitioners are going to be looking to Brazil to get
21 product to come that formerly came from China. So
22 when you look at whether there is injury by imports,
23 is it Brazilian imports more than Chinese imports;
24 it's Petitioners who went to China to get the product
25 from China, so they're not being injured by Chinese

1 imports.

2 MR. MOTWANE: Okay. So you're saying that
3 any erosion in market share for U.S. producers is --

4 MR. MARSHAK: It's somewhat self-induced.
5 They decided to go offshore for a variety of reasons
6 and they're claiming that it's because we pushed them,
7 but we think that they came to us for their own
8 purposes, mainly because their customers put pressure
9 on them, but we're not the source of the injury that's
10 being experienced and what's going to happen is that
11 they're going to go to Brazil so the case isn't going
12 to help the domestic production industry.

13 MS. MENDOZA: Could I add something?

14 MR. MOTWANE: Yes, Ms. Mendoza, please.

15 MS. MENDOZA: I think one of the other
16 interesting points about the Brazilian issue is that
17 if the Petitioners are correct, that they have
18 sufficient capacity to supply this market, then
19 I think the question is why are they making these big
20 investments in Brazil and why are they sourcing from
21 Brazil and what makes the sources from Brazil so
22 different from the sources, let's say, from Indonesia
23 from a Staples perspective. So in terms of legal
24 analysis, that's where we'd think it'd fit in.

25 MR. CAMERON: But we also agree with Ned,

1 this is another source of imports and actually at
2 least as significant, if not more significant, so it's
3 not only another source in terms of your legal
4 analysis of Gerald Metals, it also is -- I mean, in a
5 sense, this is the domestic industry that the U.S.
6 industry is trying to protect, it just happens to be
7 in Brazil. The last time I looked, that wasn't the
8 way the statute was written, but that is what this
9 case is about.

10 MR. MOTWANE: Thank you, Mr. Cameron.

11 For Mr. Mroczka and Mr. Marshak, to the
12 extent that you can get any information for the
13 post-conference brief on the production process used
14 by firms in China and India, that would be much
15 appreciated.

16 One last question I have perhaps for all
17 counsel to just touch on, this is a question that
18 George Deyman asked of Petitioners, what do you think
19 we should do in terms of import data? What should we
20 be looking at?

21 Do you think that the HTS numbers can
22 provide us with a reliable view of the trends or
23 should we be looking at the import statistics we get
24 back from firms?

25 Just what are your thoughts on that on the

1 basis of what you've seen so far, given that many of
2 you are importers of the products.

3 MS. MENDOZA: Well, I think we'd like to
4 elaborate in our post-hearing brief, but I would say
5 that it is different depending on the country that
6 you're talking about, the amount of coverage that you
7 have, both in terms of the trade data and the pricing
8 data. I think given the structure of the sales from
9 certain suppliers it's more limited, who is purchasing
10 it in the United States who is importing it. So
11 certainly in cases where you have reliable information
12 from a particular source, we feel strongly you should
13 use it.

14 Clearly, the coverage of the HTS numbers is
15 very different from the way that Petitioners have
16 defined the like product in this case or we would
17 assume that the way the Commerce Department is going
18 to define it, so to the extent that you have reliable
19 data for certain countries, we believe that you should
20 use that and we think you should in some cases.

21 MR. CAMERON: Mr. Motwane, just one other
22 point with respect to that. It also got to the issue
23 of whether or not how you should consider the volume
24 data as opposed to the value data. What is clear from
25 the discussion thus far all day today is that the

1 volume data is quite unreliable and that really you
2 are going to have to be using -- if you want to look
3 at reliable data, you should probably be focusing on
4 the value data, both in terms of imports and in terms
5 of comparing it to the U.S. industry because it's
6 going to be the most reliable and uniform measure.

7 MR. MCGRATH: I guess I might add my two
8 cents here. From what I heard earlier, I would also
9 caution that when you do the analysis of what import
10 data you have, especially from questionnaire answers,
11 from what we heard this morning, I think you need to
12 make triple sure that whatever import data is
13 presented by Petitioners in response to their
14 questionnaire does reflect all imports in a consistent
15 way with what you're getting from other importers.

16 I think the question was raised, well, it
17 depends on whether we're the importer or whether it's
18 drop shipped or whether someone else is the consignee.
19 I'm not sure what's going to end up in those
20 questionnaires, but it's usually a problem, I know you
21 have to deal with it when you have questionnaires
22 coming in from one party who may be receiving the
23 merchandise that's reported as imported by another
24 party and it sounds as if there might be some problems
25 with that date.

1 MR. MARSHAK: Just one more point. I would
2 hope that you would somehow try to get some comparable
3 Brazilian data, regardless of what you use for the
4 subject merchandise data on domestic product, because
5 that's going to show the entire picture.

6 MR. CAMERON: We know that it was requested
7 in the questionnaire, but whether or not that actually
8 appears in the questionnaires because, as you know, we
9 haven't received the importer questionnaires from the
10 Petitioners.

11 MR. MOTWANE: Thank you, Mr. Carpenter.
12 That concludes my questions.

13 MR. CARPENTER: Ms. Stump?

14 MS. STUMP: Thank you, Mr. Carpenter.

15 Again, I'm Monica Stump, the Office of
16 General Counsel.

17 I'd like to thank the panel again for your
18 time and for your testimony.

19 Just to go along with some of the HTS
20 questions, I'd like to know whether you agree with
21 these categories that were proposed in the petition
22 and, if you disagree and you haven't spent any
23 significant time with the HTS, if you have
24 alternatives, I'd like to see that in your
25 post-conference brief.

1 Does anyone have a comment whether they
2 agree or disagree?

3 MR. MARSHAK: I have a simple comment. The
4 basket provision that they use is probably totally
5 worthless.

6 MS. STUMP: Thank you.

7 My next question is do you agree with the
8 Petitioners that the commission should find one
9 domestic like product coextensive with the scope as
10 amended? And if you would address this issue as well
11 using the traditional factors the commission evaluates
12 in your post-conference brief, I would appreciate
13 that.

14 MR. CAMERON: We will do that, but we don't
15 agree.

16 MS. STUMP: Does counsel have any other --
17 representing the other parties?

18 MR. MARSHAK: I just agree with Don.

19 MS. STUMP: Okay. Thank you.

20 I have a question, I'm not really sure why
21 this happens, but what is the difference, if any,
22 between notebooks that are 11 by eight and a half and
23 some that are 10 and a half by eight and a half? Are
24 different people purchasing this size? Is there a
25 reason why some are made 11 by eight and a half and

1 some are 10 and a half by eight and a half?

2 MR. PRESLEY: On the larger size notebooks,
3 they're typically perforated so that the tear-out
4 sheet is a bigger size, 10 and a half by eight and a
5 half.

6 MS. CIULLA: Typically, in terms of the
7 customer that we're addressing with those, typically
8 the smaller size sheet is for grade school or younger
9 students. The larger size sheet is usually for high
10 school and college. There's that fuzzy area in the
11 middle when they're making the transition, but
12 typically it's the age of the student.

13 MR. RAO: I think Susan hit it right on the
14 head there. It is mainly the smaller one is more for
15 junior high school and high school and the larger one
16 is for college. We also see some trends particularly
17 in my company on the West Coast, they tend to use a
18 larger sheet, the larger size books, whereas on the
19 East Coast they call it a cheater size and that's the
20 one that they use.

21 MS. STUMP: This is question for the foreign
22 producers, if you're able to discuss your markets for
23 certain lined paper, to the extent you can comment now
24 I would appreciate it. I know that counsel may need
25 to put that in their post-conference briefs.

1 MR. BINDRA: I'm sorry, could you clarify
2 the question?

3 MS. STUMP: I'm curious about your markets
4 where you're selling, the channels of distribution,
5 where the Indian notebooks and certain lined paper,
6 who you are selling it to and where are your
7 retailers, distributors,

8 MR. MROZKA: Is that worldwide or here in
9 the U.S.?

10 MS. STUMP: In the U.S.,

11 MR. RAO: I'd like to include that in the
12 post-conference brief.

13 MS. STUMP: Thank you.

14 MR. MARSHAK: I know you've asked for our
15 five largest importers and I think in your foreign
16 producers' questionnaire you're going to see the five
17 largest importers for most of the Chinese producers,
18 so I hope that's your answer.

19 MS. STUMP: I think that's appropriate.
20 Thank you.

21 Also in the post-conference brief, could you
22 please explain whether the commission should cumulate
23 subject imports from China, India and Indonesia in
24 terms of the factors the commission uses in its
25 determination?

1 What are the conditions of competition the
2 commission should consider in making its
3 determination? This is a general question for the
4 whole panel.

