In the Matter of: )
CERTAIN LIGHTWEIGHT THERMAL ) 701-TA-451 and
PAPER FROM CHINA AND GERMANY ) 731-TA-1126-1127 (Final)

REVISED AND CORRECTED COPY

OPEN SESSION

Pages: 1 through 478 (with excerpts)
Place: Washington, D.C.
Date: October 2, 2008
The hearing commenced, pursuant to notice, at 9:33 a.m. before the Commissioners of the United States International Trade Commission, the Honorable SHARA L. ARANOFF, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

SHARA L. ARANOFF, CHAIRMAN (presiding)
DANIEL R. PEARSON, VICE CHAIRMAN
DEANNA TANNER OKUN, COMMISSIONER
CHARLOTTE R. LANE, COMMISSIONER
IRVING A. WILLIAMSON, COMMISSIONER
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SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT
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FRED FORSTALL, INTERNATIONAL TRADE ANALYST
NANCY BRYAN, ECONOMIST
MARY KLIR, ACCOUNTANT/AUDITOR
MARC BERNSTEIN, ATTORNEY
JAMES McCLURE, SUPERVISORY INVESTIGATOR

Senate Appearance:

THE HONORABLE HERB KOHL, United States Senator,
United States Senate, State of Wisconsin
THE HONORABLE SHERROD BROWN, United States
Senator, United States Senate, State of Ohio
THE HONORABLE ROBERT P. CASEY, JR., United States
Senator, United States Senate, State of
Pennsylvania

State Government Appearance:

THE HONORABLE TED STRICKLAND, Governor, State of
Ohio
THE HONORABLE JIM DOYLE, Governor, State of
Wisconsin

Congressional Appearances:

THE HONORABLE THOMAS E. PETRI, U.S. Congressman,
U.S. House of Representatives, 6th District,
State of Wisconsin
THE HONORABLE MICHAEL R. TURNER, U.S. Congressman,
U.S. House of Representatives, 3rd District,
State of Ohio
THE HONORABLE STEVEN L. KAGEN, M.D., U.S.
Congressman, U.S. House of Representatives, 8th
District, State of Wisconsin
APPEARANCES: (Cont'd.)

In Support of the Imposition of Antidumping and Countervailing Duties:

Session 1: Domestic Producers' Direct Presentation
(Open to Public):

On behalf of Appleton Papers, Inc. (Appleton):

MARK RICHARDS, Chairman of the Board, President
and Chief Executive Officer, Appleton
WALTER SCHONFELD, President, Technical Papers
Division, Appleton
KAREN HATFIELD, Executive Director, Thermal
Marketing, Appleton
MIKE FRIESE, Director of Technology, Technical
Papers Research and Technology, Appleton
STEVE BLASCZYK, Operations Manager, Appleton
MIKE RAPIER, President, Liberty Paper Products
JON GEENEN, Vice President, International, USW
JIMMY ALLEN, Mater Journeyman Mechanic, Appleton,
and President, USW Local 266
GREGG MOSBY, SR., President, Moor Products d/b/a
Greenleaf Paper Converting
CHARLES P. KLASS, President, Klass Associates, Inc.
SETH KAPLAN, Consultant, The Brattle Group

JOSEPH W. DORN, Esquire
GILBERT B. KAPLAN, Esquire
STEPHEN J. NARKIN, Esquire
King & Spalding, LLP
Washington, D.C.

On behalf of Kanzaki Specialty Papers, Inc. (Kanzaki):

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DAVID GONSALVES, Vice President, Sales and Marketing, Kanzaki

GARY N. HORLICK, Esquire
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Washington, D.C.
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Session 2: Respondents' Direct Presentation (Open to Public):

In Opposition to the Imposition of Antidumping and Countervailing Duties:

On behalf of Papierfabrik August Koehler AG and Koehler America, Inc.:

DOUG ENDSLEY, President, Register Tapes Unlimited, Inc.
WILLY FRUEH, Director, Thermal Paper Division, Papierfabrik August Koehler AG
RICHARD M. GREENE, Chief Operating Officer, Koehler America, Inc.
RICHARD JANSEN, President, Paper Solutions
ROGER SANDT, CEO, Sandt Products, Inc.
ED SWADISH, President, Discount Papers
BRUCE MALASHEVICH, President, Economic Consulting Services, LLC
JAMES DOUGAN, Economic Consultant, Economic Consulting Services, LLC

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JAMES SIMOES, Esquire
Hunton & Williams LLP
Washington, D.C.

On behalf of Mitsubishi HiTec Paper Flensburg GmbH, Mitsubishi HiTec Paper Bielefeld, GmbH (Collectively Mitsubishi HiTec Paper) and Mitsubishi International Corporation (MIC):

FALK JAHNS, Area Sales Manager, Mitsubishi HiTec Paper Flensburg GmbH
THEODORE RICE, Manager, Paper and Packaging Department, MIC

ERIC C. EMERSON, Esquire
JAMIE B. BEABER, Esquire
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Washington, D.C.
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On behalf of Shanghai Hanhong Paper Co., Ltd. (Hanhong) and Paper Resources, LLC (Paper Resources):

XUE QIANG, General Manager, Hanhong
JUN (FRANK) ZHANG, Interpreter for Mr. Xue
CHRISTOPHER K. BURNS, Managing Director, Paper Resources
TODD KYRISS, Director, Global Sourcing, Calphalon, and Former Director, Global Procurement, NCR Corporation
JOHN REILLY, Economist, Nathan Associates

ROSA S. JEONG, Esquire
JEFFREY S. NEELEY, Esquire
Greenberg Traurig, LLP
Washington, D.C.

Session 3: German Respondents' In Camera Presentation (Closed to Public):

Session 4: Domestic Producers' In Camera Rebuttal Presentation (Closed to Public):

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PROCEEDINGS

(9:33 a.m.)

CHAIRMAN ARANOFF: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 701-TA-451 and 731-TA-1126 and 1127 (Final) involving Certain Lightweight Thermal Paper From China and Germany.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of subsidized imports from China and less than fair value imports of certain lightweight thermal paper from China and Germany.

Before we begin, I would note that the Commission has granted in part a request from the German Respondents to hold a portion of this hearing in camera. We will begin with public presentations by Petitioners and Respondents. We will then have a 10 minute in camera session by German Respondents, followed by a 10 minute in camera rebuttal presentation by Petitioners if so desired.

Only signatories to the administrative protective order will be permitted in the hearing room.

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during the in camera session. Following the in camera presentations, we will resume with public rebuttal and closing remarks.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

Finally, if you will be submitting documents that contain information you wish classified as business confidential your requests should comply with Commission Rule 201.6.

Before moving to the first witnesses, I just want to note that we do expect this to be a lengthy hearing. We brought out the extra comfortable seats for all of you today. They are actually the same seats we always use, but I hope they'll be comfortable as we expect this hearing to go rather late.

Just for the parties' planning purposes, I
should let you know that in the late afternoon we'll assess how long we think the hearing is going to continue, and we may, in addition to the lunch break, take a short dinner break in the evening, so please plan for that.

Madam Secretary, are there any preliminary matters?

MS. ABBOTT: Madam Chairman, all the witnesses for today's hearing have been sworn.

(Witnesses sworn.)

MS. ABBOTT: There are no other preliminary matters.

CHAIRMAN ARANOFF: Very well. Will you please announce the first congressional witness?

MS. ABBOTT: Our first speaker is the Honorable Herb Kohl, United States Senator, State of Wisconsin.

CHAIRMAN ARANOFF: Welcome to the Commission, Senator.

MR. KOHL: Madam Chairman and fellow Commissioners, I thank you for this opportunity to appear today on behalf of Appleton Papers and their case regarding subsidized imports of lightweight thermal paper from China and dumped imports of lightweight thermal paper from China and also from
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1 Germany.
2 Founded in 1907 in Appleton, Wisconsin, as
3 the Appleton Coated Paper Company, Appleton is the
4 world's largest producer of carbonless paper and a
5 leading producer of thermal, security and performance
6 packaging products. Appleton manufactures its
7 products in locations across Wisconsin, Ohio,
8 Pennsylvania, as well as Massachusetts.

9 Today, Appleton's Wisconsin plant employs
10 761 people and produces more than 200,000 tons of
11 carbonless, thermal and specialty-coated paper grades.
12 Of Appleton's 2,400 employees nationwide, many are
13 proud members of the United Steelworkers Local 469.

14 I am pleased to see so many Appleton
15 employees and USW members in the audience today who
16 are supporting this case, and I salute USW's work and
17 help to ensure a fair remedy in this case.

18 I am here today to support our domestic
19 paper industry and to stand up for American workers.
20 The facts in this case are compelling. Imports of
21 lightweight thermal paper from China and Germany rose
22 60 percent from 2000 to 2006, while at the same time
23 domestic producers saw their American share drop
24 sharply.

25 Last week the Department of Commerce ruled
that Chinese producers of lightweight thermal paper are receiving illegal subsidies from the Chinese Government and that Chinese and German producers are selling their products in the United States at prices below market value. In both cases, the Department of Commerce agreed that foreign competitors were acting illegally and imposed duties.

So it is now up to the International Trade Commission to make the final determination, and the stakes could not be higher. Last November, NewPage Corporation lost a similar trade case that was before you. Since then, NewPage has closed two Wisconsin paper plants, resulting in 900 good paying jobs being cut.

NewPage has told me that they closed the Wisconsin plants because of cheap Chinese paper being dumped onto the U.S. market which undercut NewPage's business. Wisconsin cannot afford to lose another paper company.

Today's case on lightweight thermal paper is an opportunity to stem the losses in this sector and send a message to the Germans, the Chinese and others that if they want to do business here then we expect them to abide by the rules.

There should be no doubt that trade is vital.
to our nation's economic future. The debate today is not about whether we should be open to trade. It is about the rules we use to ensure that trade preserves the economic, environmental and social progress of our nation, as well as that of our trading partners.

U.S. trade laws are indispensable tools which guarantee a level playing field and fair opportunity for American workers to compete against unfair foreign trade. I know the Appleton workers here today can compete against their counterparts anywhere in the world just as long as the playing field is level.

Every day U.S. paper companies are losing market share, American workers are being harmed, and companies are losing sales and profits. It is time that we start leveling the playing field with our foreign competitors. Otherwise we will not have a domestic paper industry to speak of. I respectfully therefore urge the Commission to support the domestic lightweight thermal paper industry.

Wisconsin needs your support, the nation needs your support, and I am grateful to be here to share our concerns with you. Thank you very much.

CHAIRMAN ARANOFF: Thank you, Senator.

Do any Commissioners have questions for the Heritage Reporting Corporation
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Senators?

(No response.)

CHAIRMAN ARANOFF: Thank you very much for coming this morning.

MS. ABBOTT: Our next speaker is the Honorable Sherrod Brown, United States Senator, State of Ohio.

CHAIRMAN ARANOFF: Senator Brown, welcome back.

MR. BROWN: Thank you, Madam Chair. It's good to be back. Thank you all for your public service and for standing up for American workers and all that you do. Thank you for the opportunity to provide testimony today.

Let me begin by saying that I was very gratified to learn of the Department of Commerce determinations issued last Friday. Those determinations reaffirmed the Department's preliminary finding that imports of thermal paper from Germany are being dumped and imports from China are being both dumped and subsidized and that both the dumping and the subsidies are in fact significant.

These anticompetitive practices have undermined the economic health of our only two U.S. producers. Appleton Papers, the Petitioner in this
case, has a major mill producing thermal paper in West Carrollton, Ohio, near Dayton in southwest Ohio. This mill has 420 employees, more than half of whom are steelworkers.

I am proud of the fact that Appleton decided to locate its new thermal coating machine, which began operations just last month, in our state. I never thought I'd go out of my way to promote the use of thermal paper, the kind used in ATM machines and gas station pumps. Knowing now that this paper is produced in Ohio, I go out of my way to tell people always say yes to the receipt. Keep that thermal paper coming.

I'm pleased to see that there are so many steelworker representatives in the audience here today. I appreciate their coming to Washington. Their presence here signals the importance of these cases to all those who work at Appleton.

Appleton is a unique company. It is actually 100 percent owned by workers, by those who work there. In 2001, Appleton employees agreed to take part and invested their life savings in this company. They believe in this company. They believe in its mission. In all, they invested $108 million in the employee stock ownership program, the ESOP, making
this one of the largest employee buyouts ever.

So you can understand how important these cases are to the employees of the West Carrollton plant, to the local economy and to the communities in which we live. The Miami Valley, where the West Carrollton plant is located, the community around Dayton, the Miami Valley understands the challenges of globalization.

Several thousand manufacturing jobs have been lost in Dayton. The threat of DHL laying off 8,000 workers in Dayton with Astar and ABX hangs over people's heads. Every week I see a new batch of claims for trade adjustment assistance by Ohio companies and auction notices from Ohio manufacturers going out of business, cannibalizing their equipment, downsizing.

Workers will tell you they don't mind competing. They welcome it. They just want a level playing field. That's why we're all here today.

While much of the record in this case is confidential, I understand from Appleton that there is considerable evidence of injury.

There are large import volumes and significant market share of thermal paper imports.

There's underselling and lost sales in a time when
demand had been healthy for thermal paper as more and more retailers switch to thermal paper for point of sale receipts.

U.S. producers should be reaping the benefits of this healthy demand, but they are not. Even considering the dollar's depreciation helping our export/import balance, helping our companies export more, even with that depreciation the domestic industry is still struggling to stay competitive.

Why? The reason is simple. Dumping and subsidies gave German and Chinese producers an unfair advantage, an advantage that would be insurmountable for any producers in any country.

As I've noted here before, I strongly believe that U.S. trade remedy laws are indispensable. In the global market it can be particularly difficult to address situations in which free market competition based on price, on quality, on efficiency, gives way to corrupted competition distorted by subsidies, dumping and other anticompetitive practices. These remedies address corrupted markets to help ensure that global trade supports U.S. economic progress rather than fueling U.S. economic decline.

I know that you recently considered a case involving another type of paper, Coated Free Sheet.

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That case ended with a negative injury finding, and within several months the petitioner in that case had to close its converting facilities in Chillicothe, Ohio, a community south of Columbus, leaving workers in my state without jobs.

I urge you to consider the ramifications for a negative finding in this case. Absent relief, without relief, there is no question the domestic industry will be threatened with even greater harm.

I thank you for your careful consideration of this very important case.

CHAIRMAN ARANOFF: Thank you, Senator.
Are there any questions for the Senator?
(No response.)
CHAIRMAN ARANOFF: Thank you very much for coming this morning.

MR. BROWN: Thank you.

MS. ABBOTT: Our next speaker is the Honorable Jim Doyle, Governor, State of Wisconsin.

CHAIRMAN ARANOFF: Good morning, Governor, and welcome to the Commission.

MR. DOYLE: Good morning, Madam Chair. I thank you and the members of the Commission for giving me this opportunity to appear here this morning and to be able to speak in support of the domestic

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lightweight thermal paper industry.

We really, truly appreciate the time and
focus the Commission has given to the interests of
this very important industry, and I appear before you
today to urge you to recognize that our domestic
lightweight thermal paper industry is at peril as a
result of unfair trading practices employed by certain
German and Chinese manufacturers.

In recent years, the State of Wisconsin,
like other states in the country, despite many of our
great assets and unique strengths, has witnessed some
very serious economic challenges. Certainly that has
been true in manufacturing in general and in paper
making. We are proud to be the nation's leading paper
making state, but it is an industry that has been
challenged.

To fight these losses, our companies have
worked hard to make world class products that can
compete globally, and we have encouraged and supported
innovation on an unparalleled scale. But no matter
how strong and how innovative our companies are,
Wisconsin's businesses can only succeed if they are
afforded a level playing field.

In the domestic paper industry, lightweight
thermal paper is one of Wisconsin's great innovations

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that has proven to be a success and one that is now
used worldwide as ATM receipts and receipts from
grocery stores and restaurants and gas stations and
others.

   Appleton, the main Petitioner in this case, has helped lead the way. It has been their
innovation, their ingenuity, their hard work. They are now producing more than 60 percent of the world's
lightweight thermal paper. For more than 100 years since its founding, Appleton has been a cornerstone of
the local economy in its region of Wisconsin.

   Appleton Papers has close to 1,350 Wisconsin employees. All of those employees are also owners of
the company. In fact, Appleton's employees purchased the company in 2001 from its prior owners to be able
to keep the company and its jobs in Wisconsin.

   These same workers own 100 percent of Appleton through an ESOP. The investments that Appleton makes are employee investments in their own future, and what happens to the company affects their bottom line. They have been willing to make major investments in modernizing Appleton's processes.

   To keep the operations state-of-the-art and safe, Appleton's employee owners have invested some
$14 million each year into these Wisconsin facilities.

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In today's difficult economy, there are not many traditional industries willing or able to make this kind of investment into their long-term health, and it is precisely this kind of company that should not be left to fend for itself against an influx of illegally low-priced imports from foreign competitors.

Nearly 700 of Appleton's Wisconsin employee owners are proud members of the United Steelworkers Union and, like the leadership of the USW, many have come today from Wisconsin to demonstrate their support for this petition and to fight for what they have come to depend on: Good paying jobs, retirement security and a way of life.

There is truly a lot at stake in this case for Appleton's employee owners, for their communities, for our state, and it is for these workers, their families and their communities that I am here today to ask you for your careful consideration of the facts of this case as you prepare for your upcoming determination in the Lightweight Thermal Paper case.

As the Commerce Department noted in its prior finding in favor of the U.S. industry, these goods are being sold in U.S. markets at prices significantly lower than fair market values. There is little doubt that these practices reflect a clear
attempt by foreign competitors to grab market share at
the expense of the U.S. industry.

It would be unfair to allow our
manufacturers and their workers to fall prey to the
illegal pricing strategies of global competitors who
refuse to compete on fair terms.

I deeply appreciate that several of you were
able to travel to Wisconsin to visit the Appleton
plant and the company headquarters. We thank you for
how seriously you've taken this petition and your
willingness to look at all of the facts and to even go
and see the facilities.

I hope you saw what I have seen in Appleton
on many occasions. These are modern, state-of-the-art
facilities which we are very proud to have in our
state, and --

(Electronic interference.)

(Whereupon, a short recess was taken.)

MR. DOYLE: I knew that the German and
Japanese companies involved didn't want my testimony
to go forward, but I didn't think they'd go to this
end.

(Laughter.)

MR. DOYLE: I had indicated that we were
very thankful that you took the time and went to

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Appleton and saw this plant, and I really want to emphasize that this is not the case of an aging industry that is not willing to make the changes and innovations that are needed in order to be competitive.

In Wisconsin we understand that for our manufacturers to succeed we have to constantly be getting leaner, we have to become constantly more technologically advanced, we have to be more productive, and we have to do this to compete in a worldwide market.

We have worked hard in Wisconsin, and Appleton Papers is a great example with a very serious focus on advanced manufacturing. We believe that our future in manufacturing in our state depends on highly innovative products and processes, and certainly Appleton Paper, the advances that they have made in lightweight thermal paper is an example of a company through innovation finding success.

We understand that we have to make large capital investments. Appleton Papers is another good example of that. We have worked as a state to modernize our manufacturing capacity, and other manufacturing and agricultural industries in our state have flourished in recent years with exports growing.

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significantly in many areas.

So this is not a case of industry that's looking for some kind of special protection to protect old, outmoded processes and old, outmoded products. Appleton Papers is a great example of a company that's done everything right: Innovative, leaner, more productive, great management and labor/management relations, flexibility. All they are asking is that they have a fair and level playing field on which to play.

In Wisconsin, workers like these at Appleton and others across our state have been working very hard to prepare our economy for the long term and to do all that we can to give our businesses the strongest foundation possible for future growth and competition.

Given a level playing field, we believe our companies can compete anywhere in the world, but when the facts demonstrate, as they do in this case, that the competition is not fair we must follow our trade laws to remedy the situation and protect our workers, their families and their communities.

Truly, one of my greatest fears as governor is seeing this industry fall by the wayside because of temporary pricing strategies employed by overseas

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competitors to undercut American manufacturers. There has been generations of investments in paper in Wisconsin. There has been major recent investments by Appleton and other paper makers in our state. As I say, our greatest fear is to see that a temporary pricing strategy could undercut that.

We cannot let the lightweight thermal paper sector suffer the same fate as what happened to coated free sheet paper. I urge you to help us ensure that another paper producer is not forced to shutter its doors because it cannot compete when one hand is tied behind its back.

Madam Chair, to you and the Commission, I hope that as you weigh all the evidence before you, you and your fellow Commissioners will note the damaging rate at which these German and Chinese producers are infiltrating the United States market and that you will vote to stop such dumping.

Please know that Wisconsin's workers are counting on you to take action and find that Appleton and the domestic industry are indeed being injured by these practices. We thank you for your consideration.

This is really a company that has done such great things in Wisconsin, and we really want to compete and compete fairly, and we will compete with

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anyone in the world. I ask you to make the requisite findings so that we can have a truly competitive market in which Appleton will be judged on its innovation and productivity and quality of its products rather than on artificial pricing schemes.

Thank you very much for the attention that you've given this. I know you have weighed this very seriously, and I know you realize how incredibly important this is to not only Appleton Papers, but to the people of the State of Wisconsin.

Thank you.

CHAIRMAN ARANOFF: Thank you, Governor.

I would ask my fellow Commissioners if they have questions, but our mics aren't working.

(No response.)

MR. DOYLE: All right. Thank you.

CHAIRMAN ARANOFF: Thank you very much.

MS. ABBOTT: Our next speaker is the Honorable Thomas E. Petri, United States Congressman, 6th District, State of Wisconsin.

MR. PETRI: Thank you very much. It's a pleasure to be here, particularly as your mics don't work and mine does.

Let me say, I couldn't help but reflect when we saw this glitch that China is investing nine
percent of its GNP currently in infrastructure of various sorts. We are spending about two and a half percent, and we should spend a little more on our infrastructure here in this hall.

The structure of the paper industry is such that you build one of these huge machines -- and some of you have had the chance to see some of them -- and you can't run at half speed or only partly. You have to run it or not run it basically.

China has invested in getting into the paper business and has put up these big machines in excess of what they can currently absorb in their economy, and they're basically dumping the surplus production into our market and driving our people out of work.

It's in the structure of the production process in the paper industry that that is what's happening and it's accommodating them, and we're paying the price. It's the very definition of unfair competition. There aren't many other places in the world that allow this sort of thing, so there aren't many other places where they can do that and where the demand exists.

In any event, I'm happy to have the opportunity to be here to speak on behalf of Appleton Papers and its employee owned workforce. As has been
pointed out by our governor and will be pointed out by
my colleague, Mr. Kagen, it's an important employer in
Wisconsin's Fox Valley, and it's shown leadership and
resolve in challenging dumped imports from China and
Germany, as well as the subsidies provided by Chinese
producers.

The outcome of this case is important
because it will affect the lives of my neighbors in
central Wisconsin, an area that's fighting to maintain
its manufacturing tradition through hard work,
innovation and drive to be a world class area that
produces paper.

Today's case has added significance because
Appleton is a paper making company, and Wisconsin has
a long tradition of paper making. The paper industry,
however, is being endangered by unfair foreign
competition that believes market share is all
important and has sought to lay claim on our domestic
markets by selling their imports below the cost of
production.

Last month, a few short miles from the
Appleton Papers facility in Appleton another paper
company closed a mill, putting more than 500
experienced paper makers out of work. Unaddressed
dumped paper from China was an important factor in the
decision to close that mill, the Kimberly mill, and I believe that the aggressive dumping of Chinese and German lightweight thermal paper will have a similar adverse effect on Appleton Papers.

Today, Appleton Papers has more than 1,300 employees at its Appleton, Wisconsin, facility. Many of these workers are my constituents. These workers enjoy a somewhat unusual distinction within their company. Appleton is wholly owned by its employees through an ESOP.

The employee owners of the company will be doubly impacted by allowing dumping to continue without the appropriate response. First, they'll suffer through work reductions or job losses should production cutbacks become a reality. Second, their long-term financial security will be negatively impacted.

These workers, these employee owners, have invested their retirement assets in their company, literally staking the future well-being on the success of Appleton Papers. This commitment shows their confidence in the American economy and in their ability to compete head-to-head with the best producers in the world. This dedication should be met with a commensurate commitment on the part of our
government to enforce the trade laws which Congress
has passed.

This case is about protecting a leading
American manufacturer under attack by the predatory
trade practices of certain foreign competitors.
American manufacturing companies, particularly those
in Wisconsin, want to compete globally. In fact,
manufacturers in our state are anxious to put their
products and workmanship up against the best that the
world can offer.

True competition, however, is undercut when
prices are subsidized or products are sold below cost
in order to grab market share. Allowing dumping and
subsidization to stand can only harm domestic
manufacturers, leading to continued adverse conditions
in domestic markets and further declines in
manufacturing employment.

So I urge the Commission to consider
carefully the testimony given today and study the
record developed by these proceedings. Taking these
steps, I believe you will conclude that the dumping
and subsidization of lightweight thermal paper that
has been substantiated by the United States Department
of Congress cannot help but bring material harm to
Appleton Papers and its employee owner workforce.

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Thank you very much for giving me this opportunity.

CHAIRMAN ARANOFF: Thank you.

MS. ABBOTT: Our next speaker is the Honorable Michael R. Turner, United States Congressman, 3rd District, State of Ohio.

MR. TURNER: Good morning. Chairman Aranoff and members of the Commission, I appreciate the opportunity to testify before the Commission today regarding this important investigation concerning the import of lightweight thermal paper from China and Germany.

Madam Chairman, I also want to recognize the Appleton employees who have traveled from Ohio to witness today's hearing. Many of these employees, members of the United Steelworkers, traveled to show this Commission their support for a favorable determination on this issue and to show the importance of such a finding on their local economies. These employees have a truly vested interest in today's proceedings not only because they work at Appleton, but because Appleton is 100 percent employee owned.

Madam Chairman, Appleton Papers is an important employer in my congressional district, the 3rd Congressional District in Ohio. In fact, Appleton

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employs nearly 500 people -- 471 exactly -- in the State of Ohio mainly at their West Carrollton mill.

Today's hearing is of such importance. I wanted to underscore some of the current events that are occurring right now. I truly believe that the financial crisis that is before us, that we're seeing gripping both the House and the Senate and really the national attention, has as its bedrock the issue of unfair trade practices and our ability to try to ensure that we support our manufacturing sectors. This issue today goes straight to our ability to support and to defend our economy from those who are acting unfairly.

In August, I had the honor of attending the ribbon cutting for Appleton's new thermal coater at its West Carrollton, Ohio, mill. Appleton's $125 million investment in this upgrade underlines the company's firm commitment to provide the highest quality products to its customers and to producing in the United States. This new investment in the West Carrollton facility promises to bring new jobs to Appleton and further increases Appleton's competitiveness in the global marketplace.

The manufacturing economy in Ohio and throughout the midwest is struggling against unfair
competition. It has been reported that since 1998, Ohio has lost over 250,000 manufacturing jobs, and unemployment has increased from 3.9 percent in 2000 to 6.6 percent in June of this year.

Recently, my district lost several Delphi Corporation manufacturing facilities as a result of their bankruptcy, as well as a major General Motors assembly plant that is slated for closure. These plant closures have a ripple effect on our local economy, causing small businesses to close, putting a strain on social services and resulting in a loss of needed tax base for local governments and for our educational institutions.

Instead of taking jobs overseas as many companies have done, Appleton has not gone the way of outsourcing and has decided to increase their investment in the United States. This is critical to the economy of Ohio and to my district in particular and I believe the economy of the United States.

This new investment is particularly important in light of recent developments with overseas imports of lightweight thermal paper. It's my understanding that the volume of paper imports from China and Germany are very large and continue to grow.

Additionally, I have been told that imports from these
countries have undersold U.S. producers' prices and that this has resulted in a significant number of lost sales for domestic companies.

The Department of Commerce has issued its final determination that paper imports from China and Germany are being dumped in our market; that the Chinese Government is providing significant subsidies to thermal paper product producers in China.

It is imperative that the ITC also make a determination that these illegal subsidies cause material harm to the U.S. industry and apply duties accordingly. This will help to offset the unfair advantage that these practices give foreign competitors.

Unlike other parts of the paper market, I've been told that the market for thermal paper is growing because of the popularity of using thermal paper for point of sale receipts. Appleton has been at the forefront of developing the coating technology that enables the development of this type of thermal paper.

However, unfair imports have prevented Appleton and the other U.S. producer from benefitting from expanding demand and from the innovations they have brought to the market. Without relief from these unfairly subsidized imports, Appleton's investment in
West Carrollton is in jeopardy, as well as their presence as a U.S. paper manufacturer.

Madam Chairman, our government should be in the position of rewarding innovation, protecting domestic industry from unfair trade practices and fostering businesses like Appleton so that they can continue to be a leader in a global marketplace.

Madam Chairman, when the playing field is level, workforces like those at Appleton's facility in West Carrollton can thrive, and companies like Appleton can compete globally. We cannot allow these unfair trade practices to continue, and I urge you to make an affirmative decision in this investigation.

Thank you all.

CHAIRMAN ARANOFF: Thank you.

MS. ABBOTT: Our next speaker is the Honorable Steve L. Kagen, M.D., United States Congressman, 8th District, State of Wisconsin.

MR. KAGEN: Well, thank you very much for the kindness of allowing me the opportunity to be with you this morning.

My name is Steve Kagen. I am from Appleton, Wisconsin, but I'm a little bit different than my colleagues who came before you because this is not a pleasurable experience because the people's lives that
you hold in your hands are the people I grew up with, the people I went to high school with, the patients I have taken care of for nearly a quarter of a century.

So before going into any numbers as you've heard already, I want to just put a human face on some of these people who have not just real damages, but real problems. You've been to Appleton. I wish I could have been there to give you the Kagen tour. It would have only taken about two minutes to cover Appleton.

Appleton is one of the chain of cities called the Fox Cities. We are all connected, whether it's Kimberly, Little Chute, Kaukauna, Wrightstown, Appleton, Neenah and Menasha. We are fiercely, fiercely proud of our provinciality of thinking to be from Kimberly. I can tell you who's from Kimberly just from looking at them. They're tall, they're blond, and they're very good at playing not just basketball, but volleyball.

They are also fiercely proud of where they work. The Kimberly paper makers -- that's the team logo. They're the paper makers, and today, because of some of the decisions of last year, they may become the former paper makers.

Kimberly-Clark. You use Kleenex and many

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other of their products along the years. If you've raised children, you appreciate some of their products as well.

So Appleton, Kimberly, Little Chute. These are a chain of cities up to Green Bay. Paper making began in the State of Wisconsin over a century ago, and it found a home in Wisconsin because of our trees, our agriculture product, the trees. We grow timber.

Much of our industry is dependent upon paper, the logging industry, and you can understand how crushing an economic blow it has been with the collapse of our housing market on the timber industry and the logging industry and now the paper industry. We lost a plant in Niagara in northern Wisconsin. We've seen the closing of the Kimberly mill, a mill that's been open for more than a century. This is what we do. We make paper.

To understand the paper industry, you should understand that as a businessman I look at it as three things. There are three overheads in there. There's raw materials, there's energy and people. Now, how does our corporation, the Appleton corporation or any other paper industry, compete against a foreign industry in China where there's a corporate government, where the corporate government provides
the energy, where the corporate government provides
the raw material?