5 MS. MENDOZA: Well, clearly, we would argue
6 that quality in terms of the Staples purchases is very
7 relevant, the brightness that you saw in the products,
8 and the source of those and the fact that the U.S.
9 industry currently does not produce and has not sold
10 the 92 percent brightness, so clearly that
11 differentiates Brazilian and Indonesian from the U.S.
12 industry products.

13 MR. CAMERON: Your question with regard to
14 conditions of competition is with respect to
15 conditions of competition generally, not just with
16 cumulation?

17 MS. STUMP: Yes.

18 MR. CAMERON: Let's take a couple of for
19 instances. For one, the assertion was made by counsel
20 and by the representatives of the U.S. industry this
21 morning in response to a statement that we had made in
22 the introduction with respect to capacity. They said,
23 oh, we have plenty of capacity.

24 Now, this is a composition book. This is
25 one of the basic products that is subject to the scope

1 of this investigation. How many of the domestic
2 producers that sat up here in front of you actually
3 produce this composition book in the United States?
4 The answer on the record from each one of those guys
5 is zero.

6 Now, since it's a major product and since
7 they are all selling this product, I wonder where
8 they're getting it if they don't produce it here. The
9 answer, of course, is that they are importing it and
10 we believe that most of them are importing it from
11 Brazil.

12 The only U.S. producer of this product is
13 Roaring Springs, who in fact was not seated here at
14 the table.

15 So with respect to our statement about
16 conditions of competition, that is a condition of
17 competition. It's exactly what every member of this
18 panel has been talking about, which is exactly what is
19 this case about. One of the conditions of competition
20 is the degree to which the U.S. industry is actually
21 competing importers and that this case is not about
22 U.S. production. This case is not about injury to a
23 U.S. industry. This case is about who is going to win
24 and lose in terms of import sourcing because each of
25 the people that were up here, despite the statements

1 that they're not sure exactly whether or not they have
2 a high, medium or low amount of imports, the fact of
3 the matter is we believe that they are significant.
4 Hopefully, we'll be able to see something in their
5 questionnaires.

6 But that is a fundamental condition of
7 competition and we believe it's quite relevant to your
8 assessment of this petition, because if it turns out
9 that in fact these are all significant importers and
10 significant exporters, because we heard the witness
11 from Mead apparently was confused as to whether or not
12 when he's reporting his data whether he should be
13 considering himself as the importer, which he does
14 sometimes apparently, or just the stuff that he
15 arranges to export, which of course he's not reporting
16 as an importer. I mean, that's what this case is
17 about and that's what gets to the issue of exactly who
18 is being injured by what and what is the purpose of
19 this statute. That's a condition of competition and
20 that really, I think, gets to the heart of this case
21 and that's the reason that our clients are up here and
22 that's the reason that the other people are up here,
23 because this case is not about the U.S. industry.

24 This case is about their ability to import
25 and how they're going to compete with other sources of

1 imports.

2 MS. STUMP: Thank you, Mr. Cameron.

3 My question is for the representatives from
4 Staples.

5 How does one determine the brightness of a
6 paper? How do you make it 92 percent or maybe that's
7 not the correct way to phrase the question, I'm not
8 sure, I don't understand how paper is made at
9 80 percent versus 92 percent.

10 MS. CIULLA: There are various factors that
11 cause that. One of the most predominant factors is
12 the raw material, the wood fiber that's being used in
13 the paper. In the U.S., it's made from North American
14 trees which take a longer time to mature. That and
15 several other factors result in the standard
16 brightness in the U.S. being 84 bright.

17 In Brazil and in Indonesia -- in Brazil, the
18 fibers are made from eucalyptus which matures in a
19 pretty short period of time. I think it's five to
20 seven years, in that range. And in Indonesia, it's
21 acacia tree. Again, it's not a full grown tree.
22 Anyway, it is the raw material that is the result of
23 that. So it really depends from the individual
24 country that the product comes from. The biggest
25 factor is the raw material, then there are other

1 factors, whitening factors, involved.

2 In addition, opacity. Opacity is the
3 thickness of the paper that allows for show-through.

4 MS. STUMP: You mentioned some quality
5 testing that you use on your products. Can you
6 explain the testing that you use and whether this is
7 common for other mass retail importers or if it's just
8 specific to your business? If you know.

9 MR. O'BRIEN: Kelly O'Brien, Staples. Yes,
10 we have an outside firm that tests all of our paper
11 and they use standard testing procedures. Not only do
12 they test the paper, but they test the covers, they
13 test the wire, and also there's specifications for our
14 products, the thickness of the wire, the spacing of
15 the perforations, where the holes are drilled. Some
16 are very detailed. For instance, here is a product
17 that one of our Petitioners made and you can see here
18 there are three holes per inch and we specify four
19 holes per inch. So there certainly is a difference
20 between the products that are made out there.

21 MS. STUMP: And do you know whether this is
22 common to the mass retailers? Are they applying the
23 same sorts of things? You may not know that
24 information.

25 MR. O'BRIEN: I don't know, but I would

1 assume they do.

2 MS. STUMP: This is another question for
3 you, Mr. O'Brien. Who predominantly purchases, if you
4 can generalize, certain lined paper versus other lined
5 paper?

6 MR. CAMERON: Can you clarify? What do you
7 mean, who purchases it? Do you mean --

8 MS. STUMP: Who are your customers in the
9 store, if you know that. You said you had a lot of
10 customer information and that's how you set up your
11 aisles and your product lines. Who can you in a
12 general sense -- I know that it's probably difficult
13 if parents are buying for children.

14 MS. CIULLA: I think that's one of the
15 things we struggled with the most because we do not
16 look at the business as certain lined school papers
17 and other lined papers. That's not how we look at it.
18 We do take a look at a notebook customer, so we would
19 put a number of items that are outside of certain
20 lined school paper, we consider them to be similar,
21 like the smaller notebooks and so on.

22 In addition, we typically would not look at
23 an item like a pad with a cover as a notebook, yet
24 that is included in the scope. So we had a lot of
25 difficulty trying to pull together these numbers

1 because none of it matched any way we look at our
2 business.

3 We feel that there's a lot of crossover in
4 customers in all of these categories and that is why
5 we merchandise them as one 24-foot section in our
6 stores. That having been said, we do believe that
7 items like pads with a top cover are used more as
8 students get older and as people enter the workplace
9 and items that have side bound wires may be used more
10 predominantly in schools and filler paper crosses over
11 both but more heavily in schools.

12 We do, however, have research about how
13 customers are purchasing actually provided to us by
14 suppliers who develops the product category that
15 business customers are more and more using notebooks
16 in a place of business as a form of permanent
17 recordkeeping and as such we have seen transition move
18 out of the pad category into the notebook category and
19 that's resulted in a whole new line extension of
20 higher end notebooks. So we consistently see the
21 lines blur.

22 MS. STUMP: Thank you.

23 MR. PRESLEY: If I could jump in on that
24 question, too?

25 MS. STUMP: Please.

1 MR. PRESLEY: In our perspective, we do a
2 tremendous amount of market research to try to
3 identify who our customer is and then we do share that
4 information with the retailers and try to get them to
5 focus on that particular customer, that particular
6 demographic.

7 MS. STUMP: What differences do you discuss
8 in terms of price between certain lined paper and
9 other lined paper products? In terms of price.

10 Can anyone comment on that?

11 You can put it in the post-conference
12 briefs.

13 MS. MENDOZA: Yes. We'll think about that
14 and get back to you.

15 MS. STUMP: Okay. Thank you.

16 Mr. Presley, I have a question for you.
17 Could you clarify -- you mentioned that you're a
18 converter. What does that mean?

19 MR. PRESLEY: We were a converter.

20 MS. STUMP: Now you're solely importing?

21 MR. PRESLEY: Correct.

22 MS. STUMP: Okay. And you just put your
23 company's name on -- I'm not sure I understand. All
24 your products say they're made in China?

25 MR. PRESLEY: Right.

1 MS. STUMP: And your company's name is
2 attached?

3 MR. PRESLEY: Correct.

4 MS. STUMP: You just put your name on them?

5 MR. PRESLEY: Right. We design them. Our
6 job is to identify the trends and identify what the
7 fashion should be on the covers and the content and
8 all the embellishments that we put on there, so we
9 design the product and then we have it converted
10 overseas.

11 MS. STUMP: When you were converting, what
12 does that mean?

13 MR. PRESLEY: What is a converter?

14 MS. STUMP: Yes, what is a converter.

15 MR. PRESLEY: Similar to the Petitioners.

16 MS. STUMP: I see. Okay. Thank you.

17 I just have one question and one comment.
18 My comment is for counsel to please address the
19 factors the commission evaluates in a threat of
20 material injury determination in their briefs.