Put it in your mind that there's this ship
from China that sails over to Brazil, picks up the raw
materials, all right, takes it back across the ocean
to China, puts it on a truck, trucks it on the road to
the paper mill that they have. They make the paper,
put it back on the truck to the port, back to the
ocean and ship it to California for import into our
country below our own cost of production.

Their energy costs are the same as ours.
Their raw material costs should be nearly identical to
ours. The difference is the people and the illegal
subsidization that China is providing.

Now, that's not just a singular case. We
saw recently in the Olympics -- we think we saw --
competition on a level playing field, no matter how
old the gymnastic competition was. We can compete
with anybody making paper as long as there's a level
playing field, but we have real people and real
damages.

One of those individuals is the Wendell
family, Don Wendell. Now, here what I've got up here
in front of you is something I'm going to leave
behind. It's a scroll that was signed by over 3,000
people from Kimberly and Little Chute and Combined Locks. These are the people that make paper, that survive off of paper for generation after generation.

In a book that I'll provide to you, Don Wendell, who worked at the Kimberly mill for 30 years, and his wife, Ann, along with their teenage daughter, Kathleen, and Tony. This is what Don had to say:

"Our daughter is a junior in high school, and the thought of paying for college with this uncertain future is daunting. We also need to move to a larger home or add on to ours, and this now needs to be postponed indefinitely. We may have to sell our car we just bought."

These are real people with real damages. I'll also provide to you copies of a letter signed by thousands of people in my home town of Appleton and Kimberly and Little Chute and all these towns. Part of it reads:

"The main issue at hand is the decision of the ITC to allow the dumping of imports into our great country. The dumping of imports is causing real damage to real people. Even the most intelligent people in the world can make mistakes, but they also are wise enough to realize when a mistake has been made and rectify the mistake."
"Please consider your position on the dumping of imports into the USA. We can preserve the American dream and ensure the future of our children and their children."

It goes on. I'll leave that for you. These are some of the people. These people have real stories, and they also have numbers behind them.

Now, I have never been an attorney. I've never appeared as a judge as you have, but you have to look at the numbers. Behind those numbers are real people. There are numbers to consider. Don Wendell has a number. It's a house number. But his house number might be some day soon XXXX.

Or Terry VanGrinzen. She's got a house number. Some day soon it might be XXXX. Todd Terkell, Scott Schneider, Janna Hughes. They may be moving into your neighborhood because they've got nothing else to do. They make paper. What are they going to do? They can't chase their job to China. They can't follow their job anymore when it's been taken overseas.

Everyone in our community in Wisconsin is connected. We're connected on Main Street just as we're connected intimately to Wall Street. You see that now in our economic crisis. Everyone has a

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number, but what we're asking you to do is to look
past the numbers and take a look at the real people
who will be affected by your decision.

Now, when I left my medical practice to
enter the world of politics, I learned several
important lessons after my victory. The first lesson
I learned is that people really will believe a lie
when it's presented on television with great skill.
The power of the television is enormously important.

But the bigger lesson I learned is that it's
politicians like me, like our governor, like our
senators, like the other representatives from Ohio,
and like you who will ultimately determine who lives
and who dies because it's really up to you to decide
whether or not we're going to have something to
manufacture.

It's really up to you to decide if we have a
level and fair playing field so we can compete in a
world and global marketplace. I believe quite
strongly that the corporate governments in Asia have a
different ethics, a different value system. They have
targeted steel for extinction. They have targeted
textiles for extinction. If they could, they would
target dairy for extinction as they're targeting paper
production now.

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I think it's time to draw a line not in the sand, but here in Appleton, Wisconsin, my hometown. Now, how proud am I of Appleton? Well, Appleton is the home of Joe McCarthy. Now, some here may not appreciate that I'm proud of that fact, but, you know, he made a mistake. If he were here today he'd feel differently. After all, his nephew endorsed me for office and I'm a Democrat, so things can change and turn around.

But Appleton is also the home of Harry Houdini, Edna Ferber, Greta Van Susteren, Billy Dafoe, as you might know him Willem Dafoe. We have hardworking people that can play on a level playing field and win, but only when we're given an opportunity to compete.

I hope and trust that you'll review the written record and the numbers before you and look past the number and see on it a human face because as Kimberly goes, as Niagara goes, as Appleton goes, so goes this nation.

I thank you and will respectfully remain to answer any questions you may have.

CHAIRMAN ARANOFF: Any questions?

(No response.)

CHAIRMAN ARANOFF: If you could announce the
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opening statements?

MR. KAGEN: I appreciate it.

MS. ABBOTT: That completes our congressional and state witnesses.

Opening statements on behalf of Petitioners will be made by Joseph W. Dorn of King & Spalding.

MR. DORN: Good morning. This case is about increasing volumes of unfairly priced imports of lightweight thermal paper from China and Germany.

The increasing imports caused the U.S. industry to suffer declining market share, declining prices and abysmal financial results during a period when demand was strong and growing and when U.S. producers gained competitive advantage due to a depreciating dollar and increasing ocean freight rates. The Commerce Department has determined that all such imports were either dumped or subsidized.

The evidence of material injury is far stronger in these final investigations than in the preliminary stage. Citing seasonality factors, Respondents urged you last year to pay little attention to declining domestic industry trend in the first half of 2007 based on the preliminary record.

Well, now we have full calendar year data for 2007. From 2006 to 2007, import prices declined.
and import volumes and market share continued to rise. Domestic producers' prices fell as the cost of production increased, resulting in a classic cost/price squeeze.

As a result, from 2006 to 2007 the domestic industry's financial condition plummeted. The combined operating losses of coaters and converters jumped from $645,000 in 2006 to about $12 million in 2007 as shown on Slide 2. Their positive cashflow in 2006 turned to negative cashflow of about $10 million in 2007. Their return on investment declined from zero to negative 5.5 percent.

The correlation of rising imports and declining domestic industry performance is just as clear from 2005 to 2007. As shown on Slide 3, the combined operating losses of coaters and converters jumped from $1.6 million in 2005 to about $12 million in 2007. Their negative cashflow jumped from $664,000 in 2005 to $10.1 million in 2007.

As correctly stated in your prehearing report, a variance analysis shows that the increase in the operating loss from 2005 to 2007 is attributable to unfavorable variances for both prices and cost. That is, prices declined while the cost of production increased.
Now, how could prices decline when the cost of production was increasing? It is undisputed that demand was strong and growing. It is also undisputed that U.S. producers became increasingly competitive versus imports from Germany and China as the dollar depreciated 20 percent against those currencies and the cost of fuel and ocean freight skyrocketed.

With those favorable market conditions, domestic coaters should have increased market share and should have increased prices faster than their rising cost of production in order to achieve reasonable levels of profit. The only reason that did not happen is that subject imports used unfair prices to take sales from domestic producers which forced domestic producers to reduce prices to avoid losing more sales.

The German Respondents' primary defense is that their admittedly increasing imports were attributable to a product that they say the domestic industry did not produce. That defense, however, is based on the fiction that so-called 48 gram and 55 gram products do not compete on the basis of price.

The truth is that these products are functionally interchangeable and commercially substitutable. There is nothing special about 48 gram
A majority of purchasers of slit rolls told you that they do not even know the basis weight of the products they purchase.

The only reason that 48 gram paper from Germany has taken market share is due to its lower prices. Those lower prices cause converters to shift purchases from domestic 55 and 53 gram paper to imported 48 gram paper. Those lower prices forced domestic coaters to reduce prices on 55 and 53 gram paper and prevented domestic coaters from increasing sales of their own 48 gram paper.

Dumped imports of 48 gram paper depressed the prices of all lightweight thermal paper in 2007. Imports from China also increased due to lower prices, not due to their basis weight. In fact, China did not even offer a 48 gram product. Imports from Germany and China both increased for the same reason: Lower prices.

Respondents' other main defense is the domestic industry cannot be injured because Appleton had the financial wherewithal to obtain bank financing to make an investment to expand capacity in Ohio. As Appleton's chairman will explain in a few minutes, that investment was not funded by Appleton's operations on lightweight thermal paper. Moreover,
the evidence shows that increasing imports destroyed
Appleton's prices and profits in 2007 after the
investment was improved.

Appleton's employee owners deserve a chance
to earn a reasonable return on that investment in a
market that is not depressed by unfairly traded
imports. That is why Appleton filed this petition.

We request affirmative determinations of
material injury for both China and Germany. At the
very least, the Commission should find threat of
injury. Thank you very much.

MS. ABBOTT: Opening remarks on behalf of
Respondents will be by William Silverman of Hunton &
Williams and Rosa S. Jeong of Greenberg Traurig.

MR. SILVERMAN: The key factual development
in this case is the growing use of an innovative
product that is 48 gram, which has served to expand
the demand generally for lightweight thermal paper to
the benefit of all suppliers.

As the record shows, German producers led
the 48 gram innovation, but domestic coaters
unfortunately missed the boat. For example, Appleton
officials testified at the preliminary conference that
Appleton abandoned its lighter weight alternative
product because of quality problems such as breaks
when the converters did their slitting and a perception by customers that they were being cheated because the rolls were smaller.

I cite for you transcript pages 105 and 106 where Appleton itself discusses the reasons why it did not promote such a lighter weight paper.

By contrast, in 2004 and 2005 German producers introduced the 48 gram product that has been accepted by the purchasers. When purchasers began to use the 48 gram product, domestic coaters had nothing to sell, so it should be no surprise that German imports increased for this 48 gram paper because the coaters couldn't meet that demand.

Now, on pricing domestic coaters assert that everything is explained by prices, but unfortunately for them data in the staff report contradict that and tell an entirely different story. For example, see page 5-13 of the staff report and Exhibit 7 of our prehearing brief to see what I mean because I can't discuss it in a public forum.

Now, the domestic coaters don't like the results of the pricing analysis in the staff report so they take the Commission on a detour away from those data. They want to change the Commission's normal practice of price comparisons with a clever trick.
Instead of comparing Product 1 domestic with Product 1 Germany and Product 2 from the domestic industry and Product 2 from Germany, they have an alternative. They want you to combine Product 1 domestic with Product 2 domestic and compare it only to imports from Germany of Product 2.

You see, by their logic one plus two equals two. That's a statistical trick that is so transparent and so biased it should not even make it to first base in your analysis.

Now regarding Appleton's $125 million expansion, it is unusual, to say the least, that a company claiming injury from imports is at the same time making a massive expenditure for expansion. In most cases, Petitioners come before you and say they're injured by imports and therefore they can't make any investment and they can't expand or have to cancel expansion.

Not in this case. The Petitioner went ahead with a large capital investment, and this is the mark of economic health in a growing market rather than evidence of material injury, causation or threat.

We'll discuss this in more detail in the in camera session. We'll discuss these points and the numerous times that Petitioners have changed the data.
once they see what the staff report or what other data
in the record shows.

    Thank you again for granting the request for
the in camera proceeding.

    MR. JEONG:  We heard a lot this morning, a
lot of finger pointing with the Chinese imports being
blamed for everything from every social ill and the
financial crisis that's going on.  What's not
mentioned this morning is the fact that Chinese
imports are very small and have remained small
throughout the period of investigation.

    The U.S. market is dominated by the big
coaters like Appleton and Koehler, and Chinese
imports, which consist entirely of split rolls, have
little to do with what's going on with Appleton or the
market as a whole.

    There are two distinct market segments in
the United States, jumbo rolls and slit rolls, which
do not compete with each other.  There is absolutely
no relationship between the condition of domestic
coaters or the condition of domestic converters and
the Chinese split roll imports.

    The small volume of Chinese imports is not
likely to increase in the foreseeable future.  As you
will hear later, the overall Chinese capacity is
limited to just a few companies and even fewer companies that produce paper with quality that's acceptable to the U.S. market.

What's more, a huge part of the market is closed to even those few producers because no Chinese paper is certified by the major printer makers, which is an absolute requirement for large retail customers like WalMart and Kohl's. This means that even under the most optimistic assumptions, Chinese imports have very little room to grow in the U.S. market.

Under these facts, the Commission should find that the U.S. industry is neither injured nor threatened with material injury by reason of Chinese imports. Thank you.

MS. ABBOTT: The first panel in support of the imposition of antidumping and countervailing duties should come forward.

While the panel is being seated, we will do a microphone check of the Commissioner bench.

(Whereupon, a short recess was taken.)

CHAIRMAN ARANOFF: Madam Secretary, is this actually working?

MS. ABBOTT: Madam Chairman, hopefully yes.

CHAIRMAN ARANOFF: Can you please call the room to order?
MS. ABBOTT: Will the room please come to order?

CHAIRMAN ARANOFF: Let's proceed now to the first panel.

MR. RICHARDS: My name is Mark Richards. I am the Chairman, President and Chief Executive Officer of Appleton Papers, Inc. I've held that position since April 2005. Before joining Appleton, I held various management positions with other manufacturing and service companies.

Appleton is owned entirely by its employees through an employee stock ownership plan or ESOP. This ESOP was put into effect in 2001 when Appleton's workforce invested their retirement savings to acquire it. Today, Appleton is the largest 100 percent employee owned company in the U.S. Appleton's employees depend upon the company for their daily livelihood and retirement.

Appleton has been making paper products in Appleton, Wisconsin, and other locations in the U.S. for over 100 years. We maintain a strong commitment to our 2,400 employee owners to continue to produce paper in the United States. We are a global leader in specially coated paper products and successfully compete in international expert markets.
We perform extensive ongoing R&D work and invest millions of dollars each year for product innovation. We have patented many of the technological breakthroughs like lightweight thermal paper. Lightweight thermal paper is absolutely essential to Appleton's future. Demand for this product is strong and expected to continue to grow far into the future.

Lightweight thermal paper is the largest single market for thermal paper, and Appleton achieves economies of scale by serving it. It is also a stepping stone into the high value added thermal paper market in which Appleton is a leader. Consequently, Appleton needs to continue to grow and defend its position by investing in both the lightweight and high value added market segments as it has done so and will continue to do.

Lightweight thermal paper is not a mature product, but a relatively sophisticated product whose best days are yet to come. Accordingly, Appleton is committed to this business for the long term as evidenced by our invention of the products with NCR in the 1960s and its continuous production at our sites for almost 40 years.

We are committed through remaining a Heritage Reporting Corporation
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worldwide technological leader in the lightweight thermal paper market. That is exactly why we invested $125 million in a new state-of-the-art coater at our West Carrollton plant and certain enhancements to the mill's paper machine, which will supply a significant portion of the base paper used in the new coater. We have also over many years made other significant investment decisions to support our thermal based business.

Today, the West Carrollton mill enhancements are complete and the facility is operating. The operation features world class, state-of-the-art technology that exceeds anything else currently in the market.

I respectfully disagree with the statement that appeared in the dissenting views in the preliminary determination that, and I quote, "The West Carrollton expansion indicates that the industry has the financial wherewithal to obtain the necessary financing to make such a large investment."

As I understand it, the word industry as used in the prior statement means the one making lightweight thermal paper. I wish to clarify and unequivocally state for the record that the financing for this project was not based on the lightweight
thermal paper operations of Appleton. Those operations alone would not be able to attract capital for such a large investment.

The West Carrollton paper machine upgrade and coater investment was funded by Appleton’s retained earnings and cashflow from its high value added thermal and carbonless business operations and from a preexisting line of credit benefitting the entire corporation. Thus, no financial institution was asked to advance new funding for the West Carrollton investment.

Instead, Appleton leveraged its profitable business operations to invest in the lightweight thermal paper operation in order to legally solidify its leadership position across all thermal segments, improve its global competitiveness and generate a fair return on capital for its employee owners.

An affirmative board decision to invest in our lightweight thermal paper business was made in 2006 because we determined that the market for lightweight thermal paper was large and growing.

Additionally, as documented by our board of director materials supplied to the Commission, all importers in question were then and still are freight cost disadvantaged as 65 plus percent of lightweight

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thermal raw materials, including pulp, base paper, chemicals and energy, are virtually identical commodity inputs in all markets, and favorable labor rates cannot offset the freight cost disadvantages. Accordingly, by investing in a world class integrated coating system in the U.S. Appleton would be a legally and fairly advantaged supplier of lightweight thermal paper for North America, which is entirely consistent with our strategy to offer a full line of product in the thermal marketplace.

On the other hand, foreign manufacturers of lightweight thermal paper recognize the threat such an investment would have on their U.S. market share. Given that lightweight thermal paper is a commodity product that sells on the basis of price, certain foreign manufacturers of lightweight thermal paper engaged in unfair trade practices to damage Appleton's business and undermine our efforts to establish a legal and fair competitive advantage.

During the 2006 investment and evaluation process, robust and convincing data existed to demonstrate that reasonable pricing and growing demand would support such an investment. However, once the project became public knowledge the U.S. lightweight thermal paper market was attacked from two directions:

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By imports of dumped jumbo rolls from Germany and by dumped and subsidized slit rolls from China.

This unfair competition has thoroughly undermined the basis for Appleton's investment decision and substantially diminished our ability to earn a reasonable return for employee owners. This unfair competition has deprived all domestic producers of lightweight thermal paper of sales revenue and driven down prices at a time when raw material inflation was running at unprecedented levels, freight costs were hitting record highs and foreign currency had moved strongly in domestic producers' favor.

The unfair trade practices of foreign manufacturers have negatively impacted the U.S. lightweight thermal paper market outlook and damaged our business. Imports from China and Germany depressed cashflows that we anticipated would be available to fund the West Carrollton investment.

In addition, although we had hoped and expected to lay the groundwork for the West Carrollton expansion by increasing our sales base in 2007, these unfair imports made that impossible, and our sales base actually contracted during that critical time.

Accordingly, through no fault of our own, we are well behind where we need to be in order to make

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this investment pay off. With affirmative
determinations in these cases, we are optimistic that
we can make a reasonable return on this investment for
our employee owners.

However, without relief from unfair trade we
will be facing the very real prospect that this
investment, which is exactly the kind of industry
commitment that our trade laws should encourage, will
cause Appleton and its workforce to suffer harm going
beyond even the considerable damage that has already
occurred.

We ask you to restore fair trade to the
marketplace so that we can compete on a fair and level
playing field and can continue to create good American
jobs. Thank you.

MS. HATFIELD: Good morning. I'm Karen
Hatfield. I'm the Executive Director of Thermal
Marketing in the Technical Papers Division of Appleton
Papers, Inc.

Within our thermal paper business segment
I'm responsible for the lightweight thermal paper that
is the subject of these investigations. My
responsibilities include accountability for sales and
profits, market intelligence, product development and
business planning development execution.

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The U.S. market for lightweight thermal paper was strong and growing throughout the Commission's period of investigation. Lightweight thermal paper became the product of choice for generating point of sale receipts and has increasingly replaced carbonless paper and impact printer receipts in those applications.

There are a number of reasons for this, including the fact that thermal printing produces a receipt quickly and cost effectively with little or no noise, and the lightweight paper itself has high image quality and retention and a coating that resists basic environmental factors such as ultraviolet light, heat, humidity and handling.

Consequently, the rate of growth and demand for this product has been well in excess of the rate of growth in the economy, a pace that is universally expected to continue into the foreseeable future. Thus, this business should have performed well for us during the period covered by your investigation.

Instead, it performed very poorly as this market was attacked by unfairly traded imports on two fronts, particularly from late 2006 throughout 2007. First, the German producers launched an all-out and very successful effort to seize market share by
selling 48 gram paper at below market prices.

In the preliminary investigations, German producers told a different story. They acknowledge that they took market share from us, but said this was because 48 gram paper was a new and different product that was attractive to consumers for reasons other than price but was not made by U.S. producers.

That's a nice story, but it is just not true. To begin with, the entire notion that a 48 gram paper is significantly different than 55 gram paper is wrong. As my colleague, Mike Friese, will explain shortly, 48 gram paper is not an innovative product. In fact, the 48 gram paper that the German producers are selling in the market is not distinguishable from the 55 gram paper we produce or the 53 gram paper that Kanzaki produces to any meaningful degree.

You can also see this by testing those products. We have asked two independent experts to do this, and both have concluded that the 48 gram, 53 gram and 55 gram products offered in the market are completely interchangeable from a commercial standpoint. The reports have been submitted to the Commission, and one of these experts, Charles Klass, will talk about his findings in a few minutes.

In short, what you've been told is a new and
different product isn't new and isn't different. To the extent that any differences exist, they are slight and do not begin to account for the explosive growth in sales of imports from Germany.

I'm sure you will hear this afternoon that end users like the 48 gram product because it can be provided in longer slit rolls and this reduces the need for roll changeovers, but in fact very few end users buy 48 gram paper in these longer rolls.

Slit rolls are generally sold in the same standard lengths whether the paper is 48, 53 or 55 grams. As one of our customers put it, "Dealers do not sell on features and benefits other than our price is cheaper than George's." Consequently, the 48 gram product is fully interchangeable with and competitive with 55 and 53 gram product not just sometimes; always.

Moreover, as I believe you know, Appleton introduced a lighter weight product to the market before Koehler did. This product did not sell, and the reason it didn't sell is that we didn't offer it at a price lower than our 55 gram product, yet it had all the same alleged advantages provided by Koehler's 48 gram product.

So the real difference and the only real difference
difference between the German 48 gram product and our
55 gram product is that the German product is lower
priced. Our customers have told us this as well. If
the price is the same, they will take either the 55
gram or the 48 gram product.

We have been asked repeatedly to reduce our
price on the 55 gram product in order to compete with
the German 48 gram product, and on many occasions we
have had to do that to keep the business. Price is
the only reason why imports of this product from
Germany have increased.

Price is also the only reason 55 gram
product from China has grown in share. In 2007,
imports of slit rolls from China were offered at
extremely low prices and became a major factor in the
market. These prices were so low that they caused
many of our converter customers to idle their own
slitting equipment and to become in effect marketers
of slit rolls from China.

This not only caused us to lose sales of
jumbo rolls. It also triggered an outright panic in
the market and enormous downward pressure on prices.
In that environment, no one was willing to listen to
us when we told customers that rising costs made it
essential for us to increase our prices. Instead,

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they told us we would have to lower our prices to be competitive with imports from China.

Even as we are fighting a two front battle against unfairly traded imports, we continue to experience significant increases in our materials and energy costs. The net result was that in 2007, even though demand was strong, our financial performance deteriorated dramatically. Although I do not want to discuss the specific data in public, you are aware that 2007 was much, much worse for us than 2005 or 2006.

Finally, I would like to point out that there is no economic justification at all for the increase in imports from China and Germany that has occurred. Like us, producers in these countries have also experienced sharp materials and energy cost increases. In addition, the U.S. dollar has depreciated against the currencies of China and Germany by almost 20 percent since 2005.

As has been widely reported recently in the business press, ocean transportation costs have also skyrocketed. All three of these factors should lead to rising subject import prices, yet until these cases were filed the German and Chinese producers continued to drop their prices in this market. This perverse
and unjustified market dynamic simply would not be possible without the unfair subsidies and dumping practices that are the basis for this case.

Appleton respectfully requests the Commission to put a stop to these practices by making affirmative final injury determinations in these cases. Since the petition was filed and preliminary duties were imposed we have seen some improvement in prices, but we have no illusions. The improvement that we have seen is modest and fragile.

If the Commission does not make final affirmative determinations in these cases, there is simply on doubt that the producers in Germany and China will once again attack this market with a vengeance.

Thank you.

MR. FRIESE:  Good morning. My name is Mike Friese. I'm the Director of Technology in Appleton's Technical Papers Research and Technology Department. I have worked at Appleton for 15 years. My responsibilities include the development of coating and process technology and the incorporation of those technologies into Appleton's products.

I'm going to further explain why the products referred to here as 48 gram and 55 gram paper

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are interchangeable and compete on the basis of price.

First, 48 gram paper is not a major innovation. It does not satisfy some market need that has not been previously addressed. It is not readily distinguishable from other types of lightweight thermal paper such as 53 gram and 55 gram paper.

In fact, 48 gram paper really spans a range of basis weights. Slide 6 shows this based on information from the manufacturers' specification sheets. Koehler's specification sheet states that KT48 is 48 grams per square meter plus or minus five grams. That means the actual basis weight is within a range of 43 to 53 grams.

Appleton's Alpha 400-2.1 has a basis weight of 48.2 grams plus or minus 2.4 grams. That means the actual basis weight is within a range of 45.8 to 50.6 grams. Similarly, Appleton's and Koehler's 55 gram products are produced within a wide range of basis weights.

Second, there is no clear dividing line between 48 gram and 55 gram paper. As shown on the slides, Appleton's 48 gram paper has a basis weight as high as 50.6 grams and our 55 gram paper has a basis weight as low as 50.7, so the high end of the range of the 48 gram paper and the low end of the range of our
55 gram paper are essentially identical.

Furthermore, the basis weight range of Appleton's products is right in the middle of the range of Koehler's products. The same is true of Kanzaki's P300, which has an average basis weight of 53 grams.

Third, caliper -- that is, thickness -- is more important to the end use of the product than basis weight. U.S. printers generally specify the caliper, not the weight, of the paper. In addition, just as there is no bright line between the weight of 48 gram and 55 gram paper, there is no bright line between their calipers. This is clearly shown in Slide 7.

For example, Appleton's 48 gram paper, our Alpha 400-2.1, has a caliper of 53.3 microns plus or minus four microns, which means that the caliper of this product may be as high as 57.3 microns. Our 55 gram paper, Alpha 400-2.3, has a caliper of 58 microns plus or minus four microns, which means that the caliper of this product may be as low as 54 microns. Thus, the calipers of our 48 and 55 gram papers overlap.

Similarly, the thickness of Koehler's KT48 has a caliper range of 48 to 58 microns. That
overlaps the caliper ranges of essentially all 55 gram products, including our Alpha 400-2.3, Kanzaki's P300, Mitsubishi's F5041 and Koehler's own KT55, which has a caliper range of 55 to 65 microns.

In short, 48 gram and 55 gram papers are not readily distinguishable in terms of their basis weight or, more importantly, their caliper. There is no difference in the coatings used on the products. The only difference is the thickness of the base paper as shown in Slide 8.

We have benchmarked our paper against the 48 gram paper made by Koehler and Mitsubishi to compare factors that bear on the quality of the product, including the brightness, opacity, stiffness, tear resistance, tensile strength and smoothness of the paper.

We have compared these products in terms of the factor that most accurately reflects the performance of the thermal paper in a printer, its dynamic sensitivity. We have also subjected them to numerous kinds of environmental resistance tests.

All of these tests have confirmed that these are fully interchangeable products from both a technical and commercial standpoint. Thus, they compete on the basis of price, not performance.
attributes.

Thank you.

MR. BLASCZYK: Good morning. I am Steve Blasczyk. I have worked at the Appleton plant for 20 years in various positions responsible for engineering, plant maintenance and manufacturing operations. I am currently operations manager of the plant in Appleton, Wisconsin, and my responsibilities include all aspects of production of lightweight thermal paper.

As some of you saw on our plant tour, production of lightweight thermal paper involves complex processes, technical expertise and large scale equipment. Given our very large capital investment, we must operate the plant continuously to minimize our costs.

Increased imports of lightweight thermal paper from Germany and China have taken orders away from our plant, reduced our capacity utilization, reduced our efficiency and increased our per unit fixed cost on remaining sales.

I would like to comment on two statements that appear in the dissenting views in the preliminary determination that I would ask the Commission to reconsider in these final investigations.
First, there is a statement that, "The larger increase in the volume of subject imports from Germany in interim 2007 occurred during a period in which the domestic industry experienced production and supply difficulties."

As the person in charge of production of lightweight thermal paper for Appleton, I can assure you that we did not have any production or supply problems in the first half of 2007 or at any other time in 2007. In fact, at all times during the period of investigation we had excess production capacity for lightweight thermal paper at the Appleton plant. If we had received more orders, we could have supplied more product.

Second, there is a statement that the, "Capacity the industry characterizes as underutilized is in fact antiquated and not available for production on a commercial basis." I strongly disagree with that statement to the extent it was aimed at Appleton.

In advance of the verification last week I carefully reviewed and confirmed the capacity numbers that were presented in detail to Ms. Klir. Those numbers do not include capacity from any antiquated equipment. It is all good capacity that we could have fully utilized during the period of investigation if
we just had the orders to do so.

As you saw on our plant tour, our plant is in no way antiquated. In fact, we are state-of-the-art on many fronts. We operate some equipment that we've had for a long time -- this is typical for paper plants -- but we have invested to upgrade older equipment and to keep all of our equipment efficient.

Since early 2002, I've had the pleasure of exercising a great passion of mine, and that is implementing lean manufacturing at the Appleton plant. Lean is all about reducing cost and improving product quality and consistency.

To counteract increasing raw material and energy costs, we have improved our operations by achieving substantial reductions in waste materials, equipment down time and changeover costs. We have increased our capacity from existing equipment by improving efficiencies, and we have improved our on-time deliveries and the consistency and quality of our products.

In short, as I hope you learned during your visit to Wisconsin, we are proud of our facilities and our skilled workforce. We believe we have done our part in investing our time and life savings to improve our efficiency and our capacity.

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We ask for your help to restore fair competition to the market. Thank you.

CHAIRMAN ARANOFF: Thank you for pausing the panel.

We are now going to hear from our final government witness. Madam Secretary, could you please announce the witness?

MS. ABBOTT: Our speaker is the Honorable Ted Strickland, Governor, State of Ohio.

CHAIRMAN ARANOFF: Governor, welcome to the Commission. Thank you for coming today.

MR. STRICKLAND: I'm happy to be here, and thank you for giving me this opportunity. I was a little delayed this morning with my flight, but thanks for the opportunity to be here.

Chairman and members of the Commission, I appreciate this opportunity to appear before you today. I've come to Washington to add my voice to those who have sought remedy from the harm inflicted on U.S. lightweight thermal paper manufacturers by dumped and unfairly subsidized German and Chinese imports.

The issues here are matters of basic economics, but what's at stake are the lives and the livelihoods of many hardworking Ohioans. Across the
midwest, businesses, workers and their families are struggling every day against the national economic downturn, rising energy prices and tightening credit.

We are feeling these strains particularly in Ohio, which has been for a long time a manufacturing hub. Of course, goods producing companies are vulnerable to national economic downturns. They suffer first when energy prices rise or when production opportunities abroad make it enticing for companies to relocate from here to regions like Latin America and Asia.

But our manufacturing sector is also uniquely vulnerable to the damage that can be caused when overseas competitors employ aggressive, unfair production and sales tactics and use them to dump products in the U.S. market at artificially low prices. Indeed, I would respectfully contend that a significant portion of manufacturing job losses that we have seen in Ohio have come at the hands of anticompetitive trading practices from overseas.

Now, some folks may think that Ohio's manufacturing companies have fallen behind on technology and that they haven't invested in new equipment and are left unable to compete in a global economy, but, quite frankly, that is simply not the
case and nowhere is this point more evident than in the lightweight thermal paper sector.

In fact, while the U.S. lightweight thermal paper industry has been besieged by unfairly traded foreign imports, the principal U.S. manufacturer, which is Appleton, has been making major investments. Appleton has upgraded its technology, it's grown its domestic production, and it has expanded its Ohio job base, which increased by about eight percent just last year.