21 My last question is if any of the panel is
22 aware of any other outstanding antidumping or
23 countervailing duty orders, petitions, proceedings on
24 certain lined paper from the subject countries besides
25 these proceedings. If you don't know the answer, you

1 can also address that in your briefs.

2 MR. MCGRATH: I was going to just offer an
3 observation on your earlier question about conditions
4 of competition, that the global sourcing situation on
5 importing has lasted for some time. Just adding to
6 what was said previously, it's not a new condition and
7 this question here is relevant. I think there was an
8 antidumping order against Brazil on lined paper in the
9 '90s from an order in Canada against Tilibra, which is
10 now Mead. I think that the presence of Brazil as well
11 as the others in the marketplace has been around for a
12 while. It's not something new. I know it was
13 presented this morning as just suddenly there's a
14 surge appearing like a tsunami out of nowhere, but
15 global sourcing has been a condition.

16 MS. STUMP: Thank you. Please. Yes?

17 MR. MROCZKA: The answer to your question
18 is no. There are no outstanding orders.

19 MS. STUMP: Orders, okay. Thank you.
20 If you would also include a discussion of
21 negligibility in your post-conference briefs I'd
22 appreciate that.

23 Thank you very kindly.

24 MR. CARPENTER: Ms. Bryan?

25 MS. BRYAN: Thank you. Again, my name is

1 Nancy Bryan from the Office of Economics. Thank you
2 all for your testimony thus far.

3 My first couple of questions are for Mr.
4 Presley. In your comments you stated that the fashion
5 notebooks you report are mainly from China and to a
6 lesser extent India. Is it your understanding that
7 other foreign sources produce such notebooks? Or is it
8 mainly those two sources?

9 MR. PRESLEY: I think what I said was we
10 imported lined paper products mainly from China and to
11 a lesser extent from India. From India we tend to get
12 the standard commodity grade paper as opposed to the
13 fashion. All of our fashion is coming from China.

14 MS. BRYAN: To your knowledge do other
15 countries produce those fashion notebooks?

16 MR. PRESLEY: We haven't sourced them from
17 any other countries. We've tried historically to
18 source them, but no.

19 MS. BRYAN: Do you purchase any domestic
20 product?

21 MR. PRESLEY: No. Not in this category.

22 MS. BRYAN: Not in this category. Why do
23 you choose to import some standard lined paper
24 products rather than purchase domestically?

25 MR. PRESLEY: We typically don't buy enough

1 of the product to get the U.S. domestic suppliers
2 interested in selling to us. We view them as
3 competitors from the standpoint of the lined paper
4 product.

5 (Pause.)

6 MR. PRESLEY: We have some customer
7 relationships when we were converting products before,
8 the lined paper products before, where we manage the
9 entire stationary department which included some lined
10 paper products and now includes the fashion designer
11 category, so we just continued that relationship.

12 MS. BRYAN: Thank you.

13 This next question is for the
14 representatives from Staples.

15 Do you sell any of the fashion notebooks in
16 your stores?

17 MS. O'BRIEN: Kelly O'Brien, Staples. Yes,
18 we do.

19 MS. BRYAN: Can you approximately publicly,
20 if you can, what percentage that is of your total
21 merchandise?

22 MS. O'BRIEN: I'm not sure, but we can tell
23 you in the post-conference brief.

24 MS. BRYAN: Okay, thank you.

25 I'd also like to get some information, and

1 maybe you'd rather do this in a post-conference brief,
2 about your auction process. I understand that
3 probably stores have a unique process to their own
4 operation, but if you could elaborate on how many
5 auctions you hold per year, who you invite, et cetera.

6 MS. CIULLA: I'd be happy to talk about
7 that.

8 At Staples we did our first auction for back
9 to school -- I shouldn't say for back to school '04,
10 in this category '04, but we started our first
11 auctions across most of our supplies business.

12 What we found when we did that process is
13 that it really didn't deal with the product itself.
14 It was a process where prices came in and then we sat
15 down afterwards and went through all of the samples
16 and we found that we disqualified a number of the
17 items or suppliers that participated in the bid. So
18 we have not repeated that auction process.

19 We've gone back to a standard bid process
20 and we really feel that that's the way we need to
21 address not only this category but we've done the same
22 things in a number of other businesses at Staples.

23 We don't feel that the auction process
24 replaces looking at the product and understanding what
25 the product's features are, the product quality. Some

1 things you need to look and touch and feel the
2 product.

3 So for back to school 2005 we did not do an
4 auction. We did a bid. They are done electronically,
5 meaning the request for proposal is sent out
6 electronically to our suppliers, but we qualify them
7 first. After they come back, they come back with
8 samples of all of the product and we get all of the
9 product lined up in a room with a large team of people
10 across many areas from the company and we go through
11 and then qualify all the specifications on the
12 product.

13 From the first, if it meets our quality
14 standards, then we get into the price part of it.

15 So Staples does not use that auction process
16 as described earlier.

17 MS. BRYAN: Thank you.

18 Does the lowest bid typically win?

19 MS. CIULLA: I would say that quality is the
20 very first filter of product. From there we then make
21 the rest of our decisions.

22 MS. BRYAN: Could you comment on other
23 quality differences between the subject merchandise
24 and the domestic product other than the paper
25 brightness.

1 MS. O'BRIEN: Kelly O'Brien, Staples.

2 What we do find is, besides the brightness
3 the quality of the paper in regards to the flecks that
4 are in the paper, so kind of its overall appearance.
5 There's generally more flecks in the U.S. paper but
6 sometimes, it gives them a little bit of a dirty look
7 compared to what we're used to from Brazil and
8 Indonesia.

9 MS. BRYAN: Could you please comment also on
10 any promotional sales and discounts you have on
11 certain lined paper products?

12 MS. MENDOZA: Are you talking about to their
13 customers?

14 MS. BRYAN: Yes. In their stores primarily
15 during the back to school period and directly
16 subsequent to that period.

17 MS. MENDOZA: So you mean in terms of
18 individuals coming into the stores, do they offer
19 promotions?

20 MS. BRYAN: Correct.

21 MS. O'BRIEN: For the back to school period
22 we do run weekly circulars with advertising a subject
23 product as well as non-subject product.

24 MS. CIULLA: And to be clear, approximately
25 26 or 28 weeks out of the year we run a circular for

1 our entire store of various products throughout the
2 entire store to get customers into the store. So it
3 is a standard process for just about any retailer, but
4 specifically Staples. It is a process that we use to
5 highlight to customers our assortment, our product,
6 our pricing, to get them to come in.

7 MS. BRYAN: Okay, thank you. That's all I
8 have for now, thanks.

9 MR. CARPENTER: Ms. Klir?

10 MS. KLIR: I have no questions for this
11 panel, but thank you for your testimony.

12 MR. CARPENTER: Mr. Forstall?

13 MR. FORSTALL: I have a few quick questions.
14 Again, I thank the panel for the testimony
15 thus far.

16 One question for the representatives from
17 Staples, of course acknowledging that eucalyptus and
18 acacia are wonderful pulps for writing papers, I
19 wonder if you have a sense to what extent is the
20 brightness achieved by the Brazilian and the
21 Indonesian paper makers a result of their bleaching
22 regimens, and are you aware if they're using elemental
23 chlorine to bleach their papers?

24 MS. MENDOZA: I think these aren't product
25 experts but we can certainly get you, we can certainly

1 try to investigate exactly how that works.

2 MR. FORSTALL: That would be good.

3 MS. MENDOZA: Sure. They just don't happen
4 to be experts in the production of the paper which is
5 the raw material --

6 MR. FORSTALL: The follow-on is to what
7 extent can the flecks in the U.S. product be the
8 result of recycled fiber content?

9 MS. CIULLA: We specifically buy product as
10 either recycled content with a specific recycle
11 content in it or not, so the product that we are
12 purchasing that we've generally been talking about
13 today in the U.S. has been positioned to us as virgin
14 product.

15 MR. FORSTALL: So if there is some recycled
16 fiber in there then they have to take their lumps and
17 they're competing as a virgin grade product,
18 completely virgin grade product?

19 MS. CIULLA: Recycled paper is qualified
20 with a minimum recycle content and it's available at
21 varying amounts. A minimum 10 percent, minimum 30
22 percent and so on, and grades are specifically
23 purchased from the mills with recycled content or
24 virgin already qualified and committed to.

25 MR. CAMERON: In other words we're comparing

1 apples and apples here. When they're talking about
2 the flecks, she's only talking about virgin paper.
3 The recycled paper, that's a separate deal. We have
4 not been talking about that.

5 MR. FORSTALL: Okay I guess do you have any
6 sense of the source of the flecks, if it is all virgin
7 fiber?

8 MR. CAMERON: We can get an answer of that.
9 I mean obviously these guys are converters just like,
10 they're not making the paper. We don't know whether
11 it's from the paper or from that. Also I think it's
12 fair to say we're not saying that it's everything. We
13 actually sell a substantial amount of U.S. production.
14 The question is, and that five star, we have already
15 testified is a big seller in Staples stores.

16 What we're saying is that for the Staples
17 brand when they're qualifying the paper that they are
18 going to use in the Staples brand and what appearance
19 is important to them, these are the things that
20 they're looking at. And brightness is actually one of
21 them but when you look at that paper what you'll see
22 also is that with the brightness obviously if there
23 were flecks in it it's going to be more noticeable
24 because it's against a brighter background.

25 So all of these things work together, but

1 that's primarily what they are referring to. They are
2 referring to the staples brand and what they are using
3 for that. But we'll be glad to try and get an answer
4 for your question. I would assume that the domestic
5 industry is going to try as well, right?

6 MR. FORSTALL: I would certainly hope so.

7 MR. CAMERON: You never know.

8 MR. FORSTALL: Thank you for that response.

9 I'll stay with you for just one more
10 question. Just in a broad sense of Staples sales,
11 relative to the subject product, your sales of subject
12 product, about how many legal pads or tablets would
13 you sell in comparison? Have you got a sense of the
14 size of each market?

15 MR. CAMERON: Are you trying to compare the
16 certain to the excluded?

17 MR. FORSTALL: Just --

18 MR. CAMERON: Yeah, we can give you --

19 MR. FORSTALL: If you'd like to address that
20 in your post-conference brief --

21 MR. CAMERON: I think we can actually give
22 you a sense. It's big.

23 MS. O'BRIEN: Kelly O'Brien, Staples.

24 Just as an estimate, I would say it's about
25 40 percent non-subject.

1 MR. FORSTALL: Okay, thank you.

2 MR. CAMERON: We'll try and get you some
3 better data, some more exact data in the post-hearing,
4 although I think that actually our questionnaire
5 responses should reflect some of that, but it won't
6 reflect everything because of course we didn't get
7 purchasers questionnaires, so we'll do what we can.

8 MR. FORSTALL: One final question for all
9 the Respondents. To the extent that you're aware of
10 your own imports or the imports that you've seen from
11 other firms, I'll ask you the same question I asked
12 the Petitioners. Are you aware of any imports that
13 are coated with Kaolin clay such that they would be
14 properly classified in a 4810 or for that matter, are
15 other than white such that they would properly be
16 classified in heading 4811?

17 MR. BINDRA: Ranjit Bindra, Fibro Source.

18 There is absolutely none of the subject
19 merchandise that can come in coated. It's not
20 possible. I'm not aware of any.

21 MR. MARSHAK: I apologize. Can you repeat
22 -- Kaolin clay?

23 MR. FORSTALL: Kaolin clay.

24 MR. MARSHAK: Can you spell that? I'm
25 sorry.

1 MR. FORSTALL: K-A-O-L-I-N, Kaolin clay.

2 MR. MARSHAK: Thank you.

3 MR. FORSTALL: I want to thank you for those
4 responses. That's all my questions.

5 MR. CARPENTER: Mr. Deyman?

6 MR. DEYMAN: Good afternoon. I'm George
7 Deyman, Office of Investigations.

8 This morning we heard the Petitioners claim
9 that prices for certain lined paper school supplies
10 have decrease in the last three years or so. Would
11 you agree that that is true?

12 MS. CIULLA: If I take a look at some of the
13 largest items that we've been asked to do the analysis
14 on I would say the answer is no. Just to be specific,
15 I'm seeing one item has gone down a teeny bit, one has
16 stayed flat, and one has actually increased a little
17 bit. But they're all pretty much where they were four
18 years ago.

19 MR. CAMERON: And we would not agree with
20 the statement that the prices from subject imports are
21 so much lower than import prices from non-subject
22 imports from Brazil, we don't think there's any basis
23 for that statement at all.

24 MR. PRESLEY: The prices in the category of
25 the product that we import have increased in the last

1 three years.

2 MR. DEYMAN: I'm sorry, I didn't hear. Have
3 increased?

4 MR. PRESLEY: They have increased in the
5 last three years.

6 MR. RAO: Dave Rao, American Scholar. I'd
7 say for us the prices have remained flat to increase
8 on a few items.

9 MR. BINDRA: Ranjit Bindra, Fiber Source. I
10 would agree with that. There has been flat to
11 increase on the prices.

12 MR. DEYMAN: It looks like we have a
13 difference of opinion here. I guess the data that we
14 collect hopefully are going to resolve that, whether
15 the prices increased or decreased.

16 MR. McGRATH: Just to clarify, from our
17 perspective of course the bulk of the product that CPP
18 imports is not covered by your questionnaire. Those
19 are product categories or product specifications that
20 we responded to because we do have some imports, but
21 the volumes are not significant. Ninety percent or so
22 of Mr. Presley's business is in the fashion category
23 which has seen increases.

24 MR. DEYMAN: And with regard to prices of
25 non-subject product like Brazil, I know you mentioned,

1 Mr. Cameron, you thought the Brazilian prices --

2 MR. CAMERON: Our position, and Susan if you
3 want to say anything about this, our position is that
4 the prices from Brazil are comparable to the prices
5 from subject importing countries and one of the things
6 you will see, and I think it's consistent with our
7 testimony is that imports from Brazil and Indonesia
8 are comparable and they are comparable in many ways
9 and price is one of them.

10 MS. CIULLA: That's correct. The
11 information is in the questionnaire that we filled out
12 and you will see that Brazil is as competitive as
13 Indonesia.

14 MR. CAMERON: And this is rather amusing
15 since the testimony that we heard this morning was
16 that there are these very low prices from subject
17 countries, like this is actually in the category,
18 right? And then there are these high prices from
19 Brazil. And since there is absolutely no way, no
20 substantiation of that we would like to know kind of
21 the basis of that statement. Maybe we'll see it in
22 the questionnaire responses, importer questionnaire
23 responses that we have not yet seen.

24 MR. DEYMAN: Does anyone else here import
25 from Brazil?

1 MR. BINDRA: Ranjit Bindra, Fiber Source.
2 We do.

3 MR. DEYMAN: And what is your experience
4 with regard to the prices?

5 MR. BINDRA: The prices from Brazil are
6 comparable to prices that we get out of India.

7 MR. DEYMAN: Do you commingle products from
8 the various subject and/or non-subject countries?
9 That is for those of you that import from more than
10 one country, once the imports come in you pretty much
11 lump them together to the point where you don't know
12 any more when you sell the product whether it is a
13 product of one country or another country?

14 MR. CAMERON: I think it's fair to say,
15 while Susan's gathering her thoughts, and this is kind
16 of one of the problems with the questionnaire as the
17 staff is aware, and that of course has to do with the
18 coordination with the petition, is that our resale
19 price is at the store down at 13th and H, or if you
20 want you can go to the Staples in Nashville or to the
21 Staples stores in Cleveland, but that's the resale
22 point. So I'm not sure that the Commission is really
23 looking for our resale prices so that is one problem.
24 And of course the questionnaire was structured that
25 way because of course nobody bothered to tell the

1 Commission that that was a problem and that would have
2 been a useful bit of information if we were actually
3 going to structure this investigation in a way that
4 was constructive.

5 Go ahead, Susan.

6 MS. CIULLA: I'm sorry, I'm not exactly sure
7 of the intent of your question. Would you mind
8 repeating it please?

9 MR. DEYMAN: Sure, whether the imported
10 product from various countries is commingled, is --
11 Once it arrives in the United States, a product from
12 Brazil, a product from China, wherever else, whether
13 then they are lumped together in your warehouse and
14 then sold as not necessarily a product of Brazil or
15 China, but just sold as a product of Staples, where
16 one would not be able to tell the country of origin.
17 Or even you would not be able to tell the country of
18 origin in your sales data.

19 MS. CIULLA: On the items where the volume
20 is so large that we do source from more than one
21 supplier, that is correct. Once those inventories
22 come into our system we don't segregate them or see
23 them separately. It's been a big initiative for us to
24 ensure that all of the product that we do buy from
25 multiple sources, the product is the same quality

1 level.

2 So for example, I would have an item that
3 today I had sourced from both Indonesia and Brazil and
4 yet when I take a look at my total inventory I would
5 not be able to tell if that inventory, which was which
6 without actually standing in the store and looking at
7 the country of origin and the product.