Ohio's Lieutenant Governor Lee Fisher, who also serves as our Director of the Department of Development, led my administration's team working with Appleton's executives on some of the key early details of their $125 million investment in a new thermal coater which was installed just this summer at the company's West Carrollton mill. That coater is now up and running and helping to position Appleton for tremendous competitive opportunities in the overseas markets.

No one is more proud of that investment obviously than Appleton's employees who, as you may be aware, are not just workers, but are in fact owners of 100 percent of the company. A number of Appleton's employee owners from West Carrollton and from other
Appleton locations, as you know, are here in the hearing room today.

Now, when a company is worker owned, the employees have everything on the line. These employee owners are here today because they care about their jobs, of course, and they're also here because they want to protect their investment in Appleton, in its new technology and of course in their own economic security, and they're here because they believe in the American business ethic that says when you make a superior product, you can compete with anyone in the world.

We are grateful for the fact that Appleton's employee owners made the decision to keep their investment in Ohio rather than put their new technology and capacity in investments overseas. That is a difficult choice that is made by too many U.S. companies all too often.

But when a company is owned by its workers it tends to reinvest in its own backyard, and that makes me even more proud to be here today with the employees representing Appleton and the United Steelworkers Local 266 to do my part in speaking for their futures, for their families and for their communities.
But we know that their interests are very much at risk. While the U.S. industry's product costs have risen dramatically, lightweight thermal paper manufacturers have watched their domestic market share erode at the hands of a flood of artificially priced imports which have come from China and Germany.

As the Commission is aware, the Commerce Department recently determined the extent to which German and Chinese prices are undercutting the U.S. market. Not only are the numbers themselves alarming; they are more troubling because the lightweight thermal paper sector, like other heavy manufacturers, has historically managed with very razor thin margins, so I need hardly tell you that dumping at margins that may appear to be modest can still have astonishingly grave effects, particularly when they are accompanied by a rising volume of imports like those we have witnessed in this market.

No company with so much at stake -- massive new investments in its technology, a highly skilled and well-paid workforce and an unwavering commitment to pursuing market opportunities. No company can sustain the types of losses being dealt to the lightweight thermal paper sector in today's marketplace.

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Given this, we in Ohio are worried. We are worried because absent direct efforts by the federal government to put a halt to artificially priced imports, Appleton will not have a fair chance to recoup its massive investment in expanding its competitive abilities.

We can ill afford to wait and see what further damage could come if we leave Appleton to defend for itself against such illegal competition.

In Ohio, we surely cannot afford business contraction and job losses, and we certainly cannot bear more burdens in our paper sector, other segments of which have already declined at the hands of unfair foreign competition.

So, on behalf of the State of Ohio, I come here today to respectfully urge this Commission to uphold the dumping and illegal subsidy findings issued last week by the Commerce Department. If Appleton and the domestic industry are to be expected to survive, we must give the employee owners of the company and the community, which increasingly relies upon them, a fair chance to succeed.

So we ask that the Commission restate balance in the marketplace so that employee owners who invest their own resources, their own savings to help

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a company like Appleton stay competitive can be given
every reasonable chance to succeed.

With concern for Appleton, for Ohio's
economy, and for our region's economic future in mind,
I ask that you consider the compelling facts of this
case, as well as the tremendous cost of inaction. I
hope that the Commission will make a resounding,
affirmative decision in the final stage of this
important investigation.

I thank you for letting me come and speak
with you this morning. If you have any questions, I
would be happy to try to respond.

CHAIRMAN ARANOFF: Thank you, Governor, for
coming to testify, and you're actually fortunate that
you were a little delayed this morning, as your fellow
governor experienced our sound system crashing.

Does anyone have a question for the
governor? Thank you very much.

MR. STRICKLAND: Just let me say it's better
for the sound system to crash than for the airplane to
malfunction.

CHAIRMAN ARANOFF: Absolutely.

MR. STRICKLAND: So thank you very much.

CHAIRMAN ARANOFF: Madam Secretary, I think
we're ready to resume the testimony of the first

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First, I want and need your utmost attention here today. I'm Jim Allen, only a 41-year employee from the West Carrollton mill of Appleton Papers in West Carrollton, Ohio.

I'm real sure I won't speak as eloquently as others have and will today, but you can rest assured, I'm speaking with sincerity and from the depths of my heart.

Back home at the mill, I work in our mill's maintenance department as a master journeyman. That's just a fancy title for a millwright. We just repair things and keep the mill running around the clock.

I also serve as the president of the United Steelworkers Local Union 266, which represents the hourly workforce at our location.

I'm here before each of you today on the most important trip I've ever been on in my life. Jobs of some 2,400 employees and their families are very dependent upon the outcome of this case. Our mill alone, in West Carrollton, Ohio, has provided good-paying jobs for over 60 years.

In November of '01, all Appleton employees, company-wide, invested from our life savings accounts...
and our ESOP and from our 401-K and put into an ESOP trust and used it as a down payment to purchase the paper division from our parent owners, AWA, in Europe. We pooled the 401 savings accounts and came up with about $108 million, as you've seen on slides earlier. We then borrowed an additional seven to $800 million to complete the deal.

We, in West Carrollton and all of Appleton, are certainly dependent upon each other, and, yes, I'm only one of two USW officials speaking here today, but let me assure each of you that I'm speaking on behalf of all of the employees, their families, and many that have come along with us here today.

I now want to acknowledge those 40 USW members that are here today from Appleton's West Carrollton mill, Union 266; the Roaring Spring mill, Local 422; the Appleton plant, Local 469. I want to ask those members, my brothers and sisters, to stand up and be recognized.

We each, all and every one, respectfully request your support in this urgent matter that is before you. You must help us to keep this field level that we're competing on so that we can compete, stay in business, and continue to have jobs, and, of course, pay taxes. Please don't let this be the
beginning of the end for our business and its future.

With that, I'll sincerely thank each of you for your time and attention and allowing me to address such a distinguished group.

MR. HEFNER: Good morning. My name is Steve Hefner. I am the president and CEO of Kanzaki Specialty Papers, a position that I have held since July of 2003.

Kanzaki is a U.S. producer of direct thermal, thermal transfer, and inkjet coated papers and films. We have a modern, state-of-the-art manufacturing facility located in Massachusetts. We have 233 employees, many of whom are represented by the United Steelworkers, Local 708.

I have been with Kanzaki for 18 years. Before that, I was the general manager of a subsidiary of Cetone Company that purchased and resold lightweight thermal paper.

I have also held positions at Ricoh and IBM.

Lightweight thermal paper is Kanzaki's largest business segment. We are fully committed to the lightweight thermal paper market.

During the period of your investigation, we have made substantial investments to upgrade our coating and other related equipment. None of our
production equipment is antiquated. We have had unused capacity at all times since 2005, and we have had no production or supply disruptions.

Up until unfairly imports from Germany and China became so prevalent in the market, lightweight thermal paper was a reliable profit center for the company. But that business has taken a dramatic turn for the worst, as you can clearly see from the confidential financial data that we have submitted.

This decline is not due to problems with lagging demand. Instead, the segment has continued to be strong and increasing each and every year. End users have found that lightweight thermal paper provides the most cost-effective solution in generating point-of-sale receipts. As a result, demand has generally grown at rates well in excess of GDP.

The problems that Kanzaki's lightweight thermal paper business has experienced are directly attributable to the sharp growth that we have seen in low-priced imports from both Germany and China. We have been tracking this very closely for some time, as you can see from our questionnaire response.

We have provided the Commission with copies of internal company documents that show very clearly

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that our converter customers have been unwilling to pay higher prices for our jumbo rolls because imports from Germany were priced so low.

These documents also show that many converters had no choice but to buy finished goods coming from China because they were being offered at prices far below the cost of goods sold.

The documents show that some of these converters threatened to buy even more slit rolls from China if we raised our prices.

These documents also contain a great deal of information on situations where we were forced to roll back or reduce an announced price increase to a customer or to lower our price to meet a competitive price offered to a customer by a supplier of the subject imports. This has occurred time and time again.

I know what the other side is telling you, that imports from Germany increased because German producers introduced this new and unique product, a so-called "48-gram product," not made by the domestic producers. I am here to tell you that that's flat-out wrong.

First, we completely disagree with the categorization of paper by basis weight. What matters
is caliper and square footage. This is evidenced by
the fact that coaters sell and converters buy these
products based on area, not weight.

Moreover, the OEM specifications for POS
thermal printers make clear that the printer
manufacturer does not care about weight. They are
cconcerned about the caliper of the paper, since
caliper determines the contact with the thermal
printhead, which, in turn, determines the imaging of
the printed media.

Second, Kanzaki has been offering a thinner-
caliper product to the market since January of 2004.
Although it is not a standard-sensitivity product, it
competes with Koehler and Mitsubishi's 48- and 55-gram
products. In fact, one of the larger retailers used
our thinner-caliper product first, but it switched to
Koehler KT48 due to a lower price.

We have not introduced a standard-
sensitivity, 48-gram paper because it costs no less to
make a thinner-caliper paper.

Our P300 product is fully interchangeable
with KT48, and we could not meet the dumped prices
from Germany with a thinner-caliper, standard-
sensitivity product.

Third, the Germans are not selling a better
product. They are selling the same product for a
dumped price. They make a product that is very
similar in caliper to our P300, but they choose just
to sell it at a lower price, and the sole attraction
to Koehler's 48-gram paper to the customer is its
lower price.

Let me elaborate. Not too long ago, I was
asked by one of our larger converter customers, "What
is Kanzaki going to do to compete with the 48-gram
commodity thermal paper?"

I answered, "What do you mean, what are we
going to do? Do you mean how are we going to make our
own 48-gram, standard-sensitivity paper, or do you
mean how are we going to match the price being offered
by Koehler on their 48-gram paper? Do you want a
lower basis weight, or do you want a lower equal price
to that of Koehler's 48-gram paper? If we could offer
you a 53-gram or a 55-gram thermal, commodity paper at
the same price that you are being offered for the
German 48-gram paper, would that work for you?" The
answer was, "Absolutely."

The converter customer told me that they did
not care whether the basis weight was 48, 53, or 55;
he only cared about the price. He told me that
Kanzaki needed to remain competitive with the 48-gram
paper being offered from Koehler because price
determines what they buy.

In fact, he admitted to me that Kanzaki's
P300, 53-gram runs better across their slitters than
the Koehler KT48 paper, but he said he needed to stay
competitive in the price arena since the product is a
commodity.

The converter customer went on to say that
he is now trying to convert all of his end-user
customers to 48-gram paper by telling them that 48-
gram paper offers them the most economical receipt
roll, especially because retailers are now looking to
cut costs everywhere, with the soft retail
environment.

So I asked, "What would happen if we offered
P300 53-gram paper at a lower price than the German
48-gram paper?" I said, "What would you tell your
end-user customers? Could you recant your story of
the merits of 48-gram paper after spending so much
time convincing them, the customer, that that was the
way to go?"

The converter customer said, "That's easy.
We would just tell the end-user customer that this is
a lower-priced product, and they should go for the
lower price."
Fourth, as you consider whether 48-gram paper is a product that customers are clamoring for, you should ask yourself, why? If it is true, do the German producers sell virtually none of that product in their home market in Europe? We understand the 48-gram paper accounts for less than five percent of the lightweight thermal paper that German producers sell in the European Union.

It also is our understanding that they sell that product, when they sell it at all, only in the United Kingdom and Italy.

Finally, the Commission should know that the imports from China have also presented an enormous problem for our business, even though their market share is not as high as German producers. These imports have been priced so low as to cause converters to buy slit rolls from China for resale rather than jumbo rolls to be processed on their own equipment. This was the only way that get or keep certain business. We have lost sales of jumbo rolls that would have otherwise been made to these converters.

Imports from China have also played a major role in suppressing jumbo roll prices. Our converter customers have cited the availability of low-priced slit rolls from China as the reason for refusing to
pay the prices that we've been asking for.

On behalf of Kanzaki and its 233 employees,
I respectfully ask you to please return this
competition in the lightweight thermal paper market to
a level playing field. Thank you.

MR. GEENEN: Good morning. My name is Jon
Geenen, and I'm an international vice president in
charge of the paper sector of the United Steelworkers.
The USW is the largest industrial union in
North America, with 850,000 active members. In
addition to the steel industry, we represent workers
in paper, forestry, rubber, and petrochemical
industry, as well as in other sectors of our economy.
The paper and forestry sector is the second-largest
sector of our union, with over 200,000 members, and
many of them are engaged in the manufacture of
lightweight coated paper.

American paper workers are in the fight of
their lives. Despite the fact that U.S. paper
companies have become the most efficient producers in
the world, the U.S. market has become the dumping
ground for foreign paper. This is particularly true
of lightweight thermal paper.

German and Chinese producers are taking a
large share of the U.S. market through unfair pricing,
and this problem is compounded by Chinese producers that also have a tremendous unfair advantage because of subsidies they get from the Chinese government.

The USW is the dominant union in the United States paper industry. All of the lightweight thermal paper-making capacity in the U.S. is unionized. The USW represents paper workers at Appleton Papers and at Kanzaki. In short, thousands of good-paying jobs are tied to the thermal paper industry.

My own life's work started in the paper industry in 1977 at Thilmany Pulp and Paper in Kaukauna, Wisconsin, just a few miles down the road from Appleton Paper's plant. I have a number of close friends and relatives that work at that plant. My wife worked there for 25 years, as did two of my daughters, as summer help, to help finance their college educations.

My career in representing workers in the paper industry started on the shop floor and eventually led me to the position that I am in today, and this responsibility weighs heavily on me, given the crisis the paper industry is facing, like no other in its history.

Over my 30-year career in the paper industry, I've seen tremendous, and often positive, if
difficult, changes. Growing global competition has made U.S. paper workers and the industry become more efficient and productive. Today, in many paper mills, paper is produced in flexible, self-directed, and high-performance work systems that focus on lean manufacturing where workers are problem solvers and have extensive decision-making responsibility.

The result of this has been improved productivity and reduced costs, and the union workforce has been at the vanguard of these advances.

While we understand that such gains have come at a cost, namely, large reductions in employment, we believed, overall, it was worth the cost until now. Instead of reaping the benefits of our dedication and sacrifice to ensure the industry's future, all of our difficult efforts are being undone by unfair foreign competition.

In Wisconsin alone, 20 percent of the industry has been lost in seven short years, and this trend is mirrored by losses across the entire country. While it is one thing to lose jobs due to inefficient and outdated equipment, it is painful to watch workers suffer the loss of high-quality jobs on state-of-the-art equipment because of unfair advantage.

This is a terrifying reality for our USW Heritage Reporting Corporation
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members and the community. From 2001 through 2007, a
total of 118,000 jobs have been lost in the paper
industry. This year alone, 20 paper machines have
been shut down, and, last evening, there was an
announcement of another machine to add to that tally.

These are good-paying and technically
skilled jobs that support middle-class families and
provide hope for the future. The average wage rate of
a worker in this industry is $23 per hour, and that
excludes benefits.

The paper industry is on a knife's edge. It
is very sensitive to unfair trade, and my members will
bear the burden of any harm. Thermal paper workers
enjoy tremendous advantage, abundant access to fiber,
large water supplies, proximity to customers, and a
highly skilled and dedicated workforce, and yet these
advantages are of no use when thermal paper products
are dumped and subsidized, keeping prices low and
eroding the gains that we have worked so hard to
achieve.

Your investigation makes clear that thermal
paper imports from Germany and China are causing
injury to our domestic market. Imports are up, and
the market share of German and Chinese producers is
high. These imports have had an adverse impact on

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Our workers are well trained, and our institutions of higher education, like Wisconsin's technical college system, provide support and infrastructure for the industry through apprenticeship programs, basic and advanced educational offerings, and now even high-end programs are being built around opportunities that accompany renewable energy applications in the paper industry so that we can continue to produce highly technical products, like thermal paper, in an energy-efficient and cost-efficient manner.

Today, we have the skilled paper workers we need for the U.S. to compete effectively in the global economy. What we need are the jobs. These aren't jobs of the past; these are the jobs of the future. These are jobs worth fighting for, and so I'm here today seeking your help to stop unfair competition from destroying the jobs and ruining the lives of great American workers' families and communities. Thank you.

MR. RAPIER: Good morning. I'm Mike Rapier, president of Liberty Paper Products. I've been
president of Liberty since 2001. Prior to that, I was
the general manager for Maxwell Paper.

Liberty is a converter in Phoenix, Arizona,
that manufactures, converts, and distributes point-of-
sale products all over the country. Most of our
business is lightweight thermal paper.

We began to see imports of slit rolls from
China in late 2005 and early 2006. They were priced
below prevailing market prices.

Following that, prices for slit rolls in the
overall market began dropping to compete with Chinese
imports.

When we provided our current price to one of
our long-term customers, we were told that we were no
longer in the ball park.

In order to stay competitive, we placed a
bid quoting the price of Chinese paper. We imported
slit rolls from China because that was cheaper than
buying jumbo rolls and slitting them ourselves.
Although this is not something we wanted to do because
we could not use our own equipment, we were forced to
in order to compete.

The quality of slit rolls from China we
shipped was quite adequate. In fact, it was actually
Koehler's KT55 product that was slit in China.
We have also experienced adverse impacts from German imports. In the past, we sourced jumbo rolls from both domestic and German sources. In our experience, imports from Germany have generally been priced lower than comparable domestic products. In fact, we have been able to use lower prices from Germany as leverage to force our domestic suppliers to lower their prices.

While any supplier may have intermittent quality or delivery issues, on balance, we have found the domestic suppliers' quality to be equal to, or better than, that from German imports and that domestic suppliers' on-time deliveries have been more reliable than German imports.

Lightweight thermal paper is a commodity product sold largely on the basis of price. A good indication of that fact is the prevalence of reverse Internet auctions where products from China and Germany, including the 48-gram product, compete directly with domestic 55-gram product. Large retail accounts solicit the lowest-possible price.

For example, in 2006, we won an auction for a large retailer that had a small number of bidders involved. In late 2007, just before the petition was filed, the retailer held a reverse Internet auction,
with over 20 converters participating. The price fell
15 to 20 percent, and we lost the customer.

For larger retailers, reverse Internet
auctions have become the most prevalent way to sell
your product. In some cases, the retailers do not
even know the identities of the converters bidding, as
there are reverse auction companies that solicit
converters on behalf of the retailers.

The so-called "48- and 55-gram products" are
functionally the same. The only reason to purchase 48
gram is price. The retail customer that we lost in
the reverse Internet auction allowed bids on both 55-
gram and 48-gram products and ended up with 48 gram
because it was cheaper. Some converters may argue
that the 48-gram product is better because it can be
sold in longer lengths, and there are lower freight
costs, but both of these points really go to price and
not to the quality of the sheet.

In any event, it is our understanding that
48-gram product is being sold in the same standard
lengths as the 55-gram product. The claim that
freight cost is less for 48-gram product goes to
price, since both products are sold on a delivered
basis. In fact, the quality is inherently better in
55-gram than the 48-gram product because of its
slightly thicker caliper. The 55-gram product is sturdier and will break less in slitting machines and thermal printers.

In reality, though, the claimed difference between 48 gram and 55 gram is a myth. For example, we have purchased 55 gram that actually had the same caliper as 48-gram product. The lower prices of 48-gram imports have had adverse effects on the prices and sales of 55-gram product.

If I'm competing with my 55-gram slit rolls against another converter's low-priced, 48-gram slit rolls, I have to go back to my supplier of jumbo rolls to ask for a concession to compete. Thus, the prices of 48-gram paper affect the prices of all lightweight thermal paper, not just the price of 48-gram paper.

Increased imports of slit rolls from China and jumbo rolls from Germany have combined to depress the prices of jumbo rolls in the U.S. market. In 2007, for example, we were competing against Koehler's KT48 being slit in the United States and Koehler's KT55 being slit in China. Both products were forcing products down in the United States.

The adverse impact of the pricing of 55-gram slit rolls from China and 48-gram jumbo rolls from Germany persuaded us not to buy a new slurry rewinder.
for our facility in 2007. However, since the petition was filed and the preliminary duties were imposed, some of our customers that were buying slit rolls from China have started calling again.

We ask that you make an affirmative finding of injury so that we can compete fairly and make new investments in our plant in the future. Thank you.

MR. MOSBY: My name is Greg Mosby. I'm the president of Greenleaf Paper in Phoenix, Arizona.

We are a paper converter that started in 1987, when we had three employees. We now employ 60 people and sell converted lightweight thermal paper primarily in the United States and also in Mexico and Canada. Our U.S. sales are concentrated in the 11 most-western states.

I'm here today because of what has been happening in the market as a result of low-priced imports that have created a very serious problem. When slit rolls from China first entered the market, they were at a price at the level of our total cost of production. Then we heard from our customers that their prices have dropped below the level of our cost for raw materials alone.

The Chinese first penetrated the market by selling to other converters who reaped a substantial
benefit by buying from them. Then they started
selling directly to our customers. I don't know
exactly how much Chinese product came in before the
preliminary duties were imposed, but I do know that it
was quite a large amount, especially on the West
Coast, and whatever the amount was, it was a large,
negative effect on prices.

I've been in the paper industry for over 35
years and am familiar with the costs of pulp,
transportation, and other manufacturing costs. The
prices of Chinese product were well below the total of
these input costs.

Customers were using below-cost Chinese
prices as leverage against us and other U.S.
converters.

Most sales in the industry are made on a
delivered-price basis. Despite this, Chinese product
is sold as much as 500 miles inland from the West
Coast at the same price as at the West Coast, despite
the additional shipping cost. How can this happen in
a rational pricing system?

We have some very loyal customers, and, for
a while, we provided a level of service that allowed
us to hold onto them, but as prices moved lower and
lower, even that became impossible.
Initially, there were some problems with Chinese quality, but the Chinese product is now acceptable and comparable in quality to what we see from other suppliers.

Another factor that has affected the market is the introduction of 48-gram product, which is interchangeable with the 55-gram product. This product had no advantage and no differences from the 55-gram product except price. In fact, we learned that some of our customers were buying the product from other suppliers without even knowing it was 48-gram paper, and they were upset and felt deceived.

We would take out the calipers at their warehouse and show them it was 48-gram paper. This recently happened in a major fast-food chain in our area.

In addition, at least one supplier sold the 48-gram product with the same item numbers as they had previously sold their 55 gram. They did not identify any changes to the product; it was just a question of price, and the 48-gram product was cheaper.

The market price has firmed up since the preliminary duties went on the books. We lost several customers to Chinese imports that we have now been able to recapture. Customers that had moved to slit
rolls from China are coming back to American
manufacturers.

I'm here because I believe we have to
protect American businesses and jobs from unfair
competition. I truly believe we can compete with
anybody when we're on a level playing field. Thank
you very much for your time.

MR. KLASS: Good morning. My name is
Charles Klass of Klass Associates. I consult for the
pulp paper industry primarily on paper-making and
coating.

CHAIRMAN ARANOFF: Mr. Klass, can you come a
little closer to your microphone, please?

MR. KLASS: Yes, I could. Thank you. My
name is Charles Klass. I'm a paper industry
consultant and also, with 40 years of experience in
the industry and am also an adjunct professor of paper
engineering and imaging at Western Michigan
University.

I did an independent, objective study on a
number of lightweight thermal paper products. The
results of my study are contained in Exhibit 5 to the
prehearing brief submitted by Appleton and Kanzaki.
The results of my study can be briefly summarized as
follows.
First, there really are no significant quality or other differences between lightweight thermal paper made in Germany and lightweight thermal paper made in the United States.

From the point of view of the user, the most important property of thermal imaging paper as point-of-sale receipts is providing a readable image. My studies showed that all of the samples from the four U.S. and German producers provided adequate thermal-imaging performance in the energy application range typical of commercial point-of-sale printers. There were no significant differences in imaging performance.

I really found very few differences in environmental resistance.

For these reasons, it is my professional opinion that the U.S. and German products tested are equivalent and substitutable for point-of-sale applications. Thus, competition on these products would be based solely on price.

Second, as there are no significant quality or other differences between the German and U.S. products I tested, there are no significant differences among the 48-gram products made by those suppliers and the 55-gram products made by those suppliers.
These are totally interchangeable products. The differences between lightweight paper and heavier-weight paper can be detected only through sophisticated testing equipment, and, even then, there are no differences worth noting.

Third, and finally, there is no basis for any claim that the 48-gram paper made by German producer, Koehler, and Mitsubishi is superior to the 48-gram product made by Appleton or the 53-gram paper product made by Kanzaki. There are no meaningful differences to speak of among these products. Thank you.

MR. DORN: Madam Chairman, that completes our public presentation.

CHAIRMAN ARANOFF: Thank you very much. Thank you to all of the witnesses who have traveled to be here with us today. It will be a long morning and a good chunk of the afternoon and maybe some of the evening before we finish, but we appreciate your being here because we always learn a lot from having the people who really know the business come and talk to us about what you do.

I also want to welcome all of the union members who have joined us today and traveled so far.
to be here. I hope you find this a worthwhile experience in seeing our agency at work. We welcome you here.

We are going to begin the questioning this morning -- it is still morning, yes -- with Commissioner Okun.

COMMISSIONER OKUN: Thank you, Madam Chairman, and I also want to add my words of welcome, both to the panel that's here before us and also to the workers who have traveled here. As the Chairman notes, it's very helpful to have you here, and I also want to note that I appreciate very much the information that's been submitted in the briefs, including the business plan that was submitted.

I find that very helpful in many cases but, particularly, here, where there has been an investment made, to help us better understand how the company sees its market and a document made not in the context of litigation I usually find can be particularly probative. So I very much appreciate that you have shared that with us.

I also would just note, I know a lot of you we met while you were on our tour. Your electronics work better than ours, in touring the plant, so we can learn something from that.
So I'm going to follow up. I know you provided a lot of information during that tour, some of which I heard this morning and some of which I may ask you to provide answers that I think I heard when we were there, but I'm not sure I heard them yet today. So they may also be in the briefs, but I may cover some of the same ground.

Let me start, I think, on a few questions about capacity in the industry, and I know that you've touched on this, several of you, several times, and I wanted to start, first, kind of with the big picture, which is, if I look at the data on apparent consumption in the markets, or the amount of consumption in the market, as we would normally look at it, and then I look at capacity of the industry during the period of investigation, not taking into account the West Carrollton, the capacity that's come online, just help me understand better.

When you say, when we're looking at your capacity utilization in that context, we would look at the capacity and the apparent consumption and say there would have been imports in the market during the period of investigation because you couldn't supply the jumbo rolls sufficient to meet apparent consumption.
I just want to make sure. Do you disagree with that, that I should be looking at something different when I'm saying there would be imports in this market, during the period of investigation, just based on the capacity of the industry?

MR. DORN: Commissioner, let me just state the obvious, that your record is not before the witnesses because it's a confidential record with respect to capacity.

COMMISSIONER OKUN: Right.

MR. DORN: So it's a difficult issue to address, in terms of where they could have supplied all of the capacity. Of course, part of it depends on what the market signals would have been. If there had been no imports, would they have increased, bought more equipment sooner than they did?

But assuming no changes in equipment, the testimony is, and your record indicates, there was excess capacity during all periods of the investigation. Now, whether it could have satisfied all consumption, to me, is a confidential question because that's not information for these industry witnesses.

COMMISSIONER OKUN: Maybe it's about market signals, then, Mr. Dorn, because, again -- Mr.
Richards, maybe I'll try it this way because I think something you said, I thought, was interesting in talking about the investment by Appleton in the coating facility, which is, as I understand the record, in looking at it, German imports were in the market before the case was filed. Is that a fair, accurate statement?

MS. HATFIELD: This is Karen Hatfield. Yes, that's accurate.

COMMISSIONER OKUN: Okay. So, just again, if I'm looking at distinctions between the subject imports, German imports versus Chinese imports behave differently, or their presence in the market is different, and if I'm looking at the period of investigation.

MS. HATFIELD: Karen Hatfield again. Yes, that's accurate that the German imports have been here longer than the Chinese imports.

COMMISSIONER OKUN: Okay. Then, Mr. Richards, when you were discussing how the company was looking at its additional investments, and I appreciate a number of things you said in there, and some we can't cover in open session, but one of the things you said, and I'm paraphrasing here, I think, what I heard, that you saw that the investment by
Appleton, the subject imports, and producers in subject countries saw that as a threat to their market share in the United States and responded accordingly, and you talked about that in terms of that's when the Germans came in with a lower-priced, 48-gram product, and you talked about the Chinese.

So I want to have you expand on that a little bit, in terms of what you saw them specifically do. Is it just the 48-gram for the Germans? Let's start with the Germans. Tell me a little bit more of how you saw them respond to this additional investment and what I might look to of what you've submitted.

MR. RICHARDS: This is Mark Richards. I think that's more of a marketing question, if you want to talk about markets and specific competition, as opposed to the investment decision itself.

COMMISSIONER OKUN: All right. I'll turn it to Ms. Hatfield.

MR. RICHARDS: Thank you.

MS. HATFIELD: (Mike off.)

COMMISSIONER OKUN: Right, and, again, I may have. I think they want to make sure your microphone is on because we're not sure we're hearing you. There you go.

MS. HATFIELD: Sorry. Thank you.
COMMISSIONER OKUN: Also, I might ask, when you're responding, to repeat your name because there are so many witnesses here. It helps us, and it helps the court reporter here as well.

Yes, just kind of following up on what Mr. Richards had said in his testimony, that there was a response that he characterized it, as I think I heard him saying, that the producers in these subject countries saw a threat to their market share and responded. So I just wanted to hear a little bit more of your perception of how they responded, specifically during the period of investigation that I'm looking at.

MS. HATFIELD: Sure. Well, we announced our investment publicly in January of 2007, after the board made their decision in December of 2006. Shortly after that, being within the same quarter, we saw prices go down dramatically in the marketplace, and that continued throughout the first several quarters of 2007, and, in particular, a push with the 48-gram product at a discount versus the other 55-gram and 53-gram products.

That price gap widened, and we saw an additional push for our customers to move to that 48-gram product at the lower price.
COMMISSIONER OKUN: Okay. And then, in terms of how -- I'll put this both to you, Ms. Hatfield and also to Mr. Hefner from Kanzaki, which is, describe for me, then, the company's response. You see this 48-gram product on the market. You see losses, I guess, sales being threatened by that. How did the company look at that, and how did the company respond, in terms of there has been some discussion of, do you lower your 55?

I should put it into context. There is this argument by the Germans, by both sides, really, of which products we should be comparing for price purposes, and so I'm trying to better understand how you look at the products and what your response was to what you perceived as lower-priced 48 gram in the market.

MS. HATFIELD: Karen Hatfield, Appleton. What we did in 2007, we were already well into development of our Alpha 400-2.1 product, which is the lower-caliper product. We had been in 2006 as well. So, in terms of competing with the 48-gram product, the so-called "48 gram," what we were seeing from our customers was a push for a lower-priced product, and we actually addressed that in a couple of ways. One was to lower prices on our 55-gram

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product in order to more directly compete with the 48-gram product. When I say "55 gram," I'm really talking about our Alpha 400-2.3 product. We express our products based on caliper, not on basis weight.