8 MR. CAMERON: But as she is saying, this
9 also gets to the issue of why it is that they're
10 focusing on Indonesia and Brazil and not buying from,
11 as was suggested this morning, any place. In other
12 words, why not buy from India and China and we'll all
13 put it all together. The answer gets back to exactly
14 what she was saying which is in the store they want
15 some uniformity but they don't control the inventory
16 that way because the inventory ultimately is going to
17 be mixed together. So how do you control for that?
18 You control for that as a quality control issue up
19 front in order to get uniformity and that way you can
20 deal with that issue and that's the way Staples has
21 done it.

22 MR. DEYMAN: All right.

23 I have a couple of data questions. Did any
24 of you include legal pads in the data that you gave to
25 us in your questionnaire for the subject product, the

1 in scoped product?

2 MS. CIULLA: We did, and we really labored
3 over the in scope and out of scope decisions. While
4 we read the definition, if the legal pad had a cover
5 on it it was in scope. So we went through item by
6 item for every description and segregated legal pads
7 with covers and not.

8 In addition, we went through every item for
9 the size to see what was in scope or not. So we
10 really labored over these descriptions about in and
11 out of scope and did everything we can to follow the
12 direction given to us.

13 So Staples -- more of our business is done
14 in those big six and twelve packs of legal pads, but
15 we do have quite an assortment of single legal pads,
16 and when it is a single legal pad it has a cover on it
17 to protect the paper. So yes, those are in scope as
18 the definition specifically outlined.

19 MR. PRESLEY: Clay Presley. We do not have
20 any legal pads in our response.

21 MR. RAO: We did include legal pads, but now
22 with the change of the scope we will revise it.

23 MR. BINDRA: We too did have some legal pads
24 and we will need to revise.

25 MR. MARSHAK: As far as the Chinese foreign

1 producers, we told them to do it based on the revised
2 definition, and they told us they did, so we're hoping
3 that it's correct.

4 MS. CIULLA: I believe the revised
5 definition still has legal pads in scope if they have
6 a cover, and we used the revised definition. We tried
7 to keep up with those. So the revised definition from
8 my understanding includes legal pads.

9 MR. CAMERON: With cover.

10 MR. DEYMAN: With a cover, right.

11 Another data question. The units that you
12 reported, the data were requested in units and value.
13 Did you have trouble deciding what a unit is -- I just
14 want to make sure our data are complete and correct,
15 so please tell me what you went through to identify
16 the correct units.

17 MS. CIULLA: What we went by to determine
18 the correct units, which is not anything in our system
19 is again, we pulled huge amounts of raw data and Kelly
20 and I sat there and scanned through the description of
21 every single item to see whether it's a one pack, two
22 pack, six pack or twelve pack based on our knowledge.
23 We then multiplied everything out to come out with a
24 unit. So that's how we came up with this number.

25 The one thing that I would say about a unit

1 is this is described as a unit yet a five subject
2 notebook that has four times as much paper in it is
3 also described as a unit. So just a couple of points
4 like that. So that's how we did it.

5 MR. PRESLEY: Clay Presley. In our case we
6 didn't have any multi packs, so we were able to just
7 take the case packs times the number in the case to
8 determine the units.

9 MR. RAO: Dave Rao, American Scholar.
10 We did have trouble calculating the units
11 accurately using the conversion, so it's something we
12 will revise and take a look at for the final
13 submission.

14 MR. BINDRA: Ranjit Bindra, Fiber Source.
15 It was actually done by our accounting
16 people who did have a lot of trouble. I do believe I
17 need to refer back to them and we can include a note
18 from the post-conference submission.

19 MR. MARSHAK: Our Chinese foreign producers,
20 as you'll see, we gave you in kilograms or metric
21 tons. We've asked for units and dollars. We hope to
22 get it. We can't promise. But we have asked for the
23 additional information to fill it out.

24 MR. DEYMAN: Thank you.

25 I have a couple of questions for Mr. Presley

1 of CPP International.

2 You indicated that you produced, or if I
3 understood you correctly, you produced a subject
4 product in North Carolina until 2003. First of all,
5 is that true?

6 MR. PRESLEY: Until 2003 we produced
7 standard lined paper. Not the fashion oriented paper.

8 MR. DEYMAN: Standard lined paper of the
9 type that the Petitioners are producing or brought the
10 petition on.

11 MR. PRESLEY: Right. In 2000 we changed our
12 entire product direction to focus on the fashion side
13 of the business, but there were a few customers, very
14 few customers, that still continued to buy the
15 standard lined paper from us so we converted until
16 such time as it didn't make any sense to do so. There
17 wasn't enough in the business to continue in
18 Charlotte.

19 MR. DEYMAN: I understand, but we didn't
20 send you a producer's questionnaire, and we're not
21 going to right now, but --

22 MR. PRESLEY: Thank you.

23 MR. DEYMAN: We would like you to, if
24 possible, in the post-conference brief to indicate or
25 list for us your production in units for 2002 and for

1 whatever portion of 2003 you produced, and similarly
2 your U.S. shipments in units and in value for each of
3 those periods. That would be helpful.

4 MR. PRESLEY: We can get that information
5 pretty quickly.

6 MR. DEYMAN: You also indicated in your
7 statement, Mr. Presley, that fashion designer
8 notebooks should be removed from the scope. You are
9 aware that the Commission doesn't remove anything
10 from the scope. That's the Commerce Department's
11 decision. It's something you have to take up with
12 Commerce or with the Petitioners themselves.

13 MR. PRESLEY: Yes, we are aware. We wanted
14 to make the record here that the product lines that
15 are being investigated is not just one simple
16 continuum. There are some points, especially in this
17 fashion end where there's a whole different approach
18 than the marketing approach you heard about this
19 morning and that you've heard much of today. It's a
20 product line that is approached differently out in the
21 marketplace even though it's paper, yes, and you can
22 write notes on it. It's much more. It's a style
23 fashion statement. Because of that we felt it was
24 important to make the record that there is such a
25 product out there, there is attenuated competition.

1 We know you can't decide on scope, that that's a
2 decision ultimately made by the Commerce Department,
3 but it's important to have a record, we feel, because
4 some portion of this market here consists of fashion
5 product which has an impact.

6 MR. DEYMAN: My last question, again for Mr.
7 Presley. I know you converted from the standard
8 product to the fashion designer product. But why did
9 you have to go to China to do that?

10 MR. PRESLEY: Because of all of the
11 embellishments and decorations that we use on our
12 notebook. It had to be done overseas.

13 MR. DEYMAN: All right. I have no other
14 questions, thank you.

15 MR. CARPENTER: Mr. Motwane?

16 MR. MOTWANE: Thank you, Mr. Carpenter.

17 One question for you, Mr. Rao. In your
18 testimony when you referred to the public statistics
19 that suggest 30 million units and 10 million dollars
20 and you feel it should be more 15 and 5, that's
21 referring just to India?

22 MR. RAO: Correct.

23 MR. MOTWANE: Thank you.

24 One request for Ms. Mendoza, you referred to
25 one of the Petitioner's relationships with a Brazilian

1 firm and that that firm may be the largest Brazilian
2 producer. If you have any other information on non-
3 subject industries, major players, what the companies
4 are, anything at all that would be useful for our
5 threat --

6 MS. MENDOZA: I'm happy to do so. Our
7 understanding is the same as what Petitioners said
8 which is that Brazil is the major non-subject market.
9 But we'd be happy to get that information. We
10 actually have a buying agent, Staples does, in Brazil,
11 so we should be able to get that information for you.

12 MR. MOTWANE: Okay. What I'm interested in
13 statistically is any public information you have on
14 the industry structure in non-subject countries. As
15 you mentioned, certain companies being the largest or
16 not, particularly if they are related to U.S. firms.
17 Again, just the basis of your public research. That
18 would be great.

19 MS. MENDOZA: Sure.

20 MR. CAMERON: We assume that you're also
21 getting information from them with respect to their
22 Brazilian interests.

23 MR. MOTWANE: I haven't had a chance to go
24 through the questionnaire data yet, but I would hope
25 so, yes.

1 That's all I have, Mr. Carpenter, thank you.

2 MR. CARPENTER: Thank you.

3 Ms. Stump?

4 MS. STUMP: Mr. Cameron, this is a question
5 for you. If you can, to the extent state publicly
6 what domestic like product you would like to propose,
7 if you can state it publicly.

8 MR. CAMERON: At least our initial view of
9 this is that the distinction that has been drawn
10 between certain lined paper and other lined paper
11 can't be sustained. Essentially the testimony that we
12 heard this morning distinguishes certain lined paper
13 from other lined paper on the instructions of third
14 grade teachers. And I know that we heard the economic
15 witness from the domestic industry this morning
16 testify as to his economic expertise based upon his
17 shopping experience. Personally my shopping
18 experiences for my kids is long in the past, but I
19 would suggest to you that they have made a distinction
20 based upon a very unique end use argument that doesn't
21 really hold up. In fact physical characteristics --
22 This Commission specializes -- I don't know the
23 collective weight of cases that counsel at this table
24 have been through where we've been told about the
25 continuum that is used to determine the like product.

1 Well, if we had seen a continuum before,
2 this certainly is part of that. To suggest, yeah,
3 you're right, a first grader doesn't use a legal pad.
4 I concede the point. But high school kids don't get
5 these little notepads with instructions on how many
6 pads to use and what brand. That isn't the way it
7 works either. School is also a continuum. People
8 grow. As we've already heard, there is what, we have
9 a businessman over here using a "school" notebook.

10 So yeah, what we are suggesting to you is
11 that the like product that you should be looking at
12 this in terms of is much broader. It does include
13 legal pads which is a significant market. Obviously
14 competition is attenuated with respect to that part,
15 that segment of the market, and yet it's significant.
16 So we will give you a more precise definition, but
17 from what we could see based upon the limited
18 materials that were provided to us by the Petitioner,
19 we would suggest to you that actually it includes not
20 only certain lined paper but other lined paper.

21 Therefore we think that the Commission made
22 a very sound decision in asking for additional product
23 comparisons, price comparisons, with respect to an out
24 of scope product. It's out of scope, but it may be a
25 like product. And we believe that the Commission

1 also, through the questionnaires, has also gathered
2 sufficient data to make that call at this time.

3 MS. MENDOZA: May I just add one thing?

4 MS. STUMP: Please.

5 MS. MENDOZA: It is our position that the
6 like products should include both the certain lined
7 paper and other lined paper. I think one of the
8 difficulties is going to be that a lot of the other
9 lined paper is made by people who are not the
10 Petitioners. The problem is going to be to what
11 extent you are actually going to be getting that data
12 from those other producers.

13 Obviously we've only gotten one APO release
14 I guess from the Commission so we're not aware of what
15 other information you might have, but that is going
16 to be an under-estimation we would guess of that total
17 other lined paper market.

18 MR. MARSHAK: From the perspective of a
19 Chinese manufacturer, it's the same product. China,
20 from a production standpoint in China it's basically
21 the same product made in the same plant, same
22 machinery, same employees, and frankly, we couldn't
23 believe this morning when Petitioners said that a
24 skilled employee in the United States could only work
25 on one machine. I don't believe that.

1 MS. STUMP: Are there any other comments or
2 differing opinions about the definition of the
3 domestic like product? Naturally you can put this in
4 your post-conference brief.

5 Thank you.

6 MR. CARPENTER: Mr. Forstall?

7 MR. FORSTALL: Thank you, Mr. Carpenter.

8 I have one quick comment to make. We
9 generated a list of producers of lined paper, not
10 necessarily confined to subject product as it was then
11 defined, so I think we're probably good to go if the
12 producers come back and give us the questionnaires.

13 MR. CAMERON: Mr. Forstall, we actually
14 assumed that you had because you had asked for data on
15 both, and we commend the Commission for actually going
16 out of its way and trying to make sense of a clearly
17 very difficult investigation.

18 Our question was not whether or not you had
19 asked for it, but whether the question having been
20 asked would be answered. That's all.

21 MR. FORSTALL: I appreciate that
22 distinction. Thank you.

23 MR. CARPENTER: I believe we may have gotten
24 some additional questionnaire responses from non-
25 petitioning producers late yesterday, so we will try

1 to get this released as soon as possible.

2 MR. CAMERON: And since we're on the issue
3 of release, it was suggested this morning that we had
4 not served our questionnaire. It was actually signed
5 for by Wiley Rein at 12:10 p.m., that's 12 in the
6 afternoon yesterday. So I'd like to dispense with
7 that.

8 MR. CARPENTER: Thank you, Mr. Cameron.

9 Mr. Motwane, you have another question?

10 MR. MOTWANE: Just one question. Mr.
11 Cameron, it also came up from something you said. The
12 distinction, you said the distinction between certain
13 lined school supplies and other lined products is
14 really the instruction of third grade school teachers.
15 While I can see your point, I think what the
16 Petitioners are arguing is that that instruction from
17 educators has a very large bearing on this market.
18 Along those lines they submitted in one of their
19 responses to Commerce, a printout of a web site, a
20 Staples web site, where you have a suggested list of
21 school supplies for grades K through 12 and on those
22 suggested lists you have the products that constitute
23 the bulk of certain lined school supplies that are
24 within the scope, loosely filler paper notebooks, but
25 none of the products that you suggest would be

1 substitutable.

2 I'm just wondering if you can comment on
3 that in terms of what it means for their argument that
4 perceptions of these products really are different,
5 and that the instructions of educators can really
6 create a market which is essentially their argument.

7 MR. CAMERON: Just to begin, the first
8 answer is that nobody has questioned that there are
9 things that are called "school items". One of the
10 things that our witness has been pointing out earlier
11 is yeah, there's a lot of things. It also include
12 pens, it includes all sorts of things including these
13 notebooks. Right?

14 But we're also suggesting that yes -- let me
15 ask you a question. Do you really believe that a high
16 school, you probably don't have kids this age but some
17 of us have actually had this experience so I would
18 like to suggest to you just in theory, do you believe
19 that a high schooler, about 11th grade, actually takes
20 that list and goes through the checklist and says I'm
21 going to buy exactly this specification?

22 Now I may be the lone ranger in this room,
23 but taking up on my friend Dr. Kaplan's experience and
24 expertise, I can suggest to you that my experience
25 with my three high school kids is they never looked at

1 that and they certainly weren't going to take my
2 advice on it.

3 So yes, I believe that the relevance of that
4 checklist when you're talking about a third or a sixth
5 grader is quite different from the relevance when
6 you're talking about high school. And I really don't
7 think that I'm going to lose that argument, but go
8 ahead.

9 MS. CIULLA: I think my thoughts are
10 absolutely. Some of the key items on this discussion
11 are on the school list, that's absolutely true. This
12 notebook business and the items in scope is a huge
13 amount of items outside of this so my feeling is the
14 Petitioners are saying it's school items, yet an item
15 like this composition book -- We sell a huge amount of
16 these composition books through our contract and
17 commercial division to business customers. We are not
18 saying that they are not school items, but they're not
19 only school items. They're big in school, they're big
20 in home use, and they're big in office use.

21 Other things, you will not find any teacher
22 putting on a school list buy a printed design theme
23 book, yet they're a huge item at back to school.

24 You won't find a legal pad on there, yet
25 there are a lot of legal pads included in the scope.

1 What I'm saying is the definitions are
2 pretty fuzzy. I don't know if we actually see an
3 assignment book on the school list. We do know that a
4 lot of times teachers request that the students get
5 assignment books, yet that size notebook is
6 specifically excluded.

7 What got me was the logic of school lists,
8 the scope of this is much much larger than a school
9 list. Much larger. Yet there are items that make
10 sense for school that are not on the list. So some of
11 the things that I made specific notes about are
12 exactly that.

13 8-1/2x11 filler paper won't be on a school
14 list, yet we sell over a million units versus eight
15 million of the other. A million units is still a
16 pretty big amount.

17 So I think it is that fuzziness in the
18 selective part of it in including a lot more that's
19 not on a school list that's the confusing part.

20 MR. MOTWANE: I think I'll have to read
21 through the transcript for my answer.

22 (Laughter.)

23 But I think I got my answer. Thank you.

24 MR. CARPENTER: Well, thank you all very
25 much. Thank you for your expert testimony, for your

1 responses to our questions. For those of you that
2 have come here today to share your thoughts with us
3 and to help us develop this record we appreciate it
4 very much.

5 At this point we'll take a brief break of
6 about ten minutes to allow each side to get together
7 their thoughts for their closing statements, unless
8 you're prepared to go -- Okay, we'll have a ten minute
9 break and begin with Petitioners.

10 (Recess taken from 3:18 to 3:28 p.m.)

11 MR. CARPENTER: If everyone could take a
12 seat, please, we'll continue.

13 Mr. Price, Mr. Pickard, begin whenever
14 you're ready.

15 MR. PRICE: Thank you Mr. Carpenter, members
16 of the Commission staff.

17 Let's just start with the basics here.
18 There's no one hiding the ball because frankly there
19 is an overwhelming case of injury here. If you start
20 looking at the factors, domestic production is down,
21 pricing is down, profits have fallen away
22 dramatically, capacity utilization is down. Credit
23 ratings, the information on credit ratings for one
24 country will be available.

25 By every class, by the classic measures used

1 by this Commission there is no question of material
2 injury, there's little question of causation.

3 I sat here stunned, and you just heard
4 Staples' buyers say you know, we used to do 80/20
5 domestic/import and we just switched to this 100
6 percent import program except for some branded product
7 out here. And while they said it was about paper
8 color, it was about price. There's actually plenty of
9 92 percent brightness paper available and the U.S.
10 mills make it all the time, but the problem is they
11 just don't want to pay the U.S. pricing that would be
12 necessary to do that.