But, at the same time, we were also working to develop and roll out into the market the Alpha 400-2.1-caliper product to more directly compete with the 48-gram product.

We're not seeing the same kind of cost benefit between those two products, actually producing those, compared to the relative price differential that we were seeing in the market, but, nevertheless, we felt we needed to have the full portfolio in order to address that for our customers who were asking for it.

So the response was lower price on 55-gram, our 2.3 product, as well as have the 2.1 product out in the market in order to compete.

COMMISSIONER OKUN: Can I ask Mr. Hefner to respond to that as well?

MR. HEFNER: Sure. Steve Hefner. Since we make a 53-gram paper, we actually compete with both the 48- and 55-gram paper coming in from overseas, so, during the period of investigation, we responded with more imports at lower prices by lowering our prices to
maintain some level of manufacturing.

COMMISSIONER OKUN: Okay. I see my yellow light is on, so, instead of turning to this next question, which I think will take some time, I'll wait for my next round. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Lane?

COMMISSIONER LANE: Thank you. I guess I didn't mean to -- I was just worried about my microphone. I wasn't worried about, I was going to drop all of my papers.

Good morning to all of you, and thank you for coming, and I, too, appreciate your coming because I didn't get to go on the plant tour, and I'm very sorry that I didn't. So I might have some questions that would have been answered, had I been there.

But, first, I want to talk about the Appleton ESOP. I'm going to have questions for the in-camera session, but I would like to know what the circumstances were in 2001 that led to the ESOP, and what were the alternatives to the employee acquisition of the company? Perhaps, Mr. Richards, you could answer that.

MR. RICHARDS: Yes. Hi. Mark Richards. Certainly. In 2001, the business was owned by Arjo Wiggins, which is a French company, and they had

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determined that they were going to divest themselves
of the Appleton Paper business, and, to my knowledge,
that the business -- I wasn't there at the time --
that the business was put up for sale and that
numerous alternative investors looked at the business,
and, at the time, the employees also put up a bid with
the former CEO for the business, and they ultimately
won that process, and the mechanism they used was an
employee buyout using the ESOP, the Employee Stock
Ownership Plan.

The employees put up roughly 100-and-some-
million dollars of their retirement funds that were
essentially in their 401-K accounts, and then they
borrowed money for the rest of the purchase price, and
then they were off and running, and that is how the
ESOP got started.

So our employees are the owners of the
company. I'm an owner of the company, and so is all
of the staff.

COMMISSIONER LANE: Now, I noticed in the
report that, at some of the Appleton facilities, more
products are made than just the one that is the
subject of this investigation, so does the ESOP
include all of the Appleton operations?

MR. RICHARDS: Yes. In North America, all
of our operations on all of our sites are able to participate in the ESOP, and, yes, they do. They participate in the ESOP. So that would be Spring mill, our Roaring Spring, Pennsylvania, facility; our West Carrollton facility; our Appleton site; our Portage sites, yes.

COMMISSIONER LANE: Okay. Thank you. Now, I want to understand exactly sort of the supply chain here because I got a little confused when I was reading the report.

You've got coaters, and that's Appleton and Kanzaki, and then that product is sold to converters, and the converters then do further work and then sell the product. Now, are there converters who are also distributors?

MS. HATFIELD: Yes. There are converters that distribute directly to end users.

COMMISSIONER LANE: Okay. And so do those converters/distributors sell both domestic and subject slit rolls?

MS. HATFIELD: Yes. Karen Hatfield again. Yes. A number of converters sell products that are a mix of imports and domestic product.

COMMISSIONER LANE: Okay. I'll stay with you. We've heard all of this differences about the 48
and the 55. If the 48 is perceived to be better, or whatever, why are you still producing the 55, and what are the advantages to producing the 55 as opposed to the 48?

MS. HATFIELD: Karen Hatfield again. I would argue that 48 gram isn't better; it is something that is strictly a lower price, which is why it's been so attractive in the marketplace.

The difference really is in the thickness of the product, so it's a question of how big the diameter of the roll ultimately gets, so that's ultimately the difference between the two.

We consider ourselves a full-portfolio provider, so there are still customers that prefer and have more comfort with running the 55-gram product, our 2.3 product. Some prefer the 2.1 product, and it's just, you know, a matter of which one they choose to use. Some of them switch back and forth between them. So they are interchangeable, in the end users' eyes, and a number of our converters also interchange them pretty readily.

MR. HEFNER: Excuse me. This is Steve Hefner. Just to further that, the 48-gram is not better. There is no difference, as you can see from the slide demonstration, the overlap is they are the
same, so there is not a better product.

COMMISSIONER LANE: I think I used the words that they were "perceived to be better."

MR. HEFNER: Steve Hefner again. The perception that you have doesn't hold true because they overlap, in many cases, both in caliper and basis weight.

COMMISSIONER LANE: Okay. I guess the question I have is, do customers perceive that the 48 is better?

MR. HEFNER: Steve Hefner. As I mentioned in my testimony, the customers perceive that price is the dominant factor. They don't perceive either one of them as better, unless one has a lower price.

COMMISSIONER LANE: Okay. Yes, sir. I'm sorry, I can't see your --

MR. RAPIER: That's okay. Mike Rapier with Liberty Paper. We sell slit rolls to end users and to distributors, and people buy the 48 gram on price, not because of a better-quality product.

COMMISSIONER LANE: Okay. And in your testimony, you said that you started buying the Chinese slit rolls because of the price, and you had customers who wanted to buy the slit rolls from China because of price rather than the jumbo rolls and
slitting them.

MR. RAPIER: Mike Rapier again. To one certain large customer that we have had a relationship with for over eight years, we quoted them a price based on us buying jumbo rolls from our suppliers and then slitting them, and, in the past, we had been competitive in that instance.

But in 2005-2006, we were told that our price was not good enough because the price had fallen, and, at that time, we solicited a quote for Chinese slit rolls which allowed us to maintain the relationship with the customer.

COMMISSIONER LANE: And, in the post-hearing, could you provide us the amount or the size of that order?

MR. RAPIER: Sure.

COMMISSIONER LANE: Okay. Thank you.

Now, Ms. Hatfield, I want to go back to something that you said in your direct testimony. You said that people who use the paper in their different machines, that they could use either 48 or 55, that it really didn't matter. Is that true pretty much across the board?

MS. HATFIELD: Karen Hatfield. Yes, those products are interchangeable in the machines.
COMMISSIONER LANE: Okay. Thank you.

MR. DORN: Commissioner Lane, could I just add one thing? I know you did not make the visit to Appleton, and while the other commissioners were there, we handed up some 2.1 caliper and 2.3 caliper, the so-called "48" and the so-called "55." I wonder if I could just show you these samples.

COMMISSIONER LANE: Yes. That would be fine, and I forget which one of our congressional people said that we should always ask for receipts, and I'm one of those people that always asks for the receipt, so I've probably seen all of these, so thank you.

MS. HATFIELD: Thank you for that.

COMMISSIONER LANE: Okay. Madam Chairman, I'll wait until my next round.

CHAIRMAN ARANOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman. I also want to thank the witnesses for coming here today and giving their testimony.

I, first, want to get a better feel for who are the people who make the decisions about whether or not they are going to purchase 48- or 55-gram paper because most of us probably have never gone out and bought any since it's the point of sale, the
restaurant, or, I assume, companies like WalMart and Target do it centrally.

But I'm trying to figure out, the person who maybe owns one little restaurant may buy paper every six months. Do they sort of say, "I want 48 or 55?" Who are the people who make these decisions, and how are they marketed to?

MR. RAPIER: Mike Rapier, Liberty Paper. A small user is actually going to ask for a lightweight thermal paper and not specify 55 or 48 gram. They are going to buy product that they can get for the best cost.

COMMISSIONER WILLIAMSON: What about the larger users? Characterize them for me. Does, say, WalMart have a lightweight thermal paper purchasing person, and that's what they do all of the time?

MR. RAPIER: Mike Rapier again. I don't do business with WalMart. They are actually too big for me, but they would be probably more involved in the specification of the paper, but I'm not involved in that.

COMMISSIONER WILLIAMSON: Does anyone else want to add to that?

MS. HATFIELD: This is Karen Hatfield. What we've seen is that the larger users, in particular,
will typically offer -- they don't necessarily specify the specific basis weight or caliper. They may specify a range, depending on their level of understanding of the different products that are out there, but, typically, it's characterized as standard, lightweight, point-of-sale receipt paper. It's something along those lines.

We have seen some Internet auctions recently, reverse Internet auctions, that have asked them to bid on 55- and 48-gram products, so we're seeing that interchangeability occurring at the end user level.

COMMISSIONER WILLIAMSON: Is that a growing trend? I think one of the other witnesses had talked about that.

MS. HATFIELD: Karen Hatfield again. Are you asking, is it a growing trend to ask for either or, to specify?

COMMISSIONER WILLIAMSON: To specify and also to maybe do it through Internet auction. That's a more sophisticated purchaser than the rest of the people.

MS. HATFIELD: I'll let Mike Rapier answer on the reverse auctions.

MR. RAPIER: Mike Rapier. The advent of
reverse auctions in the thermal paper business really started about maybe 2004-2005 and have steadily grown as the overwhelming way for larger corporations to buy thermal paper.

Typically, although not all users will specify the paper the same way, it could range anywhere from an acceptable lightweight thermal paper to a caliper range to a product for a single user that may have some certification by an OEM printer.

Typically, with that, however, even when asking for the certification, they will also add the line that if you have an alternative grade, that you can submit it.

COMMISSIONER WILLIAMSON: Thank you.

MR. HEFNER: This is Steve Hefner from Kanzaki. Typically, it's my understanding that the large retailers, especially when entertaining reverse Internet auctions, they ask for a grade name or equivalent in their auction. The most important thing is their price and that it performs in their mechanism.

COMMISSIONER WILLIAMSON: Okay. Does anyone have any idea about what percentage of end users do not require paper that is certified by printer manufacturers?
MR. RAPIER: Excuse me. Mike Rapier. In my business, I would say that 95 percent of my customers do not request or ask for OEM certification on thermal paper.

COMMISSIONER WILLIAMSON: Okay.

MR. DORN: Commissioner Williamson, I might just add to that, it's our understanding that Koehler first certified its KT48, its 48-gram paper, in January of 2008, and you can look at the data in your record and see the increase in imports of 48-gram paper in 2006 and 2007, before Koehler had any certification.

COMMISSIONER WILLIAMSON: Thank you.

MR. NARKIN: Just to add to that briefly, the other side, the German producers, said in their brief that "many purchasers said that, you know, approval by printer manufacturers is important," but the staff report gives you the information on that, and there are six that said it was important, there were another six who said they placed little importance on printer certification, and there were six that said it wasn't important at all.

COMMISSIONER WILLIAMSON: Thank you. Mr. Rapier, I believe you said that you encountered an incident where a Chinese exporter or supplier was
importing Koehler paper into China, slitting it there, and shipping it here. Is that a very common thing?

MR. RAPIER: Mike Rapier. I don't know if it's common. It's just through our research, what we've found, and it was really through three ways, as it was represented to us, number one.

Number two, Koehler was listed on the converters website as a partner; and, number three, probably unintentionally by the converter, KT55 labels were attached to the bottom of pallets that were shipped into the United States.

COMMISSIONER WILLIAMSON: Okay. Thank you.

I was just wondering. I think some of you stated that converters can pass along cost increases for jumbo rolls. If converters are simply able to pass along their input costs and maintain profitable operations, why would they be motivated to reduce these costs by purchasing slit rolls from China? Mr. Rapier?

MR. RAPIER: Could you repeat the question, please?

COMMISSIONER WILLIAMSON: Okay. If converters can pass along cost increases for jumbo rolls, which, I think, has been stated by the Petitioners, if converters are simply able to pass
along their input costs and still maintain profitable operations, why would they be motivated to reduce these costs by purchasing slit rolls from China?

MR. RAPIER: In the last few years, we've actually seen downward pricing pressure to the end user and to distributors. In actuality, with fuel, energy, and so forth, our costs have gone up, and margins have been squeezed.

So, as any business, we're trying to recapture some of that profitability.

MR. SETH KAPLAN: Commissioner, a converter --

COMMISSIONER WILLIAMSON: Can you identify yourself, please?

MR. SETH KAPLAN: Seth Kaplan. A converter is faced with the decision of whether to make or buy, and they are looking to see if it's less expensive to purchase a slit roll or to purchase a jumbo roll and then do the conversion themselves. If they find that the prices of the imported Chinese product are below their costs of buying the jumbo roll and converting it, they may decide that it is more profitable for them to buy the imported dumped product, subsidized product, and then resell it rather than buy a jumbo roll and convert it themselves.
That's why there is competition between the Chinese slit rolls, the German jumbo rolls, and the U.S. jumbo rolls.

In fact, given the fact that the Chinese slit rolls are dumped and the German jumbo rolls are dumped, a converter's decision might be deciding whether to convert dumped German jumbo rolls or to purchase and resell Chinese-dumped-and-subsidized slit rolls.

COMMISSIONER WILLIAMSON: Thank you.

MR. DORN: And, Commissioner Williamson, during the staff conference in the preliminary phase, a witness for Rite-Made, who was testifying for the Respondents, talked about the issue you raised, but it was in the context, I think, just of jumbo rolls. If all converters are getting jumbo rolls at the same prices, and prices go up or down, what he was saying was that you can basically pass through the costs.

So if everybody is getting the jumbo rolls for the same price, all of his competing converters are getting it for the same price, yes, he would generally just pass through. It wouldn't matter whether he was starting from a low base or a high base.

COMMISSIONER WILLIAMSON: Okay. Thank you.
My red light is on. Thank you for those answers.

CHAIRMAN ARANOFF: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Madam Chairman, and I would like to thank the panel for coming here today and helping us to understand the industry.

I want to begin with the company witnesses for Appleton and Kanzaki and ask you to give me some sense of where there has been more of a change in the market in the last few years. Has it been with respect to the imports of the jumbo rolls or with respect to the imports of the slit rolls, just in the last couple of years?

MS. HATFIELD: This is Karen Hatfield. Quite honestly, it's hard to separate between the two because of the kind of competition that, actually, Mr. Kaplan was just talking about, because we such interaction between the aggressive pricing on the Chinese imports of slit rolls that also then puts extreme price pressure on the jumbo rolls that has driven down prices led by both the German competitors, as well as the Chinese competitors.

It's hard to separate those two because they have had such a dramatic impact, both on the

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producers, as well as the converters, in the market.

COMMISSIONER PINKERT: I recognize that the
position that you stated is that the impact is
similar, but I'm just trying to ask questions about
the trend in the marketplace, in terms of where you've
seen more of the change in the pattern of trade. Has
there been more of a change with respect to the jumbo
rolls or the slit rolls, leaving aside impact? I
understand that you regard the impact as similar.

MS. HATFIELD: Karen Hatfield again. I just
want to make sure I'm understanding your questions.
Are you asking which one is the larger volume?

COMMISSIONER PINKERT: Where you've seen
more of a change in the activity; that is, the import
activity. Has it been more on the side of the jumbo
rolls or the slit rolls?

MS. HATFIELD: The greater volume has been
on the side of the jumbo rolls, and, again, that's a
competitor that's been in the market for a few years
now.

The Chinese volume has been a smaller amount
of volume in the total marketplace, but the reaction
that it has caused on the converter level, I think,
just makes it seem bigger than it necessarily would be
reflected by the volume. I'm having a hard time
separating the impact from the trends. Have I answered your question?

COMMISSIONER PINKERT: Yes. I think we're getting at it. In other words, you know, you may have had a level of imports for a long time with respect to one of the two, and you may be seeing a change more with respect to the other of the two, and I'm trying to get at where you've seen the change.

MS. HATFIELD: Karen Hatfield again. We have seen increases on both sides, both in terms of the German imports coming into the U.S. market, as well as the Chinese imports coming into the U.S. market.

Given that the German market is coming off of a larger base, the percent increase is not as dramatic as what you see from China, but the magnitude of the difference -- Germany is a pretty significant player in the North American market, so it's a large base of business.

COMMISSIONER PINKERT: Okay. For the purposes of this answer, you're treating my question about slit roll versus jumbo roll as a question about China versus Germany.

MS. HATFIELD: Karen Hatfield again. The imports coming in from Germany are all the jumbo...
rolls. The imports coming in from China have all been on the slit rolls.

COMMISSIONER PINKERT: Okay. Thank you.

Now, Kanzaki?

MR. HEFNER: Steve Hefner, Kanzaki. We've seen change in both the imports from China, as well as the imports from Germany. The trend has been upward during the period of investigation, "upward" being increased volumes of imports coming into the United States in slit-roll form from China, in jumbo-roll form from Germany. We see more specific change in slit rolls from China on the western side of the United States.

COMMISSIONER PINKERT: Thank you. Now, I would like to go back to some testimony that Mr. Richards gave earlier. I understood your testimony about how the $125 million transaction was financed, but I'm wondering, how did the lenders take into account, if at all, the production of the lightweight thermal paper of your company?

MR. RICHARDS: This is Mark Richards. The lenders were not involved in that decision because we were using preexisting lines of credit. So we weren't out shopping to place this investment with a banker, so there were no bankers involved in the process.
was a business decision.

COMMISSIONER PINKERT: So there was no
communication about how the lightweight thermal paper
was doing.

MR. RICHARDS: With our lenders?

COMMISSIONER PINKERT: Yes.

MR. RICHARDS: No. When we talked to our
lenders on our preexisting lines of credit that are in
place, we were talking to them about the entire
business, not one particular segment or another, and
they are looking at the total cash flow of the
business, not at a particular segment.

COMMISSIONER PINKERT: So, to the extent
that there would have been any impact of the
lightweight thermal business, it would have been
because of its impact on the company's fortunes as a
whole. Is that what you're saying?

MR. RICHARDS: The impact on the lightweight
thermal business; obviously, we were harmed from the
dumping from Germany and China, and that had a
negative impact on our thermal business, and, as I
said before, we've been in the business for 40 years,
producing a full line of thermal products, and the
lightweight thermal segment is the largest segment in
there. So, as a full-line supplier, we do, obviously,
provide and focus on investment in that area as well.

So, in the lightweight segment, obviously, it was being impacted, but our high-value-added segment was performing, and so was our carbonless business. So we talk about those segments, but they don't specifically look to that, as far as from a lending standpoint, since it was a preexisting line, as I said.

COMMISSIONER PINKERT: Thank you. Now, back to the issue of converting jumbo rolls in the United States versus selling the slit rolls in the United States, do the customers have any preference between the product that is slit in the United States versus the product that is imported slit?

MR. MOSBY: Greg Mosby with Greenleaf Paper. We're West Coast, and so we were impacted pretty heavily by the imported slit product. The overall market pricing was driven down by the Chinese product.

On the other side, they would rather buy from converters, such as ourself, because of the service levels, but the product itself was not the discernable or that different.

COMMISSIONER PINKERT: Any other testimony on customer preferences?

MR. RAPIER: Mike Rapier, Liberty Paper. I
would just add to that that, ultimately, a customer, as long as they know the paper works, and this is kind of the crux of our business -- you have to have good service, you have to have good quality, and you have to have the lowest price -- that's how, ultimately, the decision is made.

COMMISSIONER PINKERT: What about customer preferences as between the Chinese and the German products? Any information that you can give me regarding how they view those two products?

MR. FRIESE: This is Mike Friese. We have done, internally within our technical department, we've done extensive testing. We commonly and consistently bench mark products across the board from multiple vendors, and our testing has shown that the performance of those products is very comparable in all aspects, including the Chinese. We've tested the Chinese product.

COMMISSIONER PINKERT: Thank you. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Let me continue on with questions about the 48-versus 55-gram product, which I know this issue was important to me in the preliminary phase, and the more I hear, the more I think there are some gaps in the information that we
have on the record.

   In particular, Mr. Friese, you testified that, from the point of view of the users, the two products are indistinguishable, that they can run in the same printers with an acceptable operating performance, thickness, and whatever other qualities that allow for a readable image that lasts as long as the user wants it to.

   Taking that point, I guess, you seem to go straight from that point to the idea that, therefore, there is no reason why these products should sell at a different price, and, I guess, my question is, isn't that based on the unspoken assumption that the cost of production is exactly the same because, otherwise, even if they did perform exactly the same way, you might expect the one that cost less to make to be priced a little less?

   So looking at it, it seems to me that if you're making a paper that's a little more lightweight but performs the same, it should cost less. It's got less pulp in it, and maybe less of other things as well. Could you address the cost-of-production issue for me?

   MR. FRIESE: This is Mike Friese. My testimony was based on the perspective of the end user.
user, in terms of the performance of the products in
the end use, and they are very comparable, in terms of
their performance.

The other thing I did testify is that the
main difference is in the difference in the thickness
of the sheet, and our record, I think, shows that the
cost to produce is the same.

MS. HATFIELD: This is Karen Hatfield again.
We will respond to this also in the confidential
record. I don't want to get into details here in this
forum, but, in general, on a per-ton basis, the
lighter-basis-weight paper is actually more expensive
than the higher-basis-weight paper.

Then, on an area basis, it's more
comparable, but we certainly don't see the differences
that would warrant a price differential that we're
seeing in the marketplace.

CHAIRMAN ARANOFF: Okay. I would like to
see that information put on the record so that we can
really take a look at where the different cost
elements are and why they are, or are not, different
for the two different products. I would also invite
the German producers to do the same thing.

MR. HEFNER: This is Steve Hefner from
Kanzaki. The cost to manufacture lower-caliper paper
is more expensive, as Karen said, on a ton basis, but, on the surface-area basis, which the customer is buying, it's more expensive.

So for us to offer a more expensive-to-produce product at a lower price flies in the face of economics, and we can give you more information confidentially on that.

CHAIRMAN ARANOFF: Okay. Let's see. We've got two hands up in the back, one in the third row and one in the fourth row, so let's start with Mr. Rapier, and then we will go back to Mr. Kaplan.

MR. RAPIER: Mike Rapier. Just a general comment that, as a converter, I understand that you can have different caliper products with the same amount of pulp in them, and that is just built into the manufacturing process, that a thicker paper with the same amount of pulp would essentially have more air in the sheet.

CHAIRMAN ARANOFF: Okay. All right. Dr. Kaplan?

MR. SETH KAPLAN: Seth Kaplan.

CHAIRMAN ARANOFF: Could you get closer to the microphone?

MR. SETH KAPLAN: Yes. This mike is a tough one.
There is information, on the confidential record, regarding profitability that I think is very important going to this point, and if you would like to return to that in the confidential session, I would be happy to address it there.

CHAIRMAN ARANOFF: Okay. I understand -- pulp was one example that I gave, but I understand that there are, obviously, a number of costs that go into the production of this product, and so the question doesn't only go to pulp costs, but I think you understood that.

I want to ask some questions about reverse Internet auctions. In particular, I think the testimony was that this is a growing practice, particularly among large retailers who use a lot of this product.

I think Mr. Rapier said that the retailers don't always know who the bidders are in the auction because there are intermediaries, and so I guess my question is, what kinds of specifications do the purchasers put in in these auctions? Do they, for example, generally specify that they only want product that's been certified by the printer OEMs?

MR. RAPIER: Mike Rapier. It can vary from auction to auction. Generally speaking, the

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1 specification is for lightweight thermal paper. In
2 some cases, the retailer will ask for a sheet that has
3 been approved by their OEM printer manufacturer but
4 not always, and typically that line is followed with
5 you can bring to the table an alternative sheet.
6
7 CHAIRMAN ARANOFF: Okay, I think we've been
told, and I guess it's been by the Respondents, that
8 purchasing paper that's certified by the manufacturer
9 of the printer is very important, the implication
10 being that if you don't and something goes wrong, your
11 machine isn't under warranty because you've put this
12 on the certified paper and it -- Is there anybody on
13 the panel who's familiar with warranty terms for
14 printers? For thermal printers? Okay it doesn't
15 sound like we have any experts on that on the panel.
16 If there's any way that we can get some information
17 posthearing on what the typical terms are for thermal
18 printer warranties, so we can understand whether or
19 not it voids the warranty if you use noncertified
20 paper, and how long the warranty usually lasts
21 relative to the life of the printer so maybe it would
22 void the warranty for a year but after that you don't
23 care because you don't have a warranty any more. That
24 would be very helpful because I don't think we have
25 enough information right now to judge the extent to
which it's important to have a certified product.

I'd also like to ask Mr. Rapier and anyone else, any of the other purchasers or distributors who might testify on either panel if you've been involved in reverse auctions if you could provide us, confidentially in the posthearing submission, with the names of the retailers who are using reverse auctions and anything you know about the volume of product that's involved. I think we would like to have a sense of how much of the purchases in the market are going through this kind of process. I don't know if there's anything anyone wants to comment on right now.

MR. MOSBY: I would like to comment on the printer -- Gregg Mosby, I'm sorry. I'd like to comment on the printer warranty. I do not have specifications on what that is, but we've been in business for 21 years and we have yet to ever have a claim that our paper, and we've used several of the manufacturers, and we have never had a claim on print heads.

CHAIRMAN ARANOFF: You mean you've never had a claim that the paper has done damage to the print head?

MR. MOSBY: Gregg Mosby, yes, ma'am.

CHAIRMAN ARANOFF: Okay, thank you.
MR. RAPIER: Excuse me, Mike Rapier. I would be happy to get you what reverse auction information that I have.

CHAIRMAN ARANOFF: Thank you. I appreciate that. Okay, My yellow light is on so I'm not going to go to another complicated question and we'll turn to Vice Chairman Pearson.

VICE CHAIRMAN PEARSON: Thank you Madam Chairman. Good afternoon. Permit me to add my welcome to all of you on this panel. I'd like to learn a little bit more about demand in the marketplace and in our staff report we refer to it as apparent consumption. Our data are confidential so there's not much that I can say about the demand picture. However you could tell me whatever you think about it that you're willing to say in public. So I'd be curious to know how you see the demand for thermal paper in the United States over the period of investigation and then looking ahead.

KAREN HATFIELD: Karen Hatfield. We have seen through the period of investigation and forecasting into the future that the demand for lightweight thermal paper continues to increase. You see end users like Best Buy, where they're printing not only the main receipt but your rebate receipt and,
you know, the warranty receipt and everything else you might need along with it. You go to CVS and you get coupons at the end of your regular receipt. So there are a lot of things pushing for increased consumption of lightweight thermal paper. There are some things that offset it, as well. You have the option to refuse a receipt, in many applications. Things like that. But overall, we do see, through the period of investigation and looking forward, we do see it growing in North America and on a global basis as well. Though globally -- you know region by region you'd see differences but on a total global picture we see it increasing.

VICE CHAIRMAN PEARSON: Mr. Hefner?

MR. HEFNER: Yes, Steve Hefner. During the period of investigation, you would have seen lightweight thermal paper grow as the global economy, moreover the United States economy, expanded. That should be part of the record that you have available to you. Going forward, with the economic crisis that we're in, I'm not sure we're going to see the same imminent growth immediately, but we do see expanding applications for lightweight thermal paper happening. It's difficult for us to give you an exact growth rate in light of what's going on in today's economy. But
we do see expanding applications. Moreover, the
impact printer, which the thermal printer has replaced
in most point-of-sale applications, are no longer
being manufactured by the OEM's. They have replaced
them with thermal printers. So those people who need
to upgrade or replace their printer mechanism, in a
point-of-sale application, will be replacing it with
an alternative technology and most likely that will be
direct thermal lightweight paper.

VICE CHAIRMAN PEARSON: Okay so if we
consider that potential increases in U.S. demand to be
based on two possibilities -- either shifting from the
older type of contact paper to the thermal paper, or
else printing more coupons, you know, greater use from
existing printers -- which of those two factors do you
think might be the larger in terms of building demand
in the United States?

MR. HEFNER: This is Steve Hefner. I think
that that's difficult to discern because, as I sit
here today, the expanding applications pop up
overnight. As Karen illustrated to you the use of
printing coupons on demand through a thermal printer
or sending a message through a thermal print
mechanism, is expanding only by the marketing people
in their imaginations. Yet we have not seen a full
saturation of the direct thermal POS receipts on a
changeover from old technology to new technology.

MS. HATFIELD: Karen Hatfield. I would
agree with that. Also, on Mr. Hefner's earlier point
about the softening in the economy more recently, we
certainly do expect that to have an impact at least in
the short term on the growth rates that we're seeing
in lightweight thermal paper, even though you know
there are upward pushes for the total demand in terms
of the different applications.

VICE CHAIRMAN PEARSON: Okay. So, during
the period of investigation, did you perceive the rate
of increase in demand to be relatively constant or was
it starting to level off a bit relative to some
partial saturation of the marketplace? Or was it
still increasing, the rate of change, was it
increasing in response to the demand-pushers that
we've been talking about?

MR. HEFNER: This is Steve Hefner. During
the period of investigation, although I can't tell you
an exact growth rate, but it continued steadily to
increase during the period of investigation for both
reasons: the changeover technology as well as an
expanding economy.

VICE CHAIRMAN PEARSON: Mr. Rapier.
MR. RAPIER: Mike Rapier. As a converter, we have seen, since 2006, that the same retail customer, the same customer that's doing business with us today that was doing business with us two years ago, that their sales have actually -- especially those tied to holiday sales -- have actually declined. So what we're looking for are those uses where new technology is being brought into marketplace for a new use for a lightweight thermal paper, or a situation where a customer has gotten rid of an impact printer and invested in thermal printers.

VICE CHAIRMAN PEARSON: Okay, but in a portion of your customer base you're seeing a bit of a decline in the demand, or at least a reduction in the rate of increase.

MR. RAPIER: Yes.

VICE CHAIRMAN PEARSON: Okay. If you can provide any more specificity in the posthearing, I would be glad to see it. I understand we've got two domestic firms here who are producers of the jumbo rolls, and there are significant constraints on what you ought to say in public. I appreciate the dialogue that we have had. But to the extent that you can for the purposes of the posthearing, I'd be interested to know what both firms have thought about demand during
the POI and looking forward.

  Mr. Richards, at the rate of growth, and this may or may not be something you can answer publicly, but at the rate of growth that you had perceived in the marketplace, at the time you decided to build the West Carrollton facility, how many years did you believe it would take to absorb that increase in capacity?

  MR. RICHARDS: Mark Richards. I would respectfully ask that we address those questions in a posthearing brief. It's confidential information.

  VICE CHAIRMAN PEARSON: And I understand. I'm not aware of everything that your firm might have put in public over time, so I go ahead and ask the question.

  MR. RICHARDS: Of course.

  VICE CHAIRMAN PEARSON: Because I don't know whether it was in a press release a year ago, but I absolutely respect the privacy of the response. Now, continuing with you, Mr. Richards, the West Carrollton facility represents a significant expansion of domestic production capacity, relative to domestic consumption. When the decision was made to add this capacity, was it planned that a meaningful portion of the output would be exported?
MR. RICHARDS: This is Mark Richards. Again, with respect, the discussions around where we would be selling that product and how we'd go about selling that product is confidential and would again respectfully ask to submit that in a posthearing brief. I believe it is in some of the information that was provided before through some of the board slides.


MR. RICHARDS: But we'll make sure if it isn't, that you get the information.

VICE CHAIRMAN PEARSON: And it may be there, I just didn't find it as I was trying to get ready. Then another question that very likely is for the posthearing: was it planned that the increase in production at West Carrollton would require the shutdown, either temporarily or permanently, of all or part of the paper production for Appleton in Appleton, Wisconsin?

MR. SCHONFELD: Commissioner Pearson, this is Walter Schonfeld. That's a confidential matter but I believe if you look in the Board of Directors' presentation which was submitted to you confidentially, you'll find that information included
in that Board presentation.

VICE CHAIRMAN PEARSON: Okay, thank you very much. I recognize these questions are sensitive, and yet for purposes of having a full record I wanted to make sure that they were addressed. My light is changing, Madam Chairman, so I will pass. Thanks.

CHAIRMAN ARANOFF: Commissioner Okun.

COMMISSIONER OKUN: Thank you, Madam Chairman. And thanks again for all the responses we've heard thus far. I think in response to Chairman Aranoff with respect to the cost of production of the 48 versus the 55, that was one of the things that I think we had discussed during the plant tour that I also was interested in. So maybe we'll see that, for purposes of the posthearing, I'll be interested in seeing that as well. Then just a couple of follow-ups. I think these are things you touched on, I just want to make sure I understand it because again the German Respondents have argued this and I assume we'll hear it this afternoon from some of their witnesses as well. So just so I'm very clear on this, in terms of the length of the rolls of a 48 versus a 55, is there a standard length, does it matter at all, in terms of for purchasers? And tell me what that length is.

MS. HATFIELD: This is Karen Hatfield. In Heritage Reporting Corporation (202) 628-4888
terms of the slit rolls that are sold to the end
users, there are standard lengths: 220 feet, 230
feet, and 273 feet. And those are standard lengths
regardless of what the basis weight or caliper of the
paper is.

COMMISSIONER OKUN: Okay. So the same for -
- and I know, Mr. Hefner, I think you were shaking
your head, and I have one of the converters back there
as well.

MR. HEFNER: Well, yes, I agree there are
standard lengths. And part of the reason there are
standard lengths is that the cavity in any printer
precludes larger lengths than the certain size because
the cavity can't hold larger lengths.

COMMISSIONER OKUN: Okay. And Mr. Mosby?

MR. MOSBY: Thank you. Gregg Mosby. We
manufacture both 48 and the heavier and the lighter
caliber material. We manufacture both to the exact
same lengths and on rare occasions someone might want
to have a longer length roll but 99 percent of what we
manufacture is the same length no matter which
product.

COMMISSIONER OKUN: Okay. Then my next
question on that, and I think one of the other
commissioners raised, and obviously it will be
something we'll be asked, would probably be asking the Respondents this afternoon, is that, to the extent that there is information on the record indicating that purchasers have called it a superior product -- and I understand the responses you've given and placed on the record here -- you know I will be asking why, whether it should command a higher price if that were the case. But for you I guess my question for the producers would be if they're the same product and if, as you've said, the cost of production don't differ, a 48 wouldn't mean you could sell it for a lower price because costs of production are less -- why are you offering a 48, then? In other words, I scratch my head about that a little bit. If that's the case, why not keep doing what you do?

MS. HATFIELD: Karen Hatfield, here. We introduced the 48 gram product in order to have a full portfolio of products. We recognize that -- we don't see any substantial difference between the 2.1 and the 2.3 products, and certainly on a cost basis, it's a wash. What we were getting from our customers is some of them have moved to a 48 gram or a 2.1 caliper product. Some of them wanted to stay in the 55 gram, 2.3. We wanted to be able to offer the full portfolio. So, even while we don't see the difference
in that, again, we consider ourselves a full portfolio provider and felt that it was important for us to be able to offer both to our customers.

COMMISSIONER OKUN: And I think you, oh yes, Mr. Narkin.

MR. NARKIN: Yes, just to supplement that briefly, and refer you to the purchaser questionnaire data. If you look at your Table 2-1 of the prehearing report, which gives you a compilation of the factors that purchasers identified as among the three most important purchase factors, you've got price, quality, and availability. And they're the top three. And then there's a category for 'Other.' And then there's a footnote to that. And if you go through that, you see that there was one purchaser cited availability of 40-gram paper as among the three most important purchase factors. You see none citing caliper or basis weight. So I think that helps you put in context this whole notion that the people in the market are really clamoring for 48-gram paper and are choosing to buy that in preference to 55-gram paper for that reason and not for price.

COMMISSIONER OKUN: Mr. Narkin, I may be wrong on this and I need to go back to it, but to the extent that also in a staff report on the allegations
of supply shortages, that I believe there was more
than one person referencing the weight as being an
issue in that. Could you address that as well, and I
assume that would require some confidential
information but it seemed, when I read it, and I don't
want to characterize it, it seemed like there might be
more in that section than in the chart you're
referring to, the table.

Mr. Narkin: Sure, I mean to the extent
there's anecdotal stuff in the lost sales and lost
revenue section that would be confidential and we will
talk about that in the posthearing.

Commissioner Okun: I'm sorry, I'm talking
about not in lost sales and lost revenue which may
have occurred, but in the supply shortage section in
chapter 2.

Mr. Narkin: Okay.

Commissioner Okun: If you can look at that
and help me with that. Yes, Mr. Hefner?

Mr. Hefner: Yes to answer your original
question. Kanzaki Specialty Papers does not offer a
48-gram as I put in my testimony, because we offer a
product that's right in the sweet spot and fits the
market completely. And our sales continue to be okay
based on that.
COMMISSIONER OKUN: Okay. And I recognize there's a difference there in the producers. But Ms. Hatfield, I want to go back to you because I think you had said something about it and I want to make sure I understand it. When Appleton describes itself as providing a full portfolio of products, tell me what the rest of the portfolio would be. In other words, if you're saying we're going to offer this 48 because we want to say we can offer anything, someone comes to us, we're not going to turn it down and say we can't make that. What would be the other part of the portfolio that maybe Kanzaki doesn't offer but you do that would be something purchasers would want?

MS. HATFIELD: In terms of a full portfolio, you know, we obviously offer a full range of thermal products for different applications specifically within the POS, the point of sale receipt realm, lightweight thermal paper. We have some that we offer in different colors, higher sensitivities for different applications based on needs of specific customers or specific applications. We have some nuances within that.

COMMISSIONER OKUN: Okay, but the only one where the difference in grams, other than the 44 that was introduced and then was not successful, the 48
versus 55 would be the difference in the portfolio on
that alone, not the other specifications?

MS. HATFIELD: Karen Hatfield, again. If
I'm understanding your question, are you saying that
the only difference between 48 and 55 is the caliper?

COMMISSIONER OKUN: No, I'm just trying to
figure out when you're talking about the portfolio, if
someone was coming, saying we want a product for this
specific application, is that also a different, is it
sold in different lengths, or anything that would
differentiate in terms of the portfolio?

MS. HATFIELD: Karen Hatfield, again. The
different products that we talked about in the
portfolio, depending on the application, there may be
requests for different lengths. In terms of the
differences in how we produce it, I mean there are a
lot of similarities between those products. But when
we look at commodity POS products, the lightweight
thermal paper we're primarily talking about the 2.3
and 2.1 and the 55/48 gram product. Does that answer
your question?

COMMISSIONER OKUN: Yes, that does.

MR. DORN: And Commissioner, can I add
something to your earlier question about why you might
offer a 48. And, it's my understanding there are some
converters who don't like to carry both 48 and 55 because of packaging concerns. Because they're selling to standard lengths and so if you put the 48 on it's going to have a smaller diameter and it would roll around the boxes so you've got a change of packaging system. So if you're a converter that decides to make the shift from 55 to 48 because of a lower price, that you've got a price incentive to make that shift in your packaging and so forth, what's it going to take for Appleton to get that customer back who's moved over to 48? You've got two choices: either you try to undercut the 48 significantly to give them an incentive to go back to 55, or you try to match the 48's, so it gives the customer, you know, has an incentive just to keep selling that. So that's another reason, as I understand, that Appleton decided that he would offer a 48, to have that option.

COMMISSIONER OKUN: And that reminds me -- I know that it had come up before about the packaging is different because it takes up less room and some customers I think you had indicated didn't like that or thought they were getting less for their money. And this question obviously I'll put to the Respondents but just wanted to get your reaction which is, in terms of a freight advantage at the 48, do any

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of you have any knowledge of whether they are shipping
in different packages so that they don't have that
problem? In other words, if they have a weight
advantage on the 48 for shipping purposes, can they
put it in a small -- a different size container so
they're not paying for size of container? I don't
know if that matters or not.

MR. HEFNER: Excuse me, this is Steve Hefner
from Kanzaki. Before we move on to the freight
advantage, I want to address, Kanzaki does offer a
full portfolio of products. We offer those portfolio
for the people that would like to pay for the product.
So if they would like a lower basis weight product, we
could offer it. But it would have to be commensurate
with the cost-price relationship. And I wanted to let
you know that. A different thing is also that KSP's
product would fit into either packaging for either 55
or 48 gram, so we've created a universal set to allow
us to be able to diminish the packaging differential
and be able to offer a product that would
substantially work in either case.

COMMISSIONER OKUN: Okay. Oh, my red
light's come on so I'll come back to my question about
freight on my next round. Thank you Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Lane.

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COMMISSIONER LANE: Thank you. I guess my
first question is probably for Mr. Dorn or Mr. Narkin. In thermal transfer ribbons from Japan, we found that
the primary cost in converting jumbo rolls into TTR
was not capital investment but direct cost of labor.
Do you agree that the same is true in this case?

MR. DORN: This is Joe Dorn. I hope Mr. Narkin can answer that because I don't remember the point. I'd have to go back and look at that case. I'm not sure I understand the issue.

COMMISSIONER OKUN: Well the issue is that
if you're talking about converters being part of the industry, the argument is made that there has to be a substantial capital investment in order for the converters to be part of the industry. And in thermal transfer ribbons, we said that it was more labor intensive than capital investment and we still found them to be part of the industry. And I just wondered if you agreed with that analysis or did you want to say anything about that? Because that is one of the issues in this case as to whether or not the converters are part of the industry.

MR. DORN: Of course, Commissioner, in the preliminary determination, the Petitioner did take the position that the converters were not part of the
industry, and we've decided not to revisit that issue for the final investigation. But we will take a look at your question and respond to it in the posthearing brief.

COMMISSIONER LANE: Okay, thank you. Okay we'll just stick with you, then, or someone else. Could you explain how you view the question of whether slit rolls compete with jumbo rolls of lightweight thermal paper within the context of the cumulation issue?

MR. NARKIN: Commissioner Lane, this is Steve Narkin. I'd like to say a few things on that. Starting off with the part of your question that asks how these products compete, because we think that's really at the heart of the matter, here. As I think you know, as I'm sure you know, the statute says that the test is whether imports compete with one another and with the domestic-like product. It doesn't say that physical fungibility is required. The focus is on competition. Now it's true that fungibility is among the four factors that the Commission's always looked at for cumulation. But all along, including up to the present day, the Commission has emphasized that those four factors are not, and this is the operative language, and exclusive list of considerations.
the Commission hasn't precluded the possibility that
it would find the competition that's needed based on
other considerations. Now, we submit to you that this
is an unusual case, and we think probably an
unprecedented case, that does call for you to take
other factors into account in determining whether
there's competition among these products. In this
case you have the Commission determining that a semi-
finished product and a finished product are both part
of the domestic-like product. Here you have pretty
much just the semi-finish coming from one country,
Germany, that's in fact all there is coming from
Germany and we think probably all, or just about all
of the Chinese product is the finished product, which
is the slit rolls. And the third and final thing is,
here you have evidence that shows that imports of both
the semi-finish product and the finish product are
competing for the business of the same customers, the
converters. And we don't think that's ever come up
before. And the last thing I'd like to say is, on
this question of are imports of slit rolls from China
competing with jumbo rolls, whether they're made in
the United States or whether they're made in Germany.
As you've heard the testimony, from several witnesses
so far, there's no question that there are converters

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who see themselves in a make or buy situation where
they're forced to decide whether they will make slit
rolls, using their own slitting equipment from U.S. or
German-made jumbo rolls, or whether instead the only
way they can get business or keep business is to buy
slit rolls from China. And that's direct competition
between slit rolls and jumbo rolls. And the
Commission, in talking about the issue of threat from
China, in the preliminary investigation, that's pretty
much exactly what you said. The Commission
collectively, that is. You recognize that there was
competition between slit rolls and jumbo rolls. And
that's the essence of the matter. If there's
competition among these products, the statute says you
should cumulate the products. And thanks for bearing
with me with that long answer.

MR. DORN: And could I just add on further
point? And it goes back to your preliminary views in
the preliminary determination, Commissioner Lane,
where you did address fungibility. And we also agree
with the fact that if you're going to look at
fungibility, that factor, which we don't think is
really called for in the statute, but if you're going
to look at it in the context of finished and semi-
finish product, as you did, you said that the sheet is
the same. The sheet of the jumbo roll and the sheet of the slit roll is the same. And that should satisfy any fungibility test with respect to whether the products compete. Because the only difference is the size and the packaging of the products.

COMMISSIONER LANE: Okay, thank you. Have you ever been advised directly by any customers that they require more favorable terms, price or otherwise, on jumbo rolls from any source because of competitive pressure from imported slit rolls? And if so, what has been your reaction to those competitive pressures?

MS. HATFIELD: This is Karen Hatfield at Appleton and yes, we've had a number of converter customers coming to us asking us to lower our prices to them so that they can more directly compete with the slit rolls from China; asking what's Appleton going to do about this. And that, in particular, escalated in late 2006 and early 2007. And, in many cases, we did reduce our price in order to help our converters compete, because ultimately that was our business as well. If our converter didn't get that business, we weren't getting it either. So, yes, there was direct competition. A lot of feedback from many different converters on the Chinese imports and the aggressively low prices that they were coming into
the market. And that was what initiated our investigation in the first place, to pursue this type of petition.

MR. HEFNER: This is Steve Hefner from Kanzaki Specialty. We have been directly asked by converters to give them special prices to compete with slit rolls coming from China. And we'll be happy to give you complete details of that in the posthearing brief.

COMMISSIONER LANE: That's what I was going to ask, if it's not already in the record, could we have that in the posthearing brief? That would be very helpful. Thank you. Now the German Respondents argue that because the domestic coaters must purchase the majority of their base paper, rather than producing their own base paper, that the quality and consistency of the base paper cannot be controlled. Could you describe the sources for the base paper that you coat and please indicate whether you have quality or consistency problems with your base paper supply?

MR. FRIESE: This is Mike Friese. We do rigorous work to set specifications with our suppliers to ensure that we get the quality that we need. So we set our specifications and then monitor their performance. All our base paper suppliers send us
regularly production data that shows they're performing to our specifications. So we monitor that. And we believe that allows us to provide a consistent product. And, without detailed data, it's hard to do a direct comparison, but I think the data that I showed in Slide 6 and 7, the argument that their product is more consistent is hard to understand with the fact that their specifications for basis weight and caliper are actually wider than our. So the specifications that they have are actually wider, yet they would claim that their product is more consistent. When we set our specifications, we use a six-segment methodology to look at our process capabilities and analyze our data and set specifications within a limit that we can control.

COMMISSIONER LANE: Okay, thank you. Madam Chairman, that's all I have.

CHAIRMAN ARANOFF: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman. I think the Respondents have argued that we should look at the delivery prices. And I was wondering, why should the Commission depart from its standard practice of comparing FOB prices, and, are the inland freight costs high enough here to warrant using delivery prices?
MR. DORN: Commissioner Williamson, I would suggest you talk to Ms. Klir about her verification of Appleton, and the effort that was made to try to get from delivered price, which is, you know, that's what they sell on, the basis of a delivered price. That's what's easily captured from the accounting system. To make the deductions to get back to FOB. Our first argument is that the delivered prices are much more accurate because that is the way that the data is kept by the players in the marketplace. It's also more telling, in comparing prices of importers and domestic producers, because that's how they go to the customer. The customer doesn't care what the FOB price is. The customer cares about delivered price. That's where the competition takes place. And so we think that you should use delivered prices in this case. And it's not true that the prehearing report reflects the Commission's standard practice with respect to FOB values. In all the recent cases I've been involved in, including the preliminary investigation here, when the Commission collected FOB prices it did it FOB point of shipment, that is, either from the plant or from the distribution terminal. Here, for some reason, there's a switch to have it just FOB plan. So this is not the standard practice of FOB, and we think
the delivered price, in any event, is more accurate
and more telling for your price comparisons.

COMMISSIONER WILLIAMSON: Okay. Thank you
for that explanation. Going back to the 55/48 issue,
I don't know where you buy point-of-sale printers, but
suppose I own a restaurant and I go into one and I buy
a new point-of-sale printer. Is that box going to
tell me to use 55 or 48 or use a certain caliper? In
other words, do the manufacturers usually give any
guidance on this?

MR. HEFNER: This is Steve Hefner. When a
printer manufacturer like IBM, SEICO, EPSON, sell
their printers, they usually sell it with a book of
instructions as well as some specifications and --

(Electronic interference.)

CHAIRMAN ARANOFF: Let's bring a different
microphone over. If someone else could pull theirs
over, because the court reporter can't hear you
without a microphone unfortunately even if you have a
really loud voice. I apologize for the inconvenience.

MR. HEFNER: Which I do. Inside that book
of specifications, it includes the parameters of what
they expect in the specification of the finished roll
going into the printer. It includes the size of the
roll and width, because you wouldn't want it to be
wider because it would jam the printer. It includes the desired length, because it's based on the cavity. It actually names products often that are or have been approved products. But it also includes the caliper. It sometimes, but rarely, includes the basis weight. But it does include the caliper, and it does include the width, and it does include the estimated roll length based on the cavity size.

COMMISSIONER WILLIAMSON: Okay so when it does the caliper -- do you usually say, okay I'll get 48 because that caliper is more often than 2.1, or, in other words, are the manufacturers pushing the use to 48 or are they pushing you to 55 or are they completely neutral on this?

MR. HEFNER: For the most part, the manufacturers tend to be neutral because they do not want to alienate the end customer, who may have a preference, either A or B, but he does want to make certain that the caliper range works within their printer because as I mentioned in my testimony, they want to make sure that the contact point, with the thermal print head, enables the printer to demonstrate good output print media. Otherwise the print mechanism may be blamed for poor output quality. So they want to make certain that there's good contact.
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COMMISSIONER WILLIAMSON:  Mr. Rapier?

MR. RAPIER:  A lot of times an OEM spec for
a printer can spec caliper in a range from, for
example, from a 1.8 mil to a 3.6 mil for the same
printer.

COMMISSIONER WILLIAMSON:  Right.  Okay.

Yes.

MR. SCHONFELD:  Commissioner, the reason for
that is also the fact that if you look at the
specifications for some of our competitor's products
and our products, they're fairly wide.  These printers
are made to handle a reasonably wide range of caliper
paper mainly because just the normal variation in the
paper itself as Mike Friese presented in his
presentation suggests that it's going to need to be
wide anyway.  So there is no distinguishing feature
within the OEM specifications that I am aware of that
would make any difference between a 48-, 55-, or 53-
rim or 2.1- or 2.3-caliper paper.

COMMISSIONER WILLIAMSON:  Okay.

MR. HEFNER:  This is Steve Hefner again.
We'd be happy in the posthearing brief to supply you
some samples of OEM specifications that would normally
come with the printer.

COMMISSIONER WILLIAMSON:  Okay.  Thank you,
that makes it sound like you -- it doesn't really matter, any of your products you want to do. Mr. Hefner, now you mentioned something about that I guess that German manufacturers actually don't sell much 48- in Europe outside of a few places. Could you clarify on that and what conclusions you would draw from that?

MR. HEFNER: It is our understanding from some of our sources in Europe that 55-gram paper is the desired product and it's not sold very often in Europe at all. And the locations that desire it if at all would be in the United Kingdom and in Italy.

Forty eight. Right, 48-grams.

COMMISSIONER WILLIAMSON: Okay. Thank you. Okay. Mr. Richards, these are, and are probably in posthearing, since you made the investment in the West Carrollton plant using the retained earnings and an existing line of credit, I assume you still had to look at the question of what alternate use of funds you might have made with that money. And I think you indicated that some of your other lines are probably more profitable than the lightweight thermal paper. So I was just wondering how you factored that question of alternate use for those funds.

MR. RICHARDS: Commissioner, Mark Richards,
I think part of the discussion around the lightweight thermal investment would be best handled in the posthearing brief, and it is in the record with the board presentation where we look at alternatives to making investments.

COMMISSIONER WILLIAMSON: Okay.

MR. RICHARDS: So you'll see it in there and if not, we can certainly provide that.

COMMISSIONER WILLIAMSON: Okay. Thank you.

MR. SCHONFELD: Just one other point, Commissioner, if I could.

COMMISSIONER WILLIAMSON: Yes.

MR. SCHONFELD: I don't want you to be, or any of the other commissioners to leave with the impression that this investment in any way meant that we also weren't making investments in other parts of our product lines either. It wasn't in a binary either/or for us as a company. So please understand there were continued investments in other parts of our business as well, and we'll talk about the confidential components of the lightweight thermal paper investment separately, but please do understand we did make investments in the Appleton plant and in our other facilities as well in addition to the particular investment that you were talking about.
before. So I just don't want anyone to leave with the impression that it was this or something else and that something else might not have gotten done necessarily that was a good return particularly because of this investment.

COMMISSIONER WILLIAMSON: Okay. Thank you. In thinking about investments, Mr. Allen, I was wondering might you address, I don't know to what extent you know about the competitiveness of workers and your overseas competitors, how competitive those workers are compared to the investments that may have been made in the workers in the U.S.

MR. ALLEN: Jim Allen. No, sir, I don't know anything about the work ethic overseas. I've never been out of the country. But I can tell you that the workers here in our homeland, if the competitive field is level, we can, will, we will train, we will do whatever is necessary, we come in early, we stay late, and we will do whatever it takes to produce good quality products here in America.

COMMISSIONER WILLIAMSON: Okay. Thank you.

MR. HEFNER: This is Steve Hefner. As a subsidiary of a Japanese parent company, we have sister companies both in Japan and Germany, and we benchmark our competitiveness against both of them,
and we are equally if not more competitive than both Japan and Germany.

COMMISSIONER WILLIAMSON: Thank you for that answer.

MR. BLASCZYK: This is Steve Blasczyk. I would like to comment on that. When I took you all, or most of you through the tour of the plant and I showed you how involved the employees were, that is a huge part of our effort to reduce waste, and some significant progress over the last few years.

COMMISSIONER WILLIAMSON: Thank you for those answers. What time is it? Sorry.

COMMISSIONER PINKERT: Mr. Blasczyk, do you want to give us a little more detail about some of that progress? I know you talked about it during the plant tour, but for the benefit of all the commissioners.

MR. BLASCZYK: Sure. Steve Blasczyk here. One of our initiatives is a push on lean manufacturing, and really that's getting all the employees engaged in the decision making, empowering them. So what we're looking at is, what they do every day is constantly adding value for our customers. So rather than just watching, you know, a machine run when things are going well, there are other things
that they can do to add value, reduce our waste, things like that. So we've got a whole bunch of tools that we've employed in the last several years and people have stepped up to the plate tremendous pride in continuous improvement, and they understand that it's a very competitive environment, and they've all really stepped up to the plate.

COMMISSIONER PINKERT: And has there been some modification or change with regard to flexibility of work assignment within the plant?

MR. BLASZCZYK: Absolutely. We have an effort that we call workforce redesign where our employees have all taken on additional responsibilities besides just operating their machine. And they are, we talk about flowing to the work. Wherever the demand is, they flow to the work. So we are utilizing them as efficiently as possible. And there is extensive training that goes along with that, we've got the competency based training system, we move people around based upon their competencies and their readiness for a particular assignment.

COMMISSIONER PINKERT: And with regard to Kanzaki, has there been a similar evolution in terms of the way that plant efficiencies are obtained?

MR. HEFNER: Steve Hefner from Kanzaki. It
may not be similar, it may not be the same, it
depends, I don't know enough about Appleton's process.  
But the company's only a 22-year old company. It's 
built on lean manufacturing, it's a U.S. manufacturer 
but a subsidiary of a Japanese parent. It practices 
Kaizen lean manufacturing as well as Six Sigma, so 
it's done all the processes to improve to become the 
best output processor it possibly could.

COMMISSIONER PINKERT: Thank you. Now
turning to Mr. Dorn for a second, and perhaps Mr. 
Horlick as well, in the past where the subject 
merchandise has included both semifinished and 
finished product, how has the commission looked at the 
question of fungibility?

MR. DORN: I think Mr. Narkin can answer 
that.

MR. NARKIN: Commissioner Pinkert, this is 
Steve Narkin. We've taken a long hard look at this, 
and to be honest, you know we have not really seen 
cases like this one, as I said, you know, in my 
response to a question from Commissioner Lane earlier. 
Why you have a number of cases where you have a 
semifinished product and a finished product as part of 
a like product, usually, and as far as we can tell 
pretty much always, you have some of both coming in
from each of the countries. So the Commission has
never been put in a position where they've had to say,
you know, gee are these product fungible because just
the semifinished is coming in from one and the
finished coming in from the other. I'm not sure if
that answers your question.

COMMISSIONER PINKERT: Well, to the extent
that we may have made statements about fungibility
even in the context of the kinds of cases that you're
talking about, I'd appreciate some analysis for the
posthearing that goes through that issue.

MR. NARKIN: Certainly will do that.

MR. DORN: And just to make it clear, our
argument on cumulation is not based on economic
effects, it's based on applying the plain language of
the statute which talks about competition between the
imports from the subject countries and the domestic
like product, and I don't know how we can better
explain competition than from the testimony we've had
from converters that there is competition at their
level of trade between jumbo rolls from the United
States, jumbo rolls from Germany, and slit rolls from
China. That is competition, and I don't see how you
can construe the statute other than to require
cumulation on that set of facts.

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COMMISSIONER PINKERT: And that's a good lead-in to my next question which is, for the converters, did somebody else have a comment on that last?

MR. HORLICK: Yeah, just to add, and it goes to the question Commissioner Lane posed which we'll be answering in the posthearing brief of specific instances of converters asking for lower prices for the jumbo rolls because of imports of slit rolls.

COMMISSIONER PINKERT: Thank you. Now, turning to converters, I want to get a better understanding of exactly how you decide whether to make or buy when you are in a make or buy situation. What are the criteria that you use to make that decision?

MR. RAPIER: Mike Rapier. First of all, criteria would be the size of the order. If it's five cases, I'm probably not going to buy five cases from China. But if it's more in the ballpark of container load quantities that a customer would purchase and I can't get the product to the customer in a profitable way give the prices that that customer is putting in front of me, then I would, then I did indeed look at Chinese paper as a way to curtail that, and thus sold them Chinese paper and did not place them, in prior
years I would have placed an order from jumbo rolls to slit that paper and then ship that product.

COMMISSIONER PINKERT: Thank you.

MR. MOSBY: Greg Mosby. We purchased one container from China to evaluate how it worked. We fought through this and missed several orders because we could not be competitive. And as I stated earlier that, the product was sold mostly through very large converters that maybe didn't have operations out west. As well as it was sold directly to distributors that sold product through the internet or very large distributors that could buy in full containers, and that was most of the competition.

COMMISSIONER PINKERT: Thank you. Now turning back to Appleton for a moment, I'm wondering given the situation with the 48-gram product and the testimony you've already given on that product, are you trying to increase your production and sale of 48-gram product presently?

MS. HATFIELD: Karen Hatfield. We are, we offer both in the portfolio. We have not pushed one over the other, so it's really based on the demand from our customers, but we are increasing sales on both.

COMMISSIONER PINKERT: And is it your
company's sense that it has more difficulty in
supplying the one than the other? In other words, are
there more capacity constraints with the 48-gram
product?

MS. HATFIELD: We are able to produce both
products, it's more just a question of the balance of
the mix. As we mentioned, we just started our new
coater within the last, well I guess we had our grand
opening in early August. That machine is currently
producing both 48- and 55- product, our 2.1 and 2.3
product. So we don't have any constraints on those.

COMMISSIONER PINKERT: And what are you
hearing just in terms of your conversations with
customers? Is there a shift in terms of their
preferences or has it been pretty steady in respect to
the 48 versus the 55?

MS. HATFIELD: Karen Hatfield again. We have
seen more converters taking an interest in 48-gram
product, our 2.1 product, across the market. Driven
by price. They predominantly are looking for a lower
price that will compete with the 48-gram product from
Germany.

COMMISSIONER PINKERT: All right. Well I
see that my yellow light is on so I thank you and wait
until my next round.

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COMMISSIONER WILLIAMSON: Hard to believe, but I still haven't run out of questions about the product differences. One thing that I'm not sure that we've covered yet, though correct me if I'm wrong, is that one of the arguments that the Respondents raise is that converters prefer jumbo rolls that are 53.5 inches wide because that width allows them to minimize trim loss and that German producers are able to supply that product all the time but domestic producers are not. Can anyone respond to the importance of jumbo rolls being 53.5 inches wide.

MR. RAPIER: Mike Rapier. As a converter, we want to maximize the width of the web of the machine. The standard product in the marketplace is 3 1/8-inch thermal. And machines are typically 54 inches wide. So to put a 53.5-inch mill roll on the machine, you would maximize your productivity by getting 17 cuts and you would minimize the trim loss. I only buy 53.5-inch from Appleton, it's never been an issue. I buy 53.5-inch mill rolls from Kanzaki as well.

COMMISSIONER WILLIAMSON: Okay. And have you ever been asked to purchase another width?

MR. RAPIER: There have been cases when I'm not running a standard product. Maybe I'm running a
cut that's 4 17/64 so it's a little bit odd, and so it
doesn't fit the trim of their machine exactly so what
I will do is I will buy from them in a set one wider
roll and one narrower roll to minimize the waste and
maximize production.

COMMISSIONER WILLIAMSON: Okay. So it has
not been your experience, because the Respondents have
argued that converters have been required to take
53.5-inch and narrower rolls together in a bundle by
domestic producers, that has not been your experience?

MR. RAPIER: That has not been my
experience. Especially with 3 1/8-inch thermal which
is, you know in some estimates, 70 percent of the
marketplace.

COMMISSIONER WILLIAMSON: Okay. What about
Mr. Mosby?

MR. MOSBY: Greg Mosby. And that has not
been my experience either.

COMMISSIONER WILLIAMSON: Do you also buy
only 53.5-inch except when you're making some unusual
product?

MR. MOSBY: There are other products, but
that's the 53.5 is our major product size. We do run
there's 2 1/4 and various other sizes of thermal.
Also, we have a 36-inch printer that requires 36-inch
wide. One of our printers is 36 wide. So we have to buy some product there, and they've always accommodate that also.

COMMISSIONER WILLIAMSON: Okay. Thank you. I think Commissioner Okun had started into this question in her last round but then kind of got diverted in a slightly different direction so I wanted to circle back on the question of, between the 48- and the 55-grams, there was the consistent argument made by this panel that these rolls are made to the same length regardless of which paper is in them, the result being that the 48-gram ones would weigh a little bit less. So then the question was raise, and I'm not sure if it was ever answered, what effect does that have on shipping costs either from the coater to the converter or from the converter to the next customer?