13 I will tell you contrary to Staples' claims,
14 they actually do have Staples branded American-made
15 products, some composition books actually made by
16 Roaring Springs who Mr. Klinefelter was here on behalf
17 of as the union representative today.

18 As we look through all of the basic,
19 critical evidence on injury and causation there is
20 little doubt that they have just conceded that imports
21 compete with domestic like product; imports compete
22 with each other; that pricing is a critical factor
23 despite every attempt to fuzz that issue up. And yes,
24 there were some dramatic attempts to fuzz that issue
25 up.

1 Well, we talked about fashion notebooks.
2 Here is the Carolina Pad book, another one they didn't
3 want to show you this, this is the Mead Westvaco made
4 in the USA one, one China, one U.S.. They could have
5 showed that.

6 The same thing, made in the U.S., China,
7 Carolina Pad.

8 Carolina Pad has a lot of incentives to try
9 to keep its Chinese production access here. Faced
10 with overwhelming imports, and we've heard this import
11 problem did start in 2001 and 2002, it decided to fly,
12 decided to leave, just like so many American companies
13 are doing today. It's the hard part for American
14 companies. You can, as a company, preserve profits.
15 But that's not what the issue is.

16 The issue before this Commission is whether
17 or not there's material injury to a U.S. industry and
18 whether or not a U.S. industry has been injured by
19 subject imports. Yes, that results in an affirmative
20 determination and that's the critical question here.
21 There's little question that that has happened in this
22 case.

23 The Indians say well, we make different
24 products. I'll let you look at these picked up, I
25 think both at Staples. Here's an Indian, here's a

1 Mead Westvaco made in the U.S. Five Star product.

2 Again, go try to figure out the difference.

3 Again, basic commodity products. All four
4 countries. I dare anyone to really figure out the
5 difference, and in some cases I really do find the
6 packs I think as Staples conceded, you know, different
7 countries right there on the shelves, same SCU, same
8 everything, just sitting there.

9 So there's little question about
10 competition. There's little question about direct
11 impact. There's little question about harm.

12 What I found most outrageous in this whole
13 thing is how there was an attempt to say because we've
14 just killed off a portion of the domestic industry
15 they shouldn't get relief.

16 Now Mead Westvaco did shut down its
17 composition book line recently. It did. Honestly.
18 The reason why it did that is because it looked at the
19 import situation and said we give up. It doesn't mean
20 that these books are not made. They are, by Roaring
21 Springs and I'll actually submit that may not be the
22 exclusive list but we won't go into that in a public
23 session here.

24 As we look at all of the domestic like
25 product issues here, let's start using some common

1 sense. I think Ms. Mendoza, she didn't realize what
2 she did, but she just hit on one of the big issues.
3 See these things right here? These nice legal pads
4 here? They're made by different producers, by and
5 large. It's a different industry. The machines are
6 tuned differently, you use different machines
7 essentially. And guess what? They're perceived
8 differently despite some of what Staples said will go
9 into the bidding and what goes on, these things are
10 not in the same bucket as the day-to-day notebook when
11 they bid these things out.

12 So there really is a sharp market
13 distinction that is real, and it's practical, and if
14 you really think your kid's going to show up using
15 this in school, I've got my doubts. Even in high
16 school. I'm not saying there hasn't been a few, but
17 not really.

18 Regarding the attempt to obscure sell-
19 through data in terms of dividing the markets up, I
20 think that is not accurately portrayed. These follow
21 the same patterns as envelopes -- these do not. The
22 notebooks do not.

23 The transcriber doesn't know what these are.
24 Legal pads follow the same pattern a envelopes do.

25 As we move along here there obviously has

1 been an attempt to focus on the fringes, to blur the
2 lines. But you know, the Commission has always looked
3 past that. And while there's a lot of discussion of
4 continuum, it makes practical calls out there, it's
5 made practical calls that the same white gift box
6 could be in different like product. So some real
7 basic issues out there, depending on its channel of
8 distribution, its perception, its usage, and who was
9 principally making what in the marketplace. Things
10 like that are real differences that the Commission has
11 always recognized and will continue to recognize.

12 Turning to this whole attempt by Mr. Mr.
13 Cameron and the Respondents to what I call smear the
14 domestic industry, let's try the smear campaign.
15 After all, if Staples wants its Indonesian imports
16 which are alleged by 77 to 118 -- which have been
17 found by the department to be dumped by 77 to 118
18 percent and subsidies of up to 60 percent, so that has
19 key product on the shelf. That's what its goals are.
20 They were out here saying let's all blame the
21 Brazilians.

22 Brazilian imports are actually down pretty
23 sharply. Mead Westvaco bought the Talibra facility
24 and has actually sharply slashed exports. That
25 facility is now aimed at the domestic market. That's

1 what their goals are. That's what the issues are.
2 And if you think the other domestic producers want to
3 somehow or other help Mead Westvaco out on Brazilian
4 production, I've got news for you. They have no
5 incentive for that either.

6 The bottom line is that this is all an
7 attempt to say the victim should be blamed for their
8 problems. Well, you know what? The victim has been
9 victimized here. The victim has tried to do what it
10 can to survive as long as possible. There are a
11 handful of plants left that produce these subject
12 products. A handful. Plant after plant after plant
13 has been closed. Non-petitioning firms such as
14 Carolina Pad and Paper have closed, because they made
15 the same economic choice. They basically said I can't
16 face the dumped import competition so rather than
17 making that product over here in the U.S., which can
18 be made in the U.S. like the Petitioners do, they just
19 decide to go offshore so they could get cheaper
20 prices.

21 We have a handful of plants left. We have a
22 handful of jobs left. The jobs are down dramatically.
23 We're at the last stages. We're at a stage where if
24 this Commission does not act to make an affirmative
25 determination, the future of domestic production and a

1 domestic industry as we know it will probably be
2 extremely bleak if not non-existent.

3 Thank you.

4 MR. CARPENTER: Thank you, Mr. Price.

5 Mr. Pickard do you have any comments?

6 MR. PICKARD: Dan Pickard from Wiley, Rein &
7 Fielding. Perhaps very briefly, just to echo Alan's
8 remarks.

9 There have been a lot of issues that have
10 been raised here today. Actually first, let me start
11 off by thanking the Commission and the Commission
12 staff. I know from personal experience how seriously
13 the Commission takes its work and we're going to
14 assist you in every way possible to make sure that you
15 have as complete a record as possible in order to
16 fulfill your obligations.

17 That being said, I'd just like to encourage
18 a common sense approach to this case.

19 The heart of the domestic like product is
20 spiral bound notebooks, composition books, and loose
21 leaf filler paper -- the type of things kids take
22 notes on. There has been talk of covered legal pads,
23 that's not the issue here. These are the products
24 that are covered by the scope, that's what's at the
25 heart of this case. And a very traditional ITC

1 analysis, taking a look at whether they compete
2 against one another, and there's probably not a whole
3 lot of doubt whether this competes against this, shows
4 that there's going to be head-to-head competition.

5 The volume of imports have increased. The
6 evidence is going to show that the increased imports
7 have had price-suppressing effects, especially when
8 you take a look at the auction process, that causal
9 connection becomes very sharp. The evidence collected
10 by the domestic producers' questionnaires and other
11 evidence collected by the Commission is going to
12 demonstrate things like decreased U.S. workers. U.S.
13 workers who lost their jobs due to imports.

14 It's going to show decreased revenues and
15 decreased operating margins. On top of that there's
16 going to be documented multi-millions in lost sales
17 and lost revenues due to subject imports.

18 And the traditional indicators of threat are
19 going to demonstrate that not only has this industry
20 been injured by subject imports, but it's threatened
21 with further injury. Consequently, on behalf of this
22 industry we ask for your help. We believe that
23 affirmative determination is justified.

24 Thank you.

25 MR. CARPENTER: Thank you, gentlemen.

1 Would the Respondents come forward, please?

2 (Pause.)

3 MR. McGRATH: I guess I'll start off. Three
4 of us have some comments to offer here in closing. I
5 want to also thank the Commission staff. You always
6 have a difficult job to do in a very short period of
7 time. I think this one's more difficult than most
8 because it's a lot of shifting information, shifting
9 product definition and lack of information that
10 basically should have been available long ago, should
11 have been available before the petition was even
12 filed. Nonetheless, you're forced to deal with that
13 as are we, and we certainly support whatever we can do
14 to help you accomplish your task.

15 We heard some testimony, well we just heard
16 from the Petitioners just now that Carolina Pad
17 decided to leave the industry. The implication was
18 that they just -- I think it was said directly that
19 they couldn't compete with the dumped imports any
20 more.