MR. RAPIER: From the Coater to the converter, all the paper that we buy includes freight and is delivered to us with freight included. If we were to make a 55-gram product to 220 feet and a 48-gram product to 220 feet, there would be, and perhaps shipped one case UPS, there would be a slight freight advantage to the 48-gram. And we actually have looked at it because we wanted to know, and I think the 55-
gram to ship from one zone to another UPS was $8 and
change and the 48-gram was $.65 less. If you run the
two products to the same diameter and perhaps you
would have a 220-foot 55-gram roll and a 260-foot 48-
gram roll, there would be no freight advantage.

COMMISSIONER WILLIAMSON: All right. Walk
me through that part again.

MR. RAPIER: Yes. If you run the 55-gram
to, say a 3-inch diameter and you get 220 feet on the
roll, and you run the 48-gram to a 3-inch diameter,
you may get 255 or 260 feet on the roll. And at that
point there is not freight advantage.

COMMISSIONER WILLIAMSON: Right. No, I
understand that but I guess I'm a little mystified
here because I have Respondents telling me that the
48-gram because it's lighter is routinely run in
longer rolls so they would be the same weight but
they'd still fit into the printer because they're
thinner so you could get, you know, you wouldn't have
to change it as often. And then I'm told no, by this
panel I'm told, no actually everybody buys the same
standard lengths regardless of which weight or caliper
of paper it is. So now I'm a little confused by your
answer. You're telling me if you ran them to the same
weight there would be no freight advantage, right?
MR. RAPIER: That's correct. And I'm just stating what a converter's option would be, but in truth most of the competition that we see are running the footage in not two diameter. So a 220-foot, 55-gram roll would compete against a 220-foot, 48-gram roll, and when I talk about freight I'm talking about the freight of a box, not as, you know, typically a customer does not look at price-per-foot, they look at what does the carton cost them.

COMMISSIONER WILLIAMSON: Right. Now do your customers buy by the carton or by the truck load? Because it seems to me that $.65 difference per carton if you're buying a truckload or by the ton or something, that's a lot of money.

MR. RAPIER: True. We sell by the truckload, we sell by the pallet, or multiple pallets which we refer to as LTL shipments, less than truckload, we will ship one case at a time via UPS. So if you're selling a truckload of the product, you would pay for that load no matter how much you put in it. If you're going to take the whole container, you're going to pay for the container.

COMMISSIONER WILLIAMSON: Okay. And would you pass on that, I mean that freight differential, that would benefit your customer if they were buying a
truckload of 48 versus a truckload of 55?

MR. RAPIER: If it was by the truckload, it would cost me the same.

COMMISSIONER WILLIAMSON: But they'd be getting more rolls.

MR. RAPIER: Well, not if I'm shipping -- I could put up to 44, typically 44,000 pounds of paper into the truckload.

COMMISSIONER WILLIAMSON: Okay. I'm going to think about that and come back to it. I still find this a little bit confusing that a 55 and a 48 roll made to the same width and the same length, the 48 should weigh less, so it should either fit in a smaller truck, same number of rolls and cost less, or you should be able to fit more in the truck and the per-roll shipping cost would be less.

MR. HEFNER: This is Steve Hefner from Kanzaki. Mike refers to the shipping by truck. A truckload from here to New York city might be $1,000. It really doesn't matter how much you put on it it's going to cost $1,000. You are not dictated by how much you can put on there, you are dictated by the roads. U.S. roads don't allow you to have transportation for more than 80,000 pounds of which about half of it goes to the tractor trailer. So when
you buy the truckload, you get a truckload price. So we can't fill the truckload full because we reach the maximum amount of weight before we obtain a full truckload, so a truckload equals a truckload. And I realize that this is quite complex, and I think we'll try to address this as best we can in the posthearing.

COMMISSIONER WILLIAMSON: Okay. I appreciate that and, you know, I apologize for belaboring the point, but obviously these are very important issues that have been raised in the case and I want to make sure that we have as complete a record as possible. And Mr. Rapier did you have another short comment that you wanted to make?

MR. RAPIER: Mike Rapier. I just wanted to -- what you're saying is because a roll at the same footage is, a 48 and 55 is a smaller roll, that it takes up less space and it weighs less, you may be able to get more of those into that container. And although that container cost, you are correct, is the same, there would be more units in the container, but for us that really goes to price. That would be just one more way to knock down the price.

COMMISSIONER WILLIAMSON: Okay. My light has turned red so I will see if there's anything else that I want to revisit on this in my next round. Vice
Chairman Pearson.

VICE CHAIRMAN PEARSON: Thank you, Madam Chairman. Mr. Richards, a couple more questions for you that may have to be dealt with in the posthearing. The first one is a question of timing. Why the decision to build the plant at West Carrollton at a time when industry earnings were not terribly robust?

MR. RICHARDS: This is Mark Richards. I think during the 2006 period when we were investigating or looking at the investment, there was reasonable pricing and growing demand in the market for thermal paper. But having said that, to expound any further and to talk in more detail about the board presentations and slides around some of the analytics, I think it would be best to discuss that in a posthearing brief and to review those slides with you.

VICE CHAIRMAN PEARSON: Fair enough.

MR. RICHARDS: Thank you.

VICE CHAIRMAN PEARSON: Then the related question, as a practical matter, was the decision to build West Carrollton a decision to cross-subsidize various business units within the company using some earnings of more profitable product lines to help construct a facility for one that was perhaps not as profitable?

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MR. RICHARDS: No. Actually from that standpoint, we export 25 to 30 percent of our product today. And when we have a level and fair playing field, no problems. We export into Latin America, Africa, Middle East, from all our sites and we do so very nicely. So there's not an issue of having to subsidize one or another. As I said earlier in my testimony, we offer a full line of product in our thermal business, and those products we look at it as a portfolio and having been in the business since its inception, we look to invest in those over time as needed to continue to maintain our position and our competitiveness.

VICE CHAIRMAN PEARSON: Okay. Thank you. If you have anything further for the posthearing I'd be glad to read it.

MR. RICHARDS: Certainly. Thank you.

VICE CHAIRMAN PEARSON: Mr. Hefner, are you more concerned about competing with subject imports or competing with your domestic competitor, Appleton? You may not be able to say everything that's on your mind here in the public.

MR. HEFNER: I'm not sure that's a fair question. I'd like to address that in a posthearing brief.
VICE CHAIRMAN PEARSON: That would be fine.

Thank you. Now German Respondents contend that an alternative cause of injury to the domestic industry is interindustry competition. This follows up on what I was just asking. Can anyone in the panel address that or will that have to be in the posthearing also? Mr. Dorn.

MR. DORN: Well, I think that's a very, very old argument that's, you know, used in steel cases. You remember the integrated mills part of the industry and the mini mills part of the industry and the Respondents would always come in and say, well, it's not imports that's hurting the integrated producers, it's the mini mills.

VICE CHAIRMAN PEARSON: Yes, but those cases were before my time. Perhaps not before yours.

(Laughter.)

MR. DORN: Well, but the Commission has always looked at the industry as a whole. Of course, our system promotes competition, vigorous competition among domestic competitors, which we have in this industry. That's a given. And the question is, given that competitive environment, what's the impact of increasing imports of unfairly priced product? That's, I would suggest, is your role to determine
that impact, but you cannot say that the industry is being hurt by its competition among itself because that's part of our capitalist system. That's free market system. That's not a factor that the Congress asked you to look at in assessing these cases.

VICE CHAIRMAN PEARSON: Sure, but what I think that the German Respondents have argued in their brief, and I may learn more later, I think I learned more this evening, is there an alternate cause that we might ignore at our peril if we didn't consider intra-industry competition?

MR. DORN: The short answer is no and I'll give you the long answer in the confidential session.

VICE CHAIRMAN PEARSON: Now, another alternative cause of injury that German Respondents have suggested is perhaps some inefficiency of the coding facility at Appleton, Wisconsin that was in operation during the period of investigation. How do you respond to that? And I ask that in the context that the decision by Appleton to build a new plant at West Carrollton might be seen by some as kind of an admission that there were shortcomings in the Appleton facility that could be overcome by construction of a new facility.

MR. DORN: From a legal perspective I see
that as a very odd argument that the German Respondents are making. I mean, why would this Commission hold it against the domestic industry for investing to increase efficiency? I mean that's no reason to go negative in a case. You should be applauding an industry that's always trying to invest to increase efficiency. And your role, I would suggest, is to determine, you know, given whatever state of the industry is, you're in the POI.

There are going to be some firms in every industry that are more efficient and less efficient than their competitors. But your role is to determine the impact of unfairly priced imports on the industry as it is. It's sort of the old, you know, lawyers talking about the thick skull thin skull rule in tort law, you know? I mean, the tort perpetrator doesn't get off the hook because the person he injured happened to have a thin skull.

VICE CHAIRMAN PEARSON: Okay. Well, I understand that you were likely to take a different view of this issue than the German Respondents, but I wanted to provide you the opportunity to address it in public session. Mr. Kaplan.

MR. KAPLAN: Yes I think there are a series of economic analyses you could do to see if you could...
distinguish between the various effects you're talking about. So for example, are the two domestic producers experiencing similar trends from the effects of dumps and subsidized imports, that might help you answer your question. I think in the closed session I'd like to go through a series of these examples which could show you how to distinguish between the causes and determine where the injury is coming from.

VICE CHAIRMAN PEARSON: Okay. Well I will look forward to that. Mr. Schonfeld.

MR. SCHONFELD: Yes, Mr. Commissioner. A couple of other points just to keep in mind, there has been an assertion that this is all about one factor or another. Realize there's several reasons why a manufacturing operation might choose to expand including the fact that it has expansion capabilities future years as demand increases, which is an anticipation every company should take into account. Secondly, we have never publicly stated the exact reason for the expansion if you look at our documents will be provided to you in private brief.

But there could be the need for us to expand into another facility frankly because we have other products to put on those machines or potentially growth in other segments. So an assertion by the Heritage Reporting Corporation (202) 628-4888
Germans that this is purely a cost position, even though I agree with Mr. Dorn's argument about why it shouldn't matter even if it were, realize that there are other considerations that a company like Appleton should take into account and has taken into account, and I think in some of the confidential material we've provided you, you'll see some evidence that there are other factors besides just unit cost production behind our desire to expand our capacity.

VICE CHAIRMAN PEARSON: Okay. Fair enough. Another question. There's been a lot of discussion about 48-gram versus 55-gram, I've not weighted into it until right now, but the question that I have, I understand that there is an overlap in specifications apparently for all the manufacturers between what they consider 48-gram and what they consider 55-gram. What I'm curious to know, and perhaps you can provide this by firm in the posthearing, would be what percentage of your actual shipments fall into that area where you really could call it either 48 or 55 and meet the specs? Because I'm wondering as a practical matter how much overlap is there? Anything that could be said about that now?

MR. HEFNER: Steven Hefner. We could provide that to you in a posthearing brief. Yes.
VICE CHAIRMAN PEARSON: Okay. Because that would give me a better sense of whether the overlap is just kind of theoretical or whether it's actually something that exists in the marketplace day by day. With that, Madam Chairman, my light is changing.

CHAIRMAN ARANOFF: Commissioner Okun.

COMMISSIONER OKUN: Thank you, Madam Chairman. Let's see, I'm glad the Chairman went back to the, that's a great question that I had that I got diverted from so I appreciate the responses that I heard, although I'm still trying to decipher the last response from Mr. Rapier back there in terms of trying to figure out if it isn't still an advantage to be shipping a 48 at the end of the day if you're the customer on the other side. So maybe you wanted to expand on that so I better understand it.

MR. RAPIER: Thank you. Mike Rapier. I guess if a customer were to call me and tell me to put 44,000 pounds of paper into a truck, I could do that. But that's not how it works. I would get an order for maybe 1,000 cases of paper whether it be 48- or 55-gram. And once I cube that truck and I've taken up the space by having 20 pallets of 50 cases, the load may have a difference of weight but I am being charged the same bill of lading cost for that load.
COMMISSIONER OKUN: Okay. So I'm now understanding you are saying that since you're just responding to the customer first, the customer makes the request first of the specifics of how much they want, that then the freight is just shipping whatever that is and that's the $1,000 whatever the truckload would be the same.

MR. RAPIER: Correct.

COMMISSIONER OKUN: Okay. And, I can't remember I think you had said you don't deal with the really really large orders, I'm not sure if that's exactly what you said, but if either you or --

MR. RAPIER: A truckload is large for us.

COMMISSIONER OKUN: That's right. Okay. So I don't know if you or Mr. Mosby could respond. If we're talking about a larger customer, the IBMs the Epsons of the world, is there any distinction we should be aware of that on the freight side of things in terms of this line of questioning we had?

MR. MOSBY: Well, you know our customer base is people that are buying 50 cases, 100 cases, 250 cases, 500 cases, 1,000 cases. Very seldom do we get, even what we would call a truckload order that they never order so that they can max out the weight of the truck. And some trucks can only carry 42,000 pounds
and some trucks can carry 46,000 pounds based on the overall weight of the truck itself because in our trading area you can only put 80,000 pounds on the three. On the other side, what zone you're shipping into, what your negotiated freight is, we sell, we move product in certain markets by the pallet. Weight isn't considered part of that. Where we've negotiated freight and they charge us by the pallet. So zone and your location has more to do with the freight than if you save a pound or two.

COMMISSIONER OKUN: Okay. I appreciate those further answers and clarifying that. I intend to ask the Respondents this afternoon, but I don't know if there's anything this panel could add or the converters with respect to ocean freight for the jumbo rolls. If the Germans are shipping the 48, again getting to this issue of the weight of it, would there be any advantage on that in the 48 versus the 55 for the Germans if you're doing ocean freight? Can anyone on this panel add anything to that or help me in how I should phrase my questions this afternoon, this evening, whenever it comes up? Mr. Dorn or Mr. Narkin? I mean, is there anything in terms of that argument that --

MR. DORN: I guess we can listen to the
discussion this afternoon and address it in our posthearing, but it's not something that I have any data on or response to right now.

COMMISSIONER OKUN: Okay. Okay. I appreciate that. Okay. Let's see. The next question I will make for posthearing because it does go to that capacity and some of the capacity questions we've had. And I'm not sure, Mr. Kaplan or Mr. Klass if maybe you should both be responding to this, but it goes to the Exhibit 6 of the prehearing brief where you talk about an amount by which domestic shipments of jumbo rolls would have increased in 2007 if the subject imports had held to their 2005 market share, and I just wanted you to address that looking at table 3-2 of the staff report, and both the capacity reported in table 3-2 of the staff report and the inventory levels indicated in table 3-11 of that report. And you can do that in posthearing, okay? I think that's all my questions right at this point. I may come back there is one legal issue I may want you address, Mr. Dorn, but and then a couple and obviously a lot for the closed sessions. So with that, Madam Chairman, I'm going to stop there.

CHAIRMAN ARANOFF: Commissioner Lane.

COMMISSIONER LANE: I just have a couple
questions. We're talking about the end use of this product as new technology or something like that. How much of the industry had gone to the lightweight thermal paper as opposed to using the old technology?

MS. HATFIELD: This is Karen Hatfield. I will look up the exact statistics for you on penetration, but it is the vast majority of the POS printers that are using the thermal paper.

COMMISSIONER LANE: Okay. Thank you. The other question I have is we heard a lot of testimony this morning from our Congressional and governors et cetera, and perhaps in the opening remarks about the closing of the NewPage facility at Kimberly, Wisconsin. Have there been any opportunities with the expansion of the Appleton facilities for those NewPage employees to get new employment?

MR. SCHONFELD: Madam Commissioner, the Appleton plant is a flex plant. It's employment moves up and down based on demand. And so there have been short periods of time, as a matter of fact we're coming to the end of one of those periods of time, in which we have hired up to 20 of those employees, but it's never been more than 20 and to the best of my knowledge we've never hired them for more than one month at a time because they tend to be temporary
workers who come in to fill specific demand requirements. So to the best of my knowledge, none of them have found permanent employment at Appleton, they have only been able to find temporary employment for very short periods of time.

COMMISSIONER LANE: Yes, Mr. Richards.

MR. RICHARDS: Yes. Mark Richards. I can talk to this personally. My children go to school in Appleton, and I've had workers from the NewPage mill come up to both my wife and myself and ask if Appleton was hiring or if they knew where they could find work. And my experience from those interactions is there's not a lot of work to be found in Appleton and people are having to look to perhaps leave the area, which they don't want to do because people who live in Appleton they've been born and raised there and they want to stay there and raise their family. So it is not a good situation in Appleton today.

COMMISSIONER LANE: Okay. Now the investment at the West Carrollton facility, will that require new employees and additional employees?

MR. RICHARDS: I'll let Walter Schonfeld address that.

MR. SCHONFELD: Yeah, this is Walter Schonfeld, Madame Commissioner. We have hired 35
additional employees at the West Carrollton mill to operate that machinery. So we have actually increased our employment at West Carrollton.

COMMISSIONER LANE: Okay. And then one more question. Somebody in the testimony talked about some machinery that was closed or announced yesterday that it was closing. Could you be more specific as to what facility that was and where it's located?

MR. GEENEN: John Geenen from the Steelworkers. The facility that was identified yesterday was in the Pacific Northwest specifically, and it's related to the brown paper market, but I can tell you that tomorrow morning, on Friday morning there's going to be, on Friday morning there's going to be an announcement of ten additional paper converting facilities that are going to be shut down as a result of a recent merger and acquisition between International Paper and Warehouser. And some of those will be in the Ohio Indiana area, as well as Michigan.

COMMISSIONER LANE: Okay thank you. Madame Chairman, I have no further questions.

CHAIRMAN ARANOFF: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Madame Chairman. Just a couple more questions, and this is probably for posthearing. There's a difference
between the financial performance of the domestic
cooaters in interim 07 and interim 08. There's a
change there. And there's also been a change in the
subject import's market share between those two years.
And I was wondering if in posthearing you can address
the lack of correlation in those numbers.

MR. DORN: We'll take a look at that. Thank you.

COMMISSIONER WILLIAMSON: Okay. Thank you.
And particularly what does that say about or not say
about injury caused by imported imports.

MR. DORN: We understand, thank you.

COMMISSIONER WILLIAMSON: Okay. And lastly,
do you agree with the Commission's finding in
preliminary that there is some seasonality in demand,
and if so can the domestic industry reasonably expect
to have 100 percent faster utilization given that?

MS. HATFIELD: This is Karen Hatfield. Yes
there is some seasonality in the demand. In
particular, there as retailers at the back half of the
year see increases in sales for, you know, the holiday
season, back to school before that. So yes there is
some seasonality to that, and we build that into our
overall production plans to be able to address the
fluctuation in needs over time. So I think, you know,
we plan as effectively as we can in order to operate
that equipment as efficiently as possible.

COMMISSIONER WILLIAMSON: Okay. Thank you.

MR. HEFNER: I'd like to further that, as
Karen said, there is seasonality, but two things we'd
like to point out is one that we still have open
capacity available to feed that seasonality, and
number two is that the market has slowed recently due
to the overall economy, which we are approaching the
height of the highest season.

COMMISSIONER WILLIAMSON: Okay. Thank you.

Madame Chairman, I have no further questions. I want
to thank the witnesses for their testimony.

CHAIRMAN ARANOFF: Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madam
Chairman. I just have a couple of questions. Mr.
Kaplan, have you noticed a greater impact of the
Chinese slit rolls on the west coast than the rest of
the United States?

MR. KAPLAN: I'd like to address that in the
posthearing.

COMMISSIONER PINKERT: Thank you. And also
if in fact the answer to that is in the affirmative,
if you would also address how that impact in one part
of the country is felt in other parts of the country,
I'd appreciate that as well.

    MR. KAPLAN: Yes I will, thank you.

COMMISSIONER PINKERT: Thank you. And with

that I have no further questions.

CHAIRMAN ARANOFF: This panel has argued and

Appleton argues in its brief that improvements in the
condition of the domestic industry and in the U.S.
market since the filing of the petition are evidence
of injury by reason of subject imports during the
period of investigation. If that's so, and certainly
that's a conclusion that the Commission draws in many
cases, can you explain on the record in this case why
prices for slit rolls did not rise in 2008 despite
significant declines in the volume of Chinese imports
and why the financial performance of domestic coaters
didn't improve?

    MR. DORN: We'll be happy to address that on

the confidential record.

CHAIRMAN ARANOFF: Okay. I have another

question for a confidential response in the
posthearing. On page 30 to 31 of their prehearing
brief, the German Respondents attempt to compare
pricing for domestic 55-gram product and German 48-
gram product, and they claim that their analysis which

reflects confidential information disproves

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Petitioner's claim that domestic 55-gram and German 48-gram product compete on price. In your posthearing brief, can you comment on the reasonableness of the comparison methodology that is used by the German Respondents?

MR. DORN: We will be pleased to do so.

CHAIRMAN ARANOFF: Let me ask the two converters who are here on this panel, can you compare your practice at the beginning of the period of investigation and in later parts with regard to whether or not you have multiple suppliers for the jumbo rolls that you purchase? Have you had a consistent practice in that area or has it changed over the period that we're looking at?

MR. MOSBY: Greg Mosby. We have purchased product that was the same caliper from both of the, not Kanzaki excuse me, with Koehler and from Appleton, and we have had other suppliers also prior to the 48 being introduced. We really hadn't bought 48 until they were no longer making 48 or at least bringing 48-gram into the U.S. market. And then we were getting pressure and our customers were telling us that they weren't using 48, and I would be ashamed to tell you it took us a while to figure out that they were. But that's when we changed.
CHAIRMAN ARANOFF: Okay. But actually, I appreciate that, but what this question was actually going to for once coming from me was not a 48 versus 55 question, but the question was more like, do you have multiple suppliers for jumbo rolls and if so, why and has that changed over the period?

MR. RAPIER: Mike Rapier, Liberty Paper. Traditionally we have had multiple suppliers of jumbo rolls, including Appleton and Kanzaki. And we do that for both relationship reasons and price reasons that, you know, if we just did business with one we may not always know if we're staying competitive.

CHAIRMAN ARANOFF: Okay. To what extent has security of supply and timeliness of supply been an issue for both of you gentlemen during this period?

MR. MOSBY: Greg Mosby. Well, we would, you know, there are some other products that tie in with this from both suppliers that are not in contention here that we use. But we have some concern about, at the docks there are times when that has been delayed there, particularly after 9/11, although that's improved. But I think at the size we are, it's important that we have multiple suppliers.

CHAIRMAN ARANOFF: Mr. Rapier, did you have something to add to that?
MR. RAPIER: Could you repeat that, please?

CHAIRMAN ARANOFF: Has the issue of security of supply been an issue with respect to how you choose which suppliers and how many suppliers you have for jumbo rolls?

MR. RAPIER: That is a part of it. And although it's -- it typically does not come into play. I mean, we kind of consider it a safety net. If there was an interruption in service we would already have a relationship in place with another jumbo roll manufacturer.

CHAIRMAN ARANOFF: Okay. In response to our questionnaire, a number of purchasers, or converters or purchasers of jumbo rolls complained of shortages of jumbo rolls or refusals on the part of domestic producers to accept orders at various points during the period for quality issues that led to supply interruptions. And I will ask the next panel about this, but for the two converters who are here, is that consistent with your own experience? Have there been shortages or extended lead times or quality issues that affected the availability of acceptable product to you from domestic producers during the period that we look at here?

MR. RAPIER: Mike Rapier. During the fourth
quarter of 2006, we had some product imaging issues with Appleton which caused a delay in shipping, and it lasted for about 45 days and then was fixed and we continued on business as usual.

CHAIRMAN ARANOFF: Mr. Mosby?

MR. MOSBY: Greg Mosby. We experienced the same thing. We anticipated potential shortage but we did not have any problem with that. And it was rectified and taken care of.

MR. HEFNER: Excuse me, this is Steve Hefner from Kanzaki. During the period we had no shortages and we had available capacity and no quality issues. And to the extent we wouldn't accept an order from a customer it was because the price they wanted to pay for it was not the price we were willing to sell it at.

CHAIRMAN ARANOFF: Okay. All right, I appreciate those answers and I invite the panel, in the posthearing if there's anything else that you can add about this, the contentions that Respondents have raised about supply shortages as reflected in some of the purchaser questionnaires, and particularly with respect to the fourth quarter of 2006 what the quality issue was with Appleton, how much volume was affected, you know, what was done to rectify the problem, how
long it took, whatever details you can provide, that
would be helpful.

And let me ask one last question to the
converters, and that is, in your experience in the
last three and a half years I guess is about the
period that we're looking at, is there a particular
U.S. or foreign producer of jumbo rolls who has
consistently offered the lowest price? And you can
either answer separately for the 48- and 55-gram
products if you think that's important or just give me
an overall answer.

MR. RAPIER: Mike Rapier. Can I ask you a
question back?

CHAIRMAN ARANOFF: Sure, now that my
microphone is working.

MR. RAPIER: Thank you. During that time
period, I switched away from German providers to the
domestic suppliers that are here, and that was not on
the basis of price it was on the basis of delivery.
But as far as what we see in the marketplace, we see
Koehler converters, or converters that buy mainly from
Koehler to drive price in the marketplace typically
down.

CHAIRMAN ARANOFF: Okay. Mr. Mosby?

MR. MOSBY: Thank you. Greg Mosby. I would
rather not answer in front of the suppliers and
competitors, I'd like to answer in the posthearing
testimony.

CHAIRMAN ARANOFF: Okay. You're welcome to
do that. I'm basically looking at the information
that we have from the questionnaires on who the price
leader or leaders might be in the market, so if
there's any responses that people want to put on the
record, that would be helpful. Vice Chairman Pearson?

VICE CHAIRMAN PEARSON: Thank you, Madame
Chairman. I think I've just got a couple of
questions. The first one for you, Ms. Hatfield. In
your prepared statement you had said something to the
effect that when Koehler came out with 48-gram
product, it was not something that was new or
different. So my question is when Appleton earlier
had introduced a 44-gram product, what that considered
new or different?

MS. HATFIELD: Karen Hatfield. When we
introduced our lower basis weight product, it was a
lower basis weight than what the 48-gram product is in
the market, and we introduced it and the basis of many
of the arguments that you've heard from the other side
in terms of being able to fit more paper on a roll,
really focusing in on the slit rolls, that this would
mean fewer changeovers and that sort of thing to the end users. This was not something that was currently in the marketplace at that time, and when we did that, we priced it the same as our 55-gram product so we were giving additional benefits at the same price. That did not take off in the marketplace. There was very limited demand at the end user level for the longer length rolls, largely because the end users were buying based on the roll price not on the footage on the roll. So that did not take off in the marketplace.

I believe when KT48 first came out in the market, it actually came out at a lower caliper than where it currently is and not at a significant price discount versus the other products, and I don't believe that that had much success in the marketplace either. It wasn't until they came in with the slightly higher caliper product at a discount versus the other products that that really started gaining acceptance in the marketplace. So again, the benefit there, the attraction was based on the price not on the longer length rolls.

VICE CHAIRMAN PEARSON: Okay. So the concept of what's new and different here should be seen in the context of the perception of customers
rather than some technical issue of what's new and
different.

MS. HATFIELD: I would agree. I'd say from
a technical standpoint, it's not an innovative
product. The paper industry in general tends to
gravitate towards lower basis weight products if you
look at different categories, so I would not call that
an innovation, no.

VICE CHAIRMAN PEARSON: Okay. Now my last
question perhaps for you and Mr. Friese, I believe
you've indicated that there's little or no difference
for Appleton to produce 48-gram paper versus 55-gram.
Now, because I don't know for sure what the
Respondents will say this afternoon, but is it
possible that Koehler actually would have a lower cost
of production for 48-gram than 55-gram? Is there
something technically to allow them a lower cost, say
if the paper production technology in Europe or things
that I don't know anything about?

MR. FRIESE: This is Mike Friese. I can't
comment on Koehler's costs not knowing their costs,
but I do know in general because we buy a lot of
paper, you know, not just for this product but other
products as well that typically as you drive the basis
weight of a product of a paper down, because it's sold
by tons, paper mills many times will see that as less
tons coming off their machines and will frequently
charge more. And that's, you know, somewhat of a
metric issue.

But the other thing is that sometimes as the
basis weight goes down, depending on the machine of
course, the runability will suffer. So you have to
consider not just the raw material cost, but also the
performance and the yields. And so many times when
we've purchased lower basis weights the price has
actually gone up.

VICE CHAIRMAN PEARSON: Okay. Well, thank
you for that --

MR. HEFNER: This is Steve Hefner. I'd like
to add to that. I can't comment on whether their
production costs would be lower or higher. But should
their production costs be lower, why wouldn't it be
sold systemically all through Europe? Because the
product is also sold in surface area.

VICE CHAIRMAN PEARSON: Well, we might ask
them that.

MR. SCHONFELD: Commissioner Pearson, one
more comment. Even if they were to somehow prove it,
although I think it's going to be hard, that it is a
lower cost product, I would still suggest to you that
the cost of freight and other activities across the ocean would more than offset any small incremental benefit they might get from a manufacturing gain so that in total, if you look at the product a justification for a discount on that product doesn't seem to make economic sense at least where I sit. So I'll be interested in hearing their answer as well as you will.

VICE CHAIRMAN PEARSON: Mr. Dorn?

MR. DORN: And just from a legal perspective I'm not sure that it makes a difference. I mean, the fact is that if the park's being dumped, I don't think the relative cost comes into play.

VICE CHAIRMAN PEARSON: Well, I accept that it's being dumped under the law, at the condition of competition in the marketplace, I'm curious about what it costs to make it to the extent we can learn something about it.

MR. DORN: And we'll certainly provide more in our posthearing brief on that.

MR. HEFNER: I'd like to add a little bit more about the thinner versus thicker paper in the manufacturing process. Since we're a buyer of paper not a maker and everyone knows that, but we are a subsidiary of a 11 billion-ton paper maker. It costs
more money to produce a thinner piece of paper than a thicker piece of paper. The production and way of paper making works is that the output is judged on the amount of tons per day. As the paper machine runs, for just sifting the paper, the amount of tons that's yielded per day is much lower than that of a higher basis weight. Therefore it becomes much more cost-inefficient to run thinner paper. In other words, thinner, or less caliper, or even less basis weight does not necessarily mean less expensive. It often and traditionally means more expensive. That's why people look at area and they don't look at basis weight.

VICE CHAIRMAN PEARSON: Okay. With the economic shift, if there was excess capacity in a paper mill, say a line that would not otherwise be used, you know, if they could run it for a small caliper paper they could get some production that otherwise they would not achieve?

MR. HEFNER: I can only tell you that the economics of the paper business would suggest that if one paper machine could trump another paper machine because of its economics are better than its competitor, then they may do that. But it traditionally doesn't happen in the thinner calipers,
it happens in the much thicker caliper papers.

VICE CHAIRMAN PEARSON: Okay. Well, thank you very much. Are there any further comments?

MR. KLASS: Charles Klass here. I've been involved in paper making for 40 years and I can tell you that your situation there that running lighter weight papers on a machine, particularly on most machines that are speed limited, basically reduces production increases cost. It's been that way for the 40 years that I've been in the industry.

VICE CHAIRMAN PEARSON: Okay. Thank you for that. Further comment? I have no further questions, so I would like to thank all of you for your participation.

CHAIRMAN ARANOFF: Are there any further questions from Commissioner? Do the staff have any questions for this panel?

MR. MCCLURE: Jim McClure, Office of Investigations here. Mark Bernstein of the Office of General Counsel has a couple of questions.

MR. BERNSTEIN: Thank you. I have two or three quick questions. First of all, Mr. Friese, I believe you gave some testimony in response to one of the Commissioner questions that you had done some testing between some Chinese product and some domestic
product. Are the results of that testing in the record?

MR. FRIESE: No, that would not be in the record. That's confidential information.

MR. BERNSTEIN: Can you place that in the record in the posthearing submission?

MR. FRIESE: We'll be happy to do that.

MR. BERNSTEIN: Okay. And Mr. Klass, is it reasonable to infer that when Appleton asked you to compare the U.S. and German products they didn't ask you to do a comparable comparison between the U.S. and Chinese products?

MR. KLASS: Charles Klass. No they did not. They only asked me to do the comparison between the U.S. and German products.

MR. BERNSTEIN: Thank you. Last question is for counsel, probably Mr. Dorn and Mr. Narkin. Is it your contention that the four factors the Commission has examined for the past 25 years in deciding whether or not to cumulate subject imports for current material injury analysis, contrary to the plain language of the statute?

MR. NARKIN: No. This is Steve Narkin. As I explained earlier, what the Commission has always said is these are four factors we look at, but those
are not exclusive considerations. So the Commission has always indicated, they said so explicitly again and again, that they will consider other things where it's appropriate. And presumably, the reason why it might be appropriate is to see whether the statutory requirement of competition is met.

MR. BERNSTEIN: But are you arguing the statutory element of competition has a plain meaning that the Commission cannot deviate from?

MR. NARKIN: Yes. That's what we're arguing.

MR. BERNSTEIN: Now in your posthearing submission, I think it would be useful to us if you could explain what that plain meaning is and how you derive it. And I have no further questions.

MR. DORN: Well, just very briefly, all the statute says is “compete with each other and the domestic product,” and we've presented evidence of the competition and we think the plain meaning is very clear. I don't know how it's --

MR. BERNSTEIN: Well, that would be seen to be a question of substantial evidence it wouldn't be seen to be a question of legal construction. I'm trying to get you to distinguish between those two concepts. Is this a substantial evidence question or
is it a question of how we construe the statute?

MR. NARKIN: This is Steve Narkin again. It's a question of how you construe the statute, and you can have competition between products that are not physically fungible and in fact that's what you have here.

MR. BERNSTEIN: Okay, well in that case I would appreciate if you would address the question that I had posed earlier. I have nothing further.

MR. MCCLURE: Chairman Aranoff, staff has no further questions.

CHAIRMAN ARANOFF: Thank you. Do the Respondents have any questions for this panel?

MR. SILVERMAN: This is Bill Silverman. German Respondents have none.

CHAIRMAN ARANOFF: Okay it's 2:25 and we are going to take our lunch break. We're going to take a one hour lunch break and reconvene at 3:25. Anybody who had a plane out of town tonight, I strongly suggest you go for the first flight tomorrow but that's your choice. I need to advise you that this room is not secure so please take any confidential information with you if you step out of the room. We will convene again at 3:25 and we stand in recess.

CHAIRMAN ARANOFF: We are now ready to

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resume the hearing. Madame Secretary, are we ready for the next panel?

MS. ABBOTT: Yes, Madame Chairman. The panel members are seated and all of them sworn.

CHAIRMAN ARANOFF: Please proceed.

MR. ENDSLEY: Good afternoon. My name's Doug Endsley and I'm the president of Register Tapes Unlimited, Inc. of Houston, Texas, which is the largest producer in the country of register tapes for grocery stores with full color printed advertising on the back. Our business model is different than most other converters. I print advertising on the back of the paper and give away the converted rolls to grocery stores rather than sell them. Whereas most other converters make their money on the resale of the converted register tape rolls, RTUI makes its profit on the fees we charge to businesses who want to advertise on the back of the register tape rolls that we give away.

Lightweight thermal paper is a growing market, RTUI's business has grown 700 percent in the past six years. RTUI purchases its lightweight thermal paper primarily from Koehler and we do so for reasons other than the price. Koehler has been a longterm supplier to RTUI. Even if Appleton or
Kanzaki were equal or a little lower in price than Koehler. Years ago, Appleton offered to sell its lightweight thermal paper at a price that substantially lower than what we were paying at Koehler. I decided to make the switch to Appleton and sever the relationship with Koehler.

Before the first orders even shipped, however, Appleton called me to let me know they were putting us on allocation due to tight supplies. The orders were never shipped. So after losing my new supplier before receiving a single pound of merchandise, I was forced to return to Koehler and beg for paper. Koehler was also in a tight supply and was not able to ship right away, but began supplying me as soon as possible. I've been a loyal Koehler customer ever since. RTUI has contacts to provide register tape to over 5,000 grocery stores. Failure to provide tape timely would result in breaching our contracts with these chains.

Another reason RTUI purchases Koehler lightweight thermal paper is its superior quality. The paper from each producer is slightly different. Our pressmen prefer Koehler paper because they tell me it takes the ink better and produces a better print. I occasionally get complaints from our pressmen when
we supply them with paper from either Appleton or Kanzaki. Although Koehler is RTUI's primary source of paper, we occasionally purchase from domestic suppliers. Sometimes Appleton agrees to supply us and sometimes they do not. For example about three years ago I tried to purchase from Appleton, but was rejected. Not enough supply. Appleton told me that they were not adding any new customers at the time. I cannot run a business using a supplier that decides sometimes to sell and sometimes not.

Historically the prices of Koehler merchandise has been nearly identical within 1 or 2 percent to the similar domestic merchandise that we have occasionally purchased. As prices have been increasing over the past two years, Koehler has been the one that's initiating these price increases. I would like to conclude by telling the Commission a few of the reasons why Koehler's 48-gram paper has evolved into a distinct product which is not interchangeable with other 55-gram product.

Number one, due to the longer jumbo rolls which are 16,500 meters in length versus the 15,000-meter length of the 55-gram, the print waste is reduced by 10 percent. And number two, longer finished rolls require changeout at the point of sale.
less often which reduces the waiting time in line at
the grocery store, which has resulted in my grocery
store clients requesting the thinner 48-gram paper for
their registers. Thank you.

MR. SANDT: Good afternoon. My name is
Roger Sandt. I'm the CEO of Sandt Products, Inc.
located in Lancaster, Pennsylvania. Sandt Products
purchases lightweight thermals in jumbo rolls and
performs printing, slitting, and packaging operations
in order to produce the thinnest rolls suitable for
use in business machines, such as retail register
tapes. We do not purchase and have not considered
purchasing lightweight thermal from China. As a
converter, I only have use for jumbo rolls and no
jumbo rolls are available from China. Depending
largely on whether we are printing the merchandise,
our value added ranges from about 25 percent to 100
percent of the value of the input jumbo roll.

We have a substantial slitting, printing,
and packaging equipment capital base as well as having
skilled labor to run these machines. With respect to
lightweight paper, Sandt products generally purchases
exclusively 48-gram merchandise, and primarily
purchases from Koehler. Until 2003, we purchased
exclusively 55-gram and our primary source was
Appleton. However at the end of that year, Appleton informed us that because of an allocation it would supply us with less paper in the upcoming year than they had in the previous year. The amount of paper Appleton offered to continue supplying us would not meet the needs of our current customer base and leave no room for growth.

It appeared to us that Appleton underestimated the emergence of POS as an enormous market for thermal paper and was therefore simply not focused on it. We were told by our Appleton representative that they did not think the POS market would ever be as large as the fax market had been for thermal. Therefore we switched to Koehler as our main supplier in order to meet our needs. Initially we purchased 55-gram from Koehler, but eventually switched to 48 when it was introduced about three years ago when we realized the advantage of 48-gram. With 48-gram, our production efficiency has increased because of fewer jumbo roll changes and we also have to cycle down our slitting equipment less often because we can make longer rolls.

Longer finished rolls also saves us money on cores and cartons as well as labor. In addition, we save in storage space both on no rolls and our
finished small rolls because each roll has up to 20 percent more length but is not any bigger. Not only have we realized the benefits of 48-gram, but our customers have also become accustomed to the longer rolls and increased efficiency provided by 48-gram. Some customers specifically request 48-gram thermal paper and would send the product back if we sent them anything else.

At this point I would not switch back to 55-gram product as a substitute for 48 even if it were cheaper. I'd like to give you an actual example of the differentiation between the 55-gram and the 48-gram, and this was a real life proposal that was successfully implemented in the Spring of this year where a customer was looking for an annual requirement of 126,000 cartons of 3 1/8 by 273 thermal rolls. That heretofore had been the larger standard roll. We made a proposal that they switch to the 48-gram, which has a slightly thinner caliper, 2.1 versus 2.3, so 126,000 cartons could be replaced by 115,000 cartons of the same width if they were 300-foot rolls. The 300-foot rolls provide 10 percent more receipts per roll versus 273. The increased footage means that of course they will be buying 11,487 cartons less, there will be 202 less pallets that are
being handled, again, they're getting the same usable amount of paper. There will be 425,019 less pounds shipped, which is actually 10 truckloads, and it costs a lot to ship a truckload, anywhere from, in our trading area, $1,000 to $3,000 a truckload, and the increased yield would of course result in 574,000 less rolls purchased. That's 574,000 fewer roll changes and that many less plastic cores to throw out which is an environmentally, really appeal to people on these green issues and they like that they would have 11,487 cartons that they wouldn't have to get rid of either.

We have been unable to find a domestic source for 48-gram merchandise. In recent years, Sandt Products has been a regular customer of Appleton's 80-gram merchandise, which is not subject to this investigation, and we have had regular contact with Appleton sales people. We have made clear to Appleton that we are not interested in purchasing 55, but in the event they began making 48-gram paper with a 2.1 caliper, we would be very interested in having an alternative source for that product. We have made this intention clear numerous times in the past three years. Appleton is well aware of our interest in 48-gram. Appleton claims to have introduced 48 product in the summer of 2007, but my experience was this
product was not actually commercially available until very recently. Despite our repeated inquiries Appleton never provided us with a price quote until last month. Thank you, and I'll be glad to answer any questions.

MR. SWADISH: Hello, my name is Ed Swadish and I own Discount Paper Products. We're a small roll paper converter that's located in New Hudson, Michigan and Las Vegas, Nevada. We've been in business 23 years. I've actually been selling small rolls for 27 years and we currently have over 100,000 end user accounts from California to Maine. I'd like to start off by saying we've never used Chinese slit rolls and it's pretty much due to poor quality. One of our wholesale customers actually purchased some Chinese slit rolls but said that when his customers tried the Chinese slit rolls in 16 thermal printers, the printers experienced severe printhead damage and one of the rolls actually started smoldering in the printer.

I've traditionally purchased 55-gram jumbo rolls and converted them. When Koehler announced that it was ceasing sale of 55-gram, I was actually one of the last of Koehler's customers to switch to the 48, and I really didn't want to switch because I figured
it was going to cost us money redesigning our boxes, reeducating our customers without any increase in revenue. And I also thought we were going to lose sales because with the thinner caliper, a 235-foot roll the diameter would be, to me not a sellable roll, so I really didn't want to do it.

But regardless, in March of 2008, we switched to Appleton's 55-gram products and it wasn't a good move. The paper we received was actually gray in color. It wasn't even white. And runability wasn't good. Appleton's roll seemed to be thicker on one side than the other, like a caliper or coating issue, we never did figure that out. But we would end up with one or two rolls that were wasted on every shaft and if they weren't wasted, if they were sellable, they actually came out softly wound. It was, you know, a substandard roll.

Slitters are sometimes adjusted to accommodate variances in jumbo rolls, but no adjustment would correct the problem with the Appleton rolls. We had an Appleton tech employee and or sales rep come out to look at the problem and they didn't know what to say and, quite honestly, they seemed a little embarrassed. They later called back and said they thought they knew what had happened and it

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wouldn't happen again. Unfortunately, the next truck I received from them, it had the same issues. At this point, I decided to call Koehler and see if I could get their product, get on their schedule even though they only offered the 48-gram.

Although I was expecting extra cost and customer relation issues, we actually found out that the 48-gram turned out to be an advantage not a disadvantage. What we did is we ended up increasing the footage of the rolls so they would fit in the same box as before, no redesign of the box. And we also discovered that we could put 13 percent more paper in the box, and we charged the customer more for this product but they actually ended up with a savings when you figured it out price per foot. So it worked out good for them as well. The price increase that we could pass on was higher than our increased paper costs for the longer rolls which meant that we had actually created a new profit center. Boiled down to about for every $3 worth of additional paper we put into the box, we were generating $5 to $7 in sales. So we were pretty excited about it at that point.

Also, another issue, when we increased the roll length by 13 percent, we were able to save 13 percent of our cost on boxes, cores, and labels which
is very substantial. Even though we increased the roll length 13 percent our production, we still got the same numbers every day. And that has to do with accel and decel speeds that we can talk about later. When we realized the advantages that we were seeing, we anxiously converted our entire line to 48-gram exclusively, we didn't sell anything else. We also kicked off a new marketing program to our customers, we pretty much marketed it as an innovation to a product that truly rarely changes. I mean, I've been selling this stuff for 27 years and very little changes when it comes to something like this, when you can increase the footage like this.

The new footage length that we now promise our customers cannot be made with 55-gram and it's not interchangeable. Our extra length roll that Roger was talking about 273, we now make 13 percent bigger which is 308 feet. If we tried to make that with a 55-gram, it would be too big for the machines, wouldn't fit in our box. So it's definitely not interchangeable at all. Another reason we couldn't ever switch back is, how can we educate our customers on a brand new product line, we're being innovative, and next month we say, well actually now we're back to selling 273-foot. We'd look a little foolish, so. You know, once
we switch from one product line to the next, we had to stay there.

Production's up 13 percent. Sales are up quite a bit. Our new business is up drastically and I owe it to this innovative new product. Profits are up, sales reps earn more because their sale is higher obviously. And most importantly, our customers, we've educated them and they actually love the paper and specifically ask for it, especially restaurants.

Thank you.

MR. JANSEN: Good afternoon. My name is Richard Jansen and I'm the president of Paper Solutions of Knoxville, Tennessee. Paper Solutions is a converter of thermal paper. We purchase jumbo rolls of lightweight thermal paper and slit the jumbo rolls into smaller rolls using point of sale receipt application. We have not purchased and have not considered purchasing converted rolls from China. Paper Solutions sources its jumbo rolls from German producers Koehler and Mitsubishi. We have purchased from these suppliers as opposed to domestic suppliers because only Koehler and Mitsubishi are able to supply the 48-gram product required by Paper Solutions.

The primary reason we source from Koehler and Mitsubishi is that they are the only two reliable
sources of 48-gram thermal paper. Paper Solutions purchases primarily 48-gram. Until late 2005, we purchased exclusively 55-gram lightweight thermal paper, but after being introduced to Koehler's 48-gram product at that time, we realized the benefits of 48-gram over 55-gram. By early 2006, we had transitioned predominantly to 48-gram.

The lighter weight and thinness of 48-gram products provides two important advantages over 55-gram. First the lighter weight and thinness of 48-gram allows Paper Solutions to save on transportation costs when shipping our finished slit rolls to our customers. Most of our customers are resellers, thus they reship the product and appreciate the transportation savings 48-gram offers. Second, the thinness allows for a 310-foot roll, which is an important selling point with our customers because it allows our customers to operate more efficiently with fewer roll changes. This is an advantage of 48-gram over 55-gram.

Paper Solutions is not interested in purchasing lightweight thermal paper other than 48-gram. Another reason that Paper Solutions purchases lightweight thermal paper only from Koehler and Mitsubishi is that they are the only suppliers willing...
to sell exclusively 53 1/2-inch rolls. The domestic suppliers provide some 53 1/2-inch rolls but ask we also take the smaller rolls. The 53 1/2-inch roll size allows us to operate most efficiently with our equipment fully utilized and waste minimized. When converting a finished roll size of 3 1/8 inches in width, using the 53 1/2-inch mill roll width, we optimize the slitting process from 16 to 17 rolls.

It is important to Paper Solutions to have a diversified supplier base, and I regularly contact both Appleton and Kanzaki. Seeking to purchase jumbo rolls from them, I ask about 48-gram and 53 1/2-inch rolls. However, neither has offered a viable 48-gram product or is willing to supply exclusively 53 1/2-inch rolls. Because they cannot consistently meet two critical needs of Paper Solutions for 48-gram products and 53 1/2-inch rolls, we have not been able to do business at this time with Appleton or Kanzaki. The use for thermal paper continues to grow with the displacement of impact printers and the growth in applications for thermal paper. I thank you for your time, and will be glad to answer any questions.

MR. GREENE: Good afternoon. My name is Richard Greene and I am the Chief Operating Officer of Koehler America. I've been responsible for all of
Koehler's sales in America since 1981 from our specialty printing papers to carbonless as well as thermal papers. Koehler has succeeded in selling increasing quantities of lightweight thermal paper in the States, but contrary to what you've heard this morning from the Petitioner's representatives, Koehler has succeeded in the U.S. market through product innovation, consistent quality, significant investment, responsive marketing, and strong market conditions and not by price undercutting.

I'd like to share with you some background which should help the Commission understand Koehler's success. Koehler has been producing lightweight thermal paper since 1988. It's success has been made possible by two large investments in paper and coating machines, one in 1990 and the other in 2000. The most important aspect of these investments was that it allowed us to produce all our own base paper. I understand Kanzaki does not produce any of its base paper, and until the completion of the West Carrollton expansion, Appleton produced very little of its own base paper.

Not only does having our own base paper allow Koehler to make, monitor, and control the quality and consistency of its base paper,
particularly its caliper, but it also allows Koehler to produce base paper that works best with Koehler's coatings. Because this machine was designed to make paper in the narrow range of 40 to 80 grams, we can produce 48-gram paper more efficiently. More traditional machines that are designed to produce a wider range of basis weights are much less efficient. Finally, this investment in a wider paper machine and coater allowed us to produce three jumbo rolls in the exact widths demanded by the converters.

The exact width in the use for point of sale is most often 53 ½ inches because that jumbo roll fits best most modern 54 12-inch slitting machines. And from that width, they are able to produce seventeen 3 1/8-inch rolls, the most common width of a receipt. Conversely, the domestic coaters have narrower coating machines, originally designed for fax paper, not point of sale, that cannot produce three jumbo rolls. In fact they cannot even produce two 53 1/2-inch rolls. As noted by Mr. Jansen, the domestic coaters are only willing to supply one 53 1/2-inch roll as long as the converter is also willing to accept a 50 3/8-inch roll at the same time.

The narrower roll can only be used for slitting sixteen 3 1/8-inch rolls, meaning that the
converter has a 6 percent loss in efficiency.

Domestic coaters continue to be stuck in the mentality that their narrow coaters and 55-gram paper, originally produced for fax paper, can still effectively supply the point of sale market. But the point of sale market has moved from 55- to 48-gram and requires different widths. And Koehler has benefitted from the Petitioner's refusal to respond to the market. Until just a few years ago, most thermal paper used for point of sale receipts came in 55-gram and a standard thickness or caliper of 2.3 or 2.4 mils.

In April of 2005, after efforts to optimize our quality, we introduced our KT48 F20 into the U.S. market. KT48 is a lighter paper with a caliper of 2.1 mils and a basis weight of 46 ½ to 48 grams. There was no logical reason why thermal receipts needed to be as heavy as 55 grams, particularly because of raw material and efficiency savings that could be realized through lighter and thinner paper. Domestic coaters wanted standardization because they do not produce their own base paper and have difficulty getting lighter thinner base papers from their suppliers because those suppliers do not have the specialized base paper machine that Koehler does.
At the same time as our introduction of KT48, the market for thermal point of sale rolls accelerated, taking much greater share from carbonless and plain paper receipts. So not only did the KT48 replace much of our 55-gram thermal paper in the market, but its added benefits also helped speed up the transition from competing point of sale products. For converters, there are many advantages of our 48-gram product over the 55-gram product. First, our KT48 is approximately 15 percent lighter in weight, which yields a 15 percent freight saving to converters since they typically pay the freight to their customers and freight is largely invoiced by weight. Second, the jumbo rolls of KT48 are 10 percent longer in footage, which means the converters have less jumbo roll changes, saving time and conversion costs both during printing as well as slitting. Third, the converters are able to produce longer rolls with the same diameter, which is more efficient for the converters because they are not required to cycle down their slitting equipment as frequently to produce a 273- or 308-foot roll as opposed to a 130-foot roll which was more typical with a 55-gram paper. Fourth, by producing longer rolls for end users, the converters are saving on raw
materials such as plastic cores and boxes. Fifth, because of the longer rolls, the converter is also able to save on storage space both on jumbo rolls and on the boxes of small finished rolls.

48-gram paper also has important benefits to the end use customer. First, by getting longer receipt rolls that are 20 to 35 percent longer, they have fewer roll changes at the cash register, resulting in a more efficient checkout. Second, since each carton has much more feet of receipt paper, the end user needs less space to store the same quantity of receipt paper. Third, the retailer or distributor normally receives their paper at a distribution center for ultimate distribution to their stores. Their own freight costs are reduced by 15 percent when they ship to their individual stores.

Besides the advantages to converters and end users, the introduction of our KT48 provides Koehler with important advantages as well. Our freight costs from Germany are invoiced by container. Since we can put 15 percent more length of paper in each container, our freight cost for every foot we ship is reduced accordingly. Since the 48-gram is 15 percent lighter, we use 15 percent less pulp. As pulp is our most significant raw material cost, by using 15 percent...
less, we are able to significantly reduce our raw material cost. And since our new paper machine was specifically designed to make this light weight and has a width of 161 inches, we have essentially no waste in supplying three 53 1/2-inch wide jumbo rolls. There is no paper machine and coater in the world that can produce thermal paper even close to this total efficiency.

So Koehler's profitability went up sharply as a result of this shift to 48-gram even before we led the last five thermal price increases in the market, totaling 22 percent during the last two years. Koehler has seen its sales of KT48 grow while Koehler's sales of its old standard KT55 had been dropping since 2005, its sales of KT48 have increased. By April of this year, all of Koehler's shipments of lightweight thermal to the U.S.A. were KT48. Several years ago, Appleton introduced a lightweight product which was even thinner and lighter than KT48. However, that product failed to gain acceptance in the market due to poor quality.

Appleton did not manufacture its own base paper for this product, and the base paper they used did not maintain consistency in thickness. This lighter weight paper caused difficulties for the

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converters in slitting and problems in the performance of the thermal point of sale printers. The product was never approved by IBM. Two years later Appleton discontinued the product. When Koehler began selling it KT48 in the spring of 2005, Appleton told its converters that it had no plans to produce a 48-gram 2.1 caliper product to compete. Apparently Appleton did not believe that either the converters or end users would accept the benefits that a 48-gram product offered.

    Appleton made it clear in the morning testimony at the Commission Staff conference last fall that even at that late date it did not believe 48-gram had an important future. They simply did not understand the importance in the market of the 48-gram product or they downplayed its importance because they could not produce an equivalent product. Not having a paper machine and having a coater with less than ideal widths were certainly reasons for them to downplay our new product in the marketplace.

    Appleton also testified that in July of 2007 it finally began to offer a competing 48-gram 2.1 caliper product. Curiously, even that was an exaggeration as customers were not made aware of it until the fall of 2007. In addition, initially the
product was only available by special manufacturing run and only at the end of the year did they make the product more available. I suspect the record will show that during the last 12 months of the period of investigation, that little of their 48-gram product was sold. Their 48-gram product only received IBM approval three months ago in July 2008, which prevented many large retailers from even considering their product. I've never heard Kanzaki offering a 2.1 caliper product and heard they have no plans to do so.

So in addition to product innovation, Koehler has gained business through product quality. I can't remember the last time we had a claim that was anything besides a small shipping damage. Our quality advantage comes from the fact that Koehler has a specialized lightweight paper machine and produces all its own base paper to its own specs. In contrast, Appleton and Kanzaki purchase their own base paper from outside suppliers. Our ability to control the whole product from paper making through coating allows us to deliver a high quality product that the domestic coaters cannot consistently duplicate.

Appleton witnesses testified this morning that Appleton's prices are depressed because of price
undercutting by imports. That claim just doesn't make any sense to me. Koehler has led the market with five separate price increases totaling 22 percent since announcing the first of five in May 2006. The first two increases were 17 and three months prior to the petition being filed, and the last three were during the last year.

MR. JAHNS: Good afternoon, Commissioners. My name is Falk Jahns and I'm employed as the area salesman for North America with Mitsubishi HiTec Paper Flensburg GMBH. I've held this position with Mitsubishi for approximately six years and have been in the paper industry for more than 11 years. Based on my experience, I believe that I can speak to several of the issues that have been raised in the context of this investigation of lightweight thermal paper and can also speak to Mitsubishi's experience as a jumbo roll producer in this market.

The lightweight thermal industry is split into two distinct markets, first the jumbo roll market, sales of which are made exclusively through converters for the production of converted or slit rolls, and second, the slit roll market, sales of which are made to distributors and end use customers like the retail establishments. Like Koehler,
Mitsubishi sells only jumbo rolls and has never sold slit rolls into the United States. Indeed, Mitsubishi does not have the equipment necessary to produce slit rolls.

By contrast, to my knowledge, Chinese producers do not sell jumbo rolls of thermal paper in the United States, only slit rolls. For that reason, we have never competed against imports of lightweight thermal paper from any Chinese producer. Even our competition with Appleton and Kanzaki for lightweight thermal paper is somewhat limited as we each focus on different products in the U.S. market.

Like Koehler, the majority of our lightweight thermal exports consists of a product with a basis weight of 48 gsm. Our customers have told us that they prefer the 48-gsm product for several reasons, including most importantly the fact that their own customers, end use retail establishments, have expressed a preference for 48-gsm products. Appleton and Kanzaki have largely ignored this important product to date.

Even though Appleton has now begun to market this product, it will take some time before customers regard Appleton as a reliable supplier. The U.S. coaters' decision to ignore this important product has
been a welcome development for Mitsubishi as 48-gsm products are more attractive for us to produce and sell. Generally speaking, lower basis weight paper has a better return but is more difficult to produce. Unlike Appleton, Mitsubishi produces 100 percent of its base paper in addition to coating these master rolls, which in turn allows the company to control the composition of its base paper in order to ensure the consistent quality that our customers demand. This gives an integrated producer like Mitsubishi an inherent advantage in producing lower basis weight paper.

Now I would like to speak for a few moments about Mitsubishi's role as a supplier of thermal paper. Mitsubishi began shipping commercial quantities of lightweight thermal paper to the United States in 2000 and our shipments to the United States since 2004 have remained constant. This stable export volume has occurred at a time when the U.S. market of lightweight thermal paper has grown by about 10 percent per year. As to pricing, Mitsubishi is a midsize supplier behind Appleton and Koehler. Mitsubishi does not have the market presence or customer base to be a price leader. And Mitsubishi's consistent export volume suggests that we price our

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lightweight thermal products fairly in the market and have not undercut our competitors to gain market share. Rather, Mitsubishi's overall strategy is to focus on higher value added product outside of the scope of this investigation, like specialty printing grades and grades with higher image durability. During the preliminary investigation, Appleton suggested that the declining euro U.S. dollar exchange rate should have caused Mitsubishi to decrease its export to the United States. This argument is wrong for two reasons. First, Mitsubishi balances its exchange rate exposure by purchasing large quantities of its raw materials such as pulp on a U.S. dollar basis. Second, Mitsubishi has been exporting thermal paper to the United States since 2000 to a small group of loyal customers and has worked hard to develop a reputation as a reliable supplier. In order to maintain its reputation, Mitsubishi decided to continue supplying these customers even though sales in the United States are not as commercially attractive. However, the current exchange rate means Mitsubishi has no plans to expand its sale of thermal paper in the United States. Instead, Mitsubishi intends to focus on sales of thermal paper in the E.U. which is experiencing a similar growth in demand.

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Thank you for your time.

MS. JEONG: Good afternoon. My name is Rosa Jeong from the Greenberg Traurig. I'm here for the Chinese Respondent with me and my colleague Mr. Jeff Neeley and Mr. Xue Qiang of Shanghai Hanhong Paper Company, and Mr. Chris Burns of Paper Resources, and Mr. Todd Kyriss formerly of NCR Corporation. Because Mr. Xue's English is limited, his testimony will be read by Mr. Jeff Neeley and during the question and answer session, Mr. Jun (Frank) Zhang will translate for him. In addition, Mr. Chris Burns does not have a prepared testimony but is available for questions. And I'll just turn to Mr. Kyriss.

MR. KYRISS: Good afternoon. My name is Todd Kyriss. Formerly I was Director of Global Procurement for NCR Corporation. NCR from my understanding is the largest converter of thermal paper in the United States. I left NCR around July of 2007 and now work for Newell Rubbermaid as the Director of Global Sourcing. As the Director of Global Procurement for the NCR Corporation, a position that I held for about five years, I was responsible for NCR's worldwide purchases of all thermal paper for all of its converting facilities and distribution centers. In my job, I actively searched out new
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sources, decided whether the source was acceptable, and handled all negotiations and purchasing decisions.

Prior to that position I also worked in various operations sales and marketing positions for the Assisted Media Business unit. All in all, I was at NCR for about 17 years and it is safe to say that I have a deep knowledge and experience about all aspects of NCR's business, the thermal paper industry, and the world thermal market in general. NCR was one of the first companies that decided to buy Chinese thermal paper. I was in charge of identifying, evaluating and negotiating with the potential Chinese sources.

The process started around 2003 and continued through 2006. We started by talking with all the contacts in China and other regions in the world. I personally went over to China several times per year and met with all the companies that I found to be potential sources. I toured the facilities, received samples of paper and sent them to our test labs to evaluate the quality of the product. Much of what we found was simply unacceptable.

After months of research testing, it was clear that there were only three companies that could come close to meeting NCR's needs, which were fairly modest to begin with. These companies were Shanghai
Hanhong, Guangdong Guanhao, and Ximen Anne Paper. Of those companies, Hanhong and Anne were converters and to my knowledge bought their coated jumbo rolls from Guanhao.

I continued to work with Guanhao over a period of several months to develop a low end POS product and qualify a coating that was acceptable from an image density and a printhead buildup perspective. At the end of the day, I struck a deal with Guanhao and Anne to set up an integrated coating and converting process. Even then that it took several months to work out some of the additional major quality problems in the converting process as well as a base paper caliper issue with Guanhao. At the peak, we never bought more than 5 to 6 percent of our needs from China and there was never any intention to buy more.

NCR bought about six containers per month from Guanhao, but Guanhao was struggling even to supply us with that much. At one point we were trying to go up to 10 containers per month for the U.S. market and about 10 containers per months for the Canadian market, but that would have really strained Guanhao's capacity and pushed them beyond what they could produce. At the time that I left NCR, NCR was
in fact scaling back the Chinese sources due to continued quality problems and price increases caused by increased labor cost, R&B appreciation, and energy costs. Testing of incoming samples was still showing problems with abrasiveness and burnoff while customers were complaining about image density and uneven roll sizes.