21 What happened was Carolina Pad decided to
22 refocus, as Mr. Presley testified. In 2000 they
23 decided to refocus their line and focus on a product
24 which was significantly different, they felt, from
25 notebooks. They felt there was a better profit margin

1 to be made and there were sales opportunities there in
2 value-added product, which was something that frankly
3 was more worthwhile for their efforts. They were not
4 complaining at the time about dumped imports. They
5 basically were going to another product line. It
6 wasn't I'll switch overseas and get cheaper filler
7 paper. So that wasn't an issue.

8 We heard this morning very little
9 discussion, and throughout all the discussion of how
10 the products are marketed and what the pricing
11 competition is in the marketplace, all of it has to do
12 with standards. Part of the testimony this morning
13 was that standards are provided and then everybody
14 meets them. Any of the discussion of the reverse
15 auctions deals with standard items. There are quality
16 requirements that have to be met, certainly, but they
17 have to do with standard specifications.

18 Fashion cover items are never reverse
19 auction sold. They are sold directly through
20 negotiation.

21 I didn't see all of the notebooks that Mr.
22 Price just held up, but I think that at least one of
23 them I recognized as a fashion book that is produced
24 by CPP, imported and sold along with the other line of
25 accessories that go with it.

1 The whole idea is to sell it at a higher
2 price with other value-added accoutrements to go
3 along. They're never put on sale for three for a
4 dollar or three for fifty cents or whatever. They are
5 sold in an entirely different fashion.

6 So the product is different and CPP is not a
7 victim that decided to get out of this industry
8 because it couldn't compete with the dumped imports
9 any more.

10 The final point that I wanted to make was
11 that the discussion about Brazil is important to your
12 consideration. Brazil is a highly subsidized
13 marketplace. The Petitioners have invested there. I
14 think we're now hearing that oh well, Brazil really
15 isn't important, that this is something to be just
16 sort of not looked at like the man behind the curtain.
17 Just don't pay attention to him.

18 But at the end of the day that's really what
19 we're after with this petition, what the Petitioners
20 are after with this petition, and they haven't met
21 even the basic standards to file it. But we feel that
22 there's simply not enough there to make an
23 unaffirmative determination.

24 Thank you.

25 MR. MARSHAK: Good afternoon.

1 We spent a lot of time today discussing our
2 kids and like products. We think it's a no-brainer.
3 We love our kids, there's one like product. But
4 either way, the outcome in this case should be exactly
5 the same. The key issue in this case is not like
6 product. It's really about one country, but
7 Petitioners didn't even mention in their entire direct
8 testimony today -- Brazil.

9 On behalf of the Chinese, we have not caused
10 injury and we don't present a threat. First, we
11 produce to order and not to spec. Second, we don't
12 have excess capacity in the production months of
13 January through June. Third, Petitioners are among
14 our largest customers. Finally, if this case is
15 allowed to continue past this prelim, production's not
16 going to return to the United States, it's going to go
17 to Brazil.

18 MR. CAMERON: Thanks. Don Cameron for Kaye
19 Scholer on behalf of Staples. Just a couple of
20 points.

21 First, we said this morning that the
22 Petitioners were playing hide the ball. We saw no
23 evidence throughout the day that they haven't been.

24 I guess maybe it's a matter of definition,
25 kind of like the scope, right. It would be useful to

1 think about this.

2 We wouldn't say they were hiding the ball
3 had we seen any evidence whatsoever that they had
4 coordinated with the Commission on the scope and the
5 conduct of this investigation before they filed it.
6 But of course there's no evidence of that because they
7 were playing hide the ball.

8 We are now at the hearing. Many of us have
9 submitted our questionnaire data. Have we received
10 importer questionnaires from the Petitioners yet? No.
11 You know why? That's hide the ball.

12 So I think we can dispense with the hide the
13 ball stuff.

14 Secondly, with respect to the issue of 92
15 bright. All U.S. mills make 92 bright. It's just a
16 matter of whether Staples wants to buy it.

17 What we would like the Commission to do and
18 we request that you make this request of the
19 Petitioners, because it's a very simple question.
20 During the period of review that you requested data
21 for, did any of the Petitioners produce 92 bright
22 composition books or any of the other subject material
23 and sell it? The answer to that question is no.

24 When he's saying there is domestic 92
25 bright, oh, sure, there are paper mills that make 92

1 bright. These aren't paper manufacturers. These are
2 converters. They are producing subject merchandise.
3 Not one of these guys produces that spec. Not one of
4 them. So we would request that the Commission would
5 ask them for that data, and if they have any evidence
6 that they actually produce 92 bright we'd love to see
7 it.

8 With respect to Roaring Springs. The fact
9 is that we do buy composition books from Roaring
10 Springs, and we buy 92 bright from them. They source
11 it in Brazil and we buy it. They're a very good
12 company. And frankly, we also do business with them
13 otherwise. Staples things quite a lot of Roaring
14 Springs.

15 Just a couple more points. It was suggested
16 in Mr. Price's rebuttal testimony that there was
17 Indian poly notebooks that were purchased from
18 Staples. Staples doesn't import from India, so he may
19 have an Indian poly notebook. He doesn't have an
20 Indian poly notebook from Staples.

21 MR. PRICE: I think I said (away from mike).

22 MR. CAMERON: Okay, no problem.

23 Let's just go to a couple of things that we
24 discussed this morning and see where we stand on those
25 from the introductory remarks.

1 Domestic capacity to produce this product is
2 limited. Well, I think we've already established that
3 there's only one U.S. producer of the composition
4 books, and basically what we heard here today is what
5 we had from the domestic industry, especially in their
6 rebuttal comments, is we had to leave.

7 That kind of begs the question as to whether
8 or not the capacity is there.

9 Secondly, are the domestic suppliers the
10 most significant importers and exporters? Of course
11 we don't know that because we haven't seen the data
12 yet, but in answer to the question where the
13 Commission simply asks, if you could possibly ball
14 park it in high, medium, and low -- now that's not
15 really difficult ball park. That's a pretty big
16 range.

17 I think we can conclude from the answer that
18 it was high, and it's not clear whether or not that
19 also includes all of the stuff that the domestic
20 industry is sourcing and acting as the exporting agent
21 but not actually the importer. So I think the answer
22 to that question is high and that would also be in
23 agreement with what we stated this morning.

24 You guys asked the witness from Mead whether
25 or not what we had said this morning in the

1 introduction was true, that Mead had actually
2 introduced us into China. Now, I believe after the
3 sterma drong [ph] was done, I think the simple one-
4 word answer to that question is yes. They did. Okay?

5 Who are the major U.S. producers in Brazil?
6 Mead, Norcom, Roaring Springs. Do they all have major
7 Brazilian interests? Yes. Is that relevant to this
8 inquiry? Yes.

9 Finally, is there a difference between 92
10 bright, which we are now being told, the U.S. industry
11 has that and has been offering that. We've never seen
12 any evidence of that and I don't believe that any U.S.
13 production in any of those notebooks that they just
14 gave you are 92 bright.

15 So why does it matter for them? Well, I
16 guess the answer is that it doesn't matter to them but
17 it does matter to us, and 92 bright is a very
18 important thing for Staples and that's the reason we
19 do it.

20 I would like to conclude by saying that we
21 on behalf of all respondents, we sincerely appreciate
22 the work of the Commission and the Commission staff.
23 You guys are often put in a difficult position and we
24 fully understand that this is one of those positions.
25 We apologize for that, but we weren't exactly

1 volunteering to be here ourselves, so with that in
2 mind we would like to convey our deep appreciation.
3 We all understand that you guys work very hard at your
4 jobs and we do appreciate it. That's kind of what we
5 all do for a living. Thank you.

6 MR. CARPENTER: Thank you for those
7 comments. Hopefully we'll get this all sorted out in
8 the next couple of weeks.

9 Before concluding let me mention a few dates
10 to keep in mind. The deadline for the submission of
11 corrections to the transcript is Wednesday, October
12 5th. We are slightly extending the deadline for
13 recent investigations to noon on Thursday, October
14 6th. If briefs contain business proprietary
15 information a public version is due on October 7th.

16 The Commission has scheduled its vote on the
17 investigations for October 21st at 11:00 a.m.. It
18 will report its determination to the Secretary of
19 Commerce on October 24th. Commissioners' opinions
20 will be transmitted to Commerce on October 31st.

21 Thank you for coming. This conference is
22 adjourned.

23 (Whereupon, the hearing in the above-
24 entitled matter was adjourned at 3:52 p.m..)

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Lined Paper School Supplies
INVESTIGATION NO.: 701-TA-442-443
HEARING DATE: September 30, 2005
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

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