In addition to the quality problems, there were also issues of nonqualification. Large retail chains such as WalMart, Kohl's, and Target will only buy paper that has been certified by the thermal paper manufacturers like IBM and Epson. This is important for those chains because using noncertified paper would void the warranty of the POS printers. None of the Chinese producers are certified, so NCR never sold or intended to sell any Chinese paper to the larger national accounts. I estimate that the large regional and national accounts make up approximately 70 percent of the U.S. market.

Chinese thermal paper was sold to the small end users and dealers whose buying strategy was based on a cost per roll and not a total cost of ownership model. These customers are less concerned about warranties since the volume of paper running through the printer would typically not create major problems.
or significant repair costs. For NCR, the purpose of buying Chinese converted rolls was to supply parts of the west coast and the Canadian market which were essentially out of reach for NCR from their eastern U.S. converting facilities due to high freight costs. NCR continued to buy jumbo rolls from the U.S. and German suppliers to convert into small rolls. In other words, buying Chinese paper allowed us to increase our sales while continuing to buy and convert jumbo rolls.

I should also point out that around the time we started buying Chinese paper, NCR was essentially on allocation for jumbo rolls with the jumbo roll producers capping our purchases. I understand that Appleton's petition claimed that the Chinese paper imports has hurt the domestic thermal paper business. I just don't see how that is the case. Everyone knows that the market is essentially run by the U.S. coaters and the German paper coater Koehler.

The small volume of Chinese paper that was being imported wasn't enough to make the smallest dent in the market, and based on the quality of the Chinese paper and the capacity for the coated products that I've seen, the Chinese producers, with very few exceptions, were a very long way off from being able

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to increase their volume in any noticeable way. The Commission should understand that the coating business is not something that anyone can enter or any regular paper mill could start in a short period of time. It takes much proprietary knowledge, experience, and millions of investments to run a coating operation. In short, there is very little capacity in China that produces paper acceptable in the U.S. market and I do not believe it will change in the near future. Thank you.

MR. NEELEY: I will read this on behalf of Mr. Xue. Good afternoon. My name is Xue Qiang. I am the president and part owner of Hanhong Paper company which has been in business since 1999. Prior to that I operated a trading company selling thermal paper and other paper. Overall, I've been in the thermal paper business for over 15 years. Hanhong is the largest exporter of thermal paper from China and also one of the largest producers in China, accounting for about 1/3 of all Chinese slit roll production and about 60 to 70 percent of exports to the United States from China.

Until recently Hanhong was a converter only and obtained jumbo rolls from other companies. Because of this, I am personally familiar with all of
the coating plants in China and the overall Chinese thermal paper industry.

The Chinese thermal paper industry consists of only a handful of coaters and even a smaller number of companies that can provide the quality of products required for the U.S. market. One company called Sujo Sunwei recently closed down most of its operation and most of Sunwei's equipment, which was outdated and crude, has been scrapped.

Of the coaters, only two companies have the equipment and ability to produce export quality coated rolls. The companies are Guangdong Guanhao and Jing Hieh. Hanhong has bought coated paper from both of these companies. As I mentioned, Hanhong recently started a coating operation of its own. All of this production is intended for our own conversion process. It will not increase the amount of slit rolls coming to the U.S. from China and will only replace the jumbo rolls that we got from other sources.

The reason that our coater is not suitable for jumbo rolls for the U.S. commercial market is because our coater has a width of 1.8 meters whereas a regular jumbo roll sold in the U.S. market has a width of about 1.4 meters. This means that Hanhong could not produce jumbo rolls without having a waste of .4
meters. I understand that the Commission staff has noted that there is a large paper and pulp industry in China. Regular paper mills, however, have nothing to do with thermal paper.

It is extremely difficult for anyone to set up a new coating plant. Starting a new coating plant requires a significant time and expense, including the application with the government authorities for projects, construction of the workshops, and the purchase of equipment. Due to heightened environmental concerns it is very difficult to gain the government approval these days. The whole process takes about two years or more. In addition, although there may be many regular paper mills in China, virtually none is capable of producing the special base paper used for thermal paper production.

The existing Chinese companies face another big hurdle in the U.S. market. No Chinese product is certified by IBM or Epson, which means that the majority of the U.S. market is out of reach for Chinese companies. To give you an example, Hanhong was recently in discussions with Walmart to sell thermal paper. However, we could not move forward with the negotiations because our paper is not certified. Obtaining certification is very difficult,
expensive, and time consuming. Hanhong has tried but was rejected due to quality problems. We do not see how our company can be certified in the foreseeable future.

Moreover, the appreciation of the Chinese currency and the increase in ocean freight cost are making the U.S. market less attractive to Chinese companies. At the same time, the domestic Chinese market is growing. As one of the fastest growing economies in the world, China has seen a tremendous growth in consumer spending which translates to rapidly growing demand for thermal POS paper. If you have recently visited China you would have noticed that virtually everything, including taxi receipts, restaurants, stores, ATMs, is now printed on thermal paper. The demand for thermal paper in China reached as much as 90,000 tons in 2007 and is rising by 15 to 25 percent every year. I appreciate the opportunity to be here. Hanhong is a family owned business which has grown through hard work and honest work. We trust that the Commission will consider all the facts and issue a just and fair ruling.

MR. REILLY: Good afternoon. I'm John Reilly of Nathan Associates appearing on behalf of Hanhong and Paper Resources. The absence of any
correlation between the volume of slit roll imports
from China and the performance of the domestic coaters
demonstrates that imports from China have not been a
cause of injury to the coaters. In 2004 there were no
imports from China and in 2005 imports were
insignificant and thus could not have affected the
U.S. coaters in any way. During 2006, imports from
China increased to a very low level. However, there
was no corresponding deterioration in the domestic
coaters' performance.

During 2007, imports from China again
increased but remained at a very low level. Any
problems incurred by the coaters during 2007 reflected
the sailing of the 48-gram boat which they clearly
missed. There are no significant imports of 48-gram
paper from China. During 2008 imports from China
decided significantly on a percentage basis.
However, there was no corresponding benefit to the
U.S. coaters. In short, the movements from China
during the POI bore no relationship to changes in the
U.S. coaters' performance.

The trend in the performance of the U.S.
converters have been quite favorable over the 2005 to
2007 period. A slight performance blip during the
interim 2008 period coincided with a sharp drop on a
percentage basis in the volume of imports from China. Clearly the lack of correspondence in the movements of imports from China and in the performance of the domestic coaters makes it plain that imports from China could not have been a cause of injury to the U.S. converters.

Imports of slit rolls from China pose no threat of injury to the U.S. coaters and converters. The foreign producer capacity and shipment data and projections in the staff report indicate clearly that the target market for Chinese capacity is the home market. Indeed, even if the reporting Chinese producers applied all projected unused capacity to production for the U.S. market, U.S. imports in 2009 would be substantially less than the actual 2007 volume. Moreover only two Chinese coaters are considered able to produce paper meeting minimum standards for sale in the U.S. market. And we will stand on these themes in our posthearing brief. Thank you for your attention.

MR. SILVERMAN: That ends our testimony.

MR. BISHOP: You have 11 minutes remaining.

MR. SILVERMAN: We'll reserve that for the rebuttal part.

CHAIRMAN ARANOFF: Mr. Bishop, that's 11
minutes including the 10 minutes that are set aside for the in camera?

MR. BISHOP: That is correct, Madame Chairman.

CHAIRMAN ARANOFF: Okay. Thank you very much to this afternoon's panel and thank you for your patience. I warned you this morning there was a reason that we brought out the extra comfortable chairs, and we have a ways to go. But we will begin the questioning this afternoon with Commissioner Lane.

COMMISSIONER LANE: Good afternoon, and pardon me if I ask questions that you referred to in your testimony but obviously you were going so fast to beat the time that sometimes I couldn't keep up with you. So we may use some of those 11 minutes, Mr. Silverman. Let me talk first with Mr. Greene. I think you said that it's less expensive to produce the thinner gram paper. Is that correct?

(Electronic interference.)

MR. GREENE: Yes, was the answer.

(Laughter.)

MR. GREENE: It costs us less to produce the 48-gram paper.

COMMISSIONER LANE: Okay. So that is a direct contradiction to what we heard this morning.
from the domestic producers who said that it was less
dexpensive to produce the thicker paper than the
thinner paper. So is it possible in your posthearing
brief then to provide us an analysis of your costs
between producing the 48 and the 55-gram paper?

MR. FRUEH: Yeah, this is Willy Frueh from
Koehler. Let me just give you a general information.
When you discuss about production costs, you have to
differentiate if the cost is based on weight, in
hundred weight or on a ton basis, or if it's on area.
It is more expensive to produce it on a weight basis,
but on an area basis it is cheaper for us.

COMMISSIONER LANE: Okay. Thank you.

Mr. Jahns from Mitsubishi, do you convert
and sell to end users who also buy product from
domestic producers?

MR. JAHNS: You mean end customers or - what
kind of customers do you mean? Like converters to
whom I sell? Because we're just only selling jumbo
rolls, nothing which is really small.

COMMISSIONER LANE: So, you just sell jumbo
rolls?

MR. JAHNS: We are a real paper mill. We're
producing the base paper, then coat the paper to
thermal paper, and then we sell the jumbo rolls to
converters, for example, like to Paper Solutions, who are then producing small rolls, which they then sell to end users.

COMMISSIONER LANE: Okay. Do you sell your rolls to converters, who also buy jumbo rolls from U.S. producers?

MR. JAHNS: Yes.

COMMISSIONER LANE: Okay.

MR. SILVERMAN: Commissioner Lane? This is Bill Silverman, Commissioner Lane. You asked a question a minute ago about cost –

COMMISSIONER LANE: Yes.

MR. SILVERMAN: – and you referred to the testimony earlier this morning –

COMMISSIONER LANE: Yes.

MR. SILVERMAN: – that the costs were the same. I site for your consideration page 29 of the transcript in the preliminary conference, where the domestic producer said finally, light-weight thermal paper is less expensive per foot than other types of thermal paper. This is because it's lower basis weight requires less paper square foot. I just mention that to you in considering why it's less – I should say pulp, make it clear.

COMMISSIONER LANE: Okay, thank you. The Heritage Reporting Corporation (202) 628-4888
German Respondent's brief argues that Chinese imports are almost always sold to companies acting as distributors, whereas German product is sold exclusively in jumbo form to U.S. converters, never to distributors or end users. I am not sure what you mean by your reference to "companies acting as distributors." So, let me ask, is there a clear distinction between all converters and distributors?

In other words, do all converters sell to distributors or do some converters act as distributors by selling their product to end users?

MR. GREENE: Generally, converters like to convert paper. They've got machines. They want to convert it to small rolls. But, when they don't have the factory, they're generally located in certain geographic area. But, if you had a factory on the east coast and you wanted to sell on the west coast, then you could act as a distributor. You just buy finished rolls and bring it into the west coast to a warehouse and ship out from there. So, in that case, a converter might be a converter in the east, but they would act as a distributor in the west. And that's what the gentleman from NCR was talking about. He had a converting plant in the east; but in order to service his west coast business, he set up a warehouse
out there, bought finished Chinese rolls, and acted as a distributor.

COMMISSIONER LANE: Okay, thank you. Now, I have a question for the Chinese Respondents. The Chinese Respondents' brief says that Chinese slit rolls are sold at a level trade different from slit rolls produced by U.S. converters from U.S. jumbo rolls. All domestic and importer rolls are sold to converters, who, in turn, sell to distributors and end users. In contrast, Chinese imports were sold to converters, who resold them to distributors and end users. Can you explain why the Chinese imports, which are already slit and ready for end use, are not marketed directly to distributors? Why do they have to go through a converter?

MR. BURNS: Hi, my name is Chris Burns from Paper Resources.

COMMISSIONER LANE: I'm sorry, you have to speak into your microphone a little bit.

MR. BURNS: Is that better? My name is Chris Burns from Paper Resources. The finished rolls from China were sold to converters and to distributors. So, we had both channels. But predominantly, our product was sold to converters. And just to clarify the question that you asked
before, I would say most paper converters are both distributors and converters. I think if the paper converters had their way, they would sell all of their slit product to the end use customer.

COMMISSIONER LANE: Okay. The next question I have is for the man, who used to be with NCR. Okay. If the Chinese product is not very good, who buys it?

MR. KYRISS: As I stated in my statement, it was really what we call a cost per roll buyer and that is somebody, who really doesn't use a lot of paper on an annual basis, monthly basis, whatever it might be, and in somebody, who really is more concerned about just the price of the roll versus what I call the total cost of ownership, somebody, who is worried about the cost of maintenance on their equipment, service levels at the cash register, and so on, more high-volume users. So, somebody, who would buy a less - I don't know if I want to say quality roll, but one that doesn't have as much print density, one that may have issues over long term, if a lot of paper was run through, it would be a smaller user, end user, and typically those are either sold direct to it or sold through distributors or smaller dealers, who then sell to the small retailers. So, that makes up, I would guesstimate probably somewhere around 30 percent of
the total market.

COMMISSIONER LANE: Okay, thank you. Madam Chairman, I will wait until my next round. Thank you.

CHAIRMAN ARANOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman. I, too, want to express my appreciation to the witnesses for coming today and presenting their testimony. This morning, I asked and I wanted to ask the panel this afternoon, can you estimate what percentage of end users do not require paper that is certified by printer manufacturers? Any idea of the consumption in the U.S. market with the end users?

MR. KYRISS: I would take a guess again. As I go and I look at the large regional players, as well as the large national players, the WalMarts, the Kohl's, they certainly are all going to require 95 percent of the time that that product is certified. And the reason for that is, is they can't afford to, first of all, have equipment that goes down because of functionality issues, which would cause them service problems. But, they also will see either increased - probably increased service rates from their printer maintenance division because of the additional maintenance on the equipment. And, again, it just leads to that total cost of ownership that I was
talking to. Again, that smaller end user, they
typically don't run enough paper through the printers,
that they typically are going to see any types of
maintenance problems. And if they do, one printer or
two printers here or there, it doesn't add up to a lot
of dollars. But, when you're somebody like a WalMart,
who has tens of thousands, hundred of thousands of
printers, those expenses tend to get pretty steep.
So, I would guesstimate that it's probably around 60
to 70 percent of the actual usage would want to have
some type of certified product.

COMMISSIONER WILLIAMSON: Mr. Sandt?

MR. SANDT: I would agree with that. I will
just say that the larger people would be the ones
driving for the certified paper and the smaller ones,
who make up the less tonnage, would probably have
faith in us. And, I, you know, as a quality conscious
converter, I would want to convert rolls that were
certified by the major printer manufacturers and that
is how we would certify that the rolls are going to
work well on their equipment and we do make that
statement in our terms.

COMMISSIONER WILLIAMSON: Now, we've heard
testimony that the use of lightweight thermal paper is
expanding quite rapidly. I guess more and more people
are using these printers in point of sales. Does that
seem to imply that there will be more and more of
these smaller users, who may, therefore, not demand
the certified paper. More and more restaurants are
using these types of printers, more and more different
types of retail establishments. Where is the market
going? And, also, is the Chinese product improving in
quality over time? Mr. Swadish?

MR. SWADISH: We're actually seeing a lot of
new types of uses for thermal paper rolls. For
example: global printers; any kind of route salesman;
peer distributors; pop distributors; chips; candy;
when they go to the store, they use that to ring up a
receipt, basically; all your car rental places, as you
probably know. But, the portability of the printer
and the wireless Internet, you know, it's growing
quite fast. And even with small users, those
printers, you know, a lot of them say you have to use
a certified paper. But, if they only have one printer
in their little store, they just might not care. But,
usually, that printer manual will say to use certified
paper.

MR. KYRISS: I think that it matters. You
look at these in the self-service industry just in
general –
CHAIRMAN ARANOFF: I am sorry, if you could just identify yourself for the record?

MR. KYRISS: I'm sorry, Tom Kyriss.

CHAIRMAN ARANOFF: Thanks. We have such a big panel, that the court reporter cannot match the faces and names.

MR. KYRISS: I understand. If you look at just the self-service industry in general, more and more self-service kiosks going up, everything from the airline industries, to voting machines, to movie ticket machines, whatever it might be, along with direct marketing, banks, retailers going and trying to direct market to consumers based on their buying habits, just a variety of different applications that are coming out where they use thermal printers to print out the receipts or the tickets or the coupons or whatever it might be that that self-service kiosk is managing. And because of that, I think you're going to continue to see a steady increase in demand for thermal paper.

COMMISSIONER WILLIAMSON: So, what does that say about the percentage or demand for certified paper?

MR. KYRISS: Again, I think most of those types of applications are going to be high-volume
types of applications, so it's going to require certified paper.

COMMISSIONER WILLIAMSON: Okay, thank you. Anyone else on that?

Okay. For the converters on the panel, what circumstances would lead you to decide to purchase slit rolls rather than use available conversion capacity? Does this depend on what geographic market you are serving?

MR. SANDT: I am not interested in buying slit rolls at all.

COMMISSIONER WILLIAMSON: Any other converters that use slit rolls?

MR. SWADISH: Ed Swadish. The main reason we started converting ourselves is we found other converters would sometimes, if you will, slip us some bad paper. And when you buy slit rolls, they come in a box on a pallet and then you sell them by the pallet or sell them by the case. Sometimes, you never open a case. When you're a slitter, you actually see every single roll before it goes in the box and it's up to you to set your own quality control rules and if a roll is not good, you just don't put it in the box.

COMMISSIONER WILLIAMSON: Mr. Jansen?

MR. JANSEN: Richard Jansen. Frankly, in
concur with my colleagues. We are converters, who
want to control the product that we send our clients.
Thank you.

COMMISSIONER WILLIAMSON: Do you ever
consider using the slit rolls for your new market
area? Is it far from your bound base?

MR. JANSEN: No, I have not. Richard
Jansen, sorry.

COMMISSIONER WILLIAMSON: Is the person from
NCR the only one that has tried that strategy?

MR. KYRISS: We used to have - NCR had up to
five converting facilities around the country and they
ended up closing down facilities and centralizing it
into one in Tennessee. Because of that, the west
coast, the market became very, very hard to compete
with. And when we were looking for a source in China,
we started doing the cost analysis of bringing the
product in and it really only made sense to service
the west coast, because we could service the east
coast and the central part of the United States
effectively from our Tennessee location. So, that was
the only reason that we really went after the pre-slit
product from China.

COMMISSIONER WILLIAMSON: Thank you. Mr.
Greene or Mr. Jahns, have your firms lost any sales in
the United States because purchasers stated they would
instead purchase rolls from China?

MR. JAHNS: Falk Jahns from Mitsubishi. No, we haven't actually lost market share with this, at least us. But, as I've stated, as well, in my testimony, our market share - you know, we haven't grown over the last years. We have actually kept our sales volume over the years. So, we haven't grown with the market at all.

COMMISSIONER WILLIAMSON: So, you're not seeing any -- from your perspective, you're not seeing competition with slit rolls in terms of some of your customers?

MR. JAHNS: We at Mitsubishi have really the advantage that we have with the whole variety of different OEM approvals, thermal printer manufacturer approvals. Therefore, we are really - not attacking, actually really focusing on the high-end applications more, if this answers your question.

COMMISSIONER WILLIAMSON: Okay, thank you. Mr. Greene?

MR. GREENE: Our competition are really the Petitioners.

COMMISSIONER WILLIAMSON: Okay, and not slit rolls?
MR. GREENE: Correct.

COMMISSIONER WILLIAMSON: Okay. Again, for Mitsubishi and Koehler, what effect do exchange rate fluctuations have on your decisions with respect to exporting lightweight thermal paper? What effect do exchange rate fluctuations have on your decisions?

MR. FRUEH: This is Willy Frueh from Koehler. Exchange rate factors do have certain impacts. However, we have a kind of a - you can call it natural hatch, because we buy all of our pulp in U.S. dollars and so, we have the balance on the cost side.

COMMISSIONER WILLIAMSON: Okay. So, is that pulp mostly purchased in Europe?

MR. FRUEH: The pulp is mostly coming from South American countries, Eucalyptus from countries like Brazil, for instance, where the big manufacturers are.

COMMISSIONER WILLIAMSON: Okay. Thank you for those answers and my time is up. Thank you.

CHAIRMAN ARANOFF: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Madam Chairman and I would like to join my colleagues in thanking all of you for being here today. I want to begin with a question for all of the converters, who
are represented here today. And I know that some of
you have already testified with regard to having been
put on allocation by domestic coaters. But, I want to
ask each of you to first of all specify if you have
been put on allocation and then when you were put on
allocation and how long it lasted. So, let's just
begin with the first coater witness.

MR. ENDSLEY: Yes. Dough Endsley. The last
time I attempted to buy paper from Appleton was 18
months ago. I actually picked up a customer. It was
Walmart in Mexico, who requested Appleton paper. I
attempted to buy it from Appleton and their price to
me was 25 percent higher than I was presently paying
for paper. It was a brand new salesperson and I said
why would you want to sell me it at such an
outrageously high price and he said it was because
only 10 percent of their capacity was going towards
lightweight thermal paper and the demand outstripped
their ability to provide that, so they raised the
price.

COMMISSIONER WILLIAMSON: Okay. So how long
did that period of allocation last? I guess you
didn't find out -

MR. ENDSLEY: I didn't buy the paper and so
I don't know.
COMMISSIONER PINKERT: Okay. And would you say in what you've just described, that you were asking for price concessions?

MR. ENDSLEY: No. I just didn't want to be gouged.

COMMISSIONER PINKERT: Okay. Mr. Sandt?

MR. SANDT: In my testimony, I mentioned that until 2003, we bought our paper almost – no, we had started buying from Koehler a little bit, but we were buying mostly from Appleton and our largest customer at the time was Circuit City. At the end of the year, they told us that demand was so strong, that we were going to be put on allocation and the figures they gave me would not even take care of the amount that I had to commit to Circuit City for the coming year, nor could I grow after that. So, although we maintain a buying presence, we have to take a longer term view of this. And the short term is a year, so things started to go downhill from there. I mean, our relationship with Koehler, who had supported us during this time where we couldn't get it, just got stronger.

COMMISSIONER PINKERT: So, again, would you be able to say how long that period of allocation lasted or you didn't find out?

MR. SANDT: You know, I can only guess. I
think – and this is a funny thing to say – I think they missed the mark different times. They jumped to conclusions that the market was tighter than it needed to be, but I couldn't take that chance. I had a commitment to a customer, who basically gave us a contract for a year, and I couldn't say later on, well, I can't supply you, because I knew 11 months earlier that the mill wasn't going to give me enough paper. So, I don't know exactly how long this allocation period lasted.

COMMISSIONER PINKERT: Okay. And then would you say that you asked for price concessions in connection with your dealings with the domestic coaters?

MR. SANDT: I know that at that particular point in time, when we were going to be put on allocation and not get enough paper, our price was going up at the same time, too. So, those two factors would make it very hard to grow in the coming year.

COMMISSIONER PINKERT: And did you have a back and forth on trying to get price concessions at that time?

MR. SANDT: We didn't sever times. I think we continued to buy paper. It's just that we did not - we could not rely on Appleton for the bulk of paper.
that we were buying. In fact, that particular year, we hit an all time high. It thought our relationships was blossoming. We had been in business since 1982. Appleton was a near and dear source. They helped us grow. So, I thought by 2003, we were really going to just really go places after that. But, it sort of cut a halt to our growth, at least with them.

COMMISSIONER PINKERT: Thank you. Mr. Swadish?

MR. SWADISH: Ed Swadish. At the time that I heard some rumors about allocations from other people, we were buying exclusively rom Koehler and experienced no problems whatsoever.

MR. KYRISS: I would like to make a comment on that. This is Todd Kyriss. While I was at NCR and I've been gone for 15 months now and haven't thought about it a lot since then, you know, since 2003, I mean, the market is very cyclical. It goes up and down. There were times when we would be on allocation and the market would be very tight and there were times when it was soft. I do remember in late 2006 and in early to mid-2007, before I left the company, that prices were beginning to go up and there was tightness in the market. And when I talk about allocation, we would split our volume. We were large

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enough that we would split our volume between multiple coaters. And depending on various different things, pricing, quality, service levels at that time, whatever it might be, we might move tonnage back and forth between those different coaters. And at the time before I left, I do remember that when I talk about allocation, we were on allocation based on what we had been buying, they really didn't want anymore than those volumes, because things were tight. So, it wasn't like they were taking and reducing the amount of paper that we could get. They just didn't want us to be moving and shifting tonnage, because the market was tight enough at that time. Typically, you see allocation happen, too, when prices are starting to increase, a lot of converters will go out and start to buy and build inventory to help product themselves from some of those and that tends to creates some tightness in the market, too, for a period of time.

COMMISSIONER PINKERT: Okay. But, it's not your testimony that you were asking for concessions in price at that time, at the time that you were -

MR. KYRISS: I was always asking for concessions.

COMMISSIONER PINKERT: But, that was not causing the allocation issue to arise for you or was
MR. KYRISS: No, no. Demand was picking up, as well, and we were looking to get more tons from the suppliers. Things were getting very tight for us, as well, based on the average usage that we had had maybe over the last six months. And what I'm saying is that if we went to one of our coaters and said, hey, we want to get 10 more trucks this month from you, they would say, we really don't want anymore right now; we can't handle that. So -

COMMISSIONER PINKERT: Okay, thank you. Mr. Jansen?

MR. JANSEN: Richard Jansen. Thank you, Mr. Commissioner. I had no exposure to this situation due to I had been purchasing predominantly 48 gram material and it has been available to me. So -

COMMISSIONER PINKERT: Thank you. Any other comments on this allocation issue from this panel?

(No response.)

COMMISSIONER PINKERT: Okay. Now, my next question goes to this matter of the so-called make or buy decision. And I understand that we had some testimony from this panel in response to Commissioner Williamson's question on this issue. But, I just want to get some clarity and the only way I could get the
clarity is by asking a hypothetical question. So, bear with me.

If the price of slit rolls were low enough and the quality were high enough, would you consider selling them -- as a converter, would you consider selling the slit rolls or would that present a problem for you to move over to selling the slit rolls?

MR. ENDSLEY: Doug Endsley. Basically, I provide the grocery stores with the paper with print on the back, so I couldn't -- I don't use slit rolls, other than the ones I print and slit and send them and we couldn't print the slit rolls. We would have to print the jumbo rolls.

COMMISSIONER PINKERT: Thank you.

MR. SANDT: I've been in this business long enough to see products come and go. I mean, when I was -- so what I'm going to end up telling you is I would probably go into some other business that has to do with small rolls. When I first got in it, we sold oil and perforated tape to newspaper. They used it to set type. Doesn't exist anymore. We made IBM copier rolls, which came in and took a good percentage of the copier market and I sold to every federal agency down here and they don't exist anymore. So, I might just conclude that I don't belong in that business and
we're maverick enough. We don't have anybody looking
over our shoulders and say, well, we can switch, doing
something else. I mean, you can see by my testimony,
as far as what we wanted to do with the lighter weight
paper. Well, most people don't want to take the
effort. They want to quote a price. And that's not
the way our company sells its products. So, I might
not just be in that business or else have a lot lower
profile, if it became that much lower.

MR. SWADISH: Ed Swadish. To me, the
Chinese slit paper rolls -- that's what you were
referring to, correct - just seem to iffy. You know,
where they're in it this month and a few months later
they would be gone. You know, you don't want to
mothball a machine that's close to a million bucks and
then lose all your skilled labor and then four weeks
later say, well, I think we had better start slitting
again. You know, it takes a long time to build up a
good staff and you don't just throw it away for a
perceived savings. And on top of that, the quality
wasn't there anyway. Personally, I've got some
longstanding relationships with a lot of customers. I
wouldn't sell it to them.

Finally, correct me if I'm wrong, I'm not
sure, it's my understanding, at least in the ink
ribbons that come from China, there are some trust
issues there, as well. You have to wire them the
money before the paper leaves the Mainland. That's my
understanding. So, you have some trust issues there.
You know, a truckload is quite a bit of money.

MR. KYRISS: This is Todd Kyriss. I would
agree with Mr. Swadish about, you know, you have a
workforce and you have a labor force and you have
people that you've trained to run these slitters and
it's not a piece of equipment that you can just get on
one day and take off and run it. It takes time. And
the more time that the operators are on there, the
better they become, the more efficient they become,
the more money they basically make for you.

In a case where your capacity is tight
though or there's a different market that you want to
go after, I would certainly say yes, as long as those
costs were low enough to where they covered your
variable. If they were below your normal variable
cost, you would go out and get that market. But, you
wouldn't do it through layoff your current workforce,
because I think he is right, that the market, the
Chinese market was new. There was a lot of unanswered
questions yet about how stable it was going to be, how
stable the supply was going to be. But, certainly, to

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1 go out and try to – if you were either in capacity
2 issues, which I do have to say that NCR was in at the
time because if plant consolidation, starting up one
3 centralized plant -- we were actually in a capacity
4 situation where we needed additional supply of slitted
5 rolls to be able to service our customers. We did
test the product. We did have a product that we felt
6 like was a good quality product for the low-end market
7 when we released it. I'm not saying that we didn't
8 have issues along the way; we did and we kept trying
to work through those. So, there are circumstances
9 where we certainly would do that.

10 COMMISSIONER PINKERT: Thank you. I will
11 come back to this. I am well past the end of my time
12 for this round. Thank you. Thank you, Madam
13 Chairman.

14 CHAIRMAN ARANOFF: I think I want to start
15 with a question that I raised with the panel this
16 morning. I had asked if there was anyone who was
17 familiar with the warranty terms on thermal printers
18 and I didn't get any takers on the morning's panel.
19 So, if there is anyone here who knows his thermal
20 printer warranties -- Mr. Swadish?

21 MR. SWADISH: Ed Swadish. From my
22 understanding, it's a standard one-year type warranty.
And as these gentlemen have spoken about the larger users, these guys with hundreds and hundreds of printers, they're looking at losing a lot of money, if they use bad paper. The small cigar shop guy that buys a case of paper a year or small amounts, he's basically gambling. He's saying, okay, I'm going to save 15 bucks a case and I doubt my printer is going to break, you know, that type of thing.

MR. KYRISS: This is Todd Kyriss. It's really not so much around the printer warranty, as so much around the service contract. And it's the IBMs, the NCRs of the world that are selling printers that have their service people out there servicing these printers for large end users, like the WalMarts, the Kohl's, the Targets. If they use a paper that is not certified in that equipment, they start to have problems with print head abrasion, having to place print heads due to burn off, or whatever it might be. Then, they will start to raise the service costs to those retailers and they can't afford to do that, because it's a very, very high cost to them.

CHAIRMAN ARANOFF: So, I just want to make sure that I understand you. What I'm taking from the testimony so far is that the warranty is for one year. You didn't say, Mr. Swadish, that the warranty
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1 actually requires the use of certified paper, but I 
2 assume that's what you meant. Once the warranty runs 
3 out, then, Mr. Kyriss, what you're telling me is then 
4 you're just taking a risk, if you don't use the 
5 certified paper, that something is going to happen to 
6 your printer and you're going to have to pay for the 
7 repairs.

   MR. KYRISS: Right. You sign services 
9 contracts with the printer manufacturers. Once the 
10 warranty runs out for basically parts or labor, you 
11 then want somebody to come in and fix your equipment 
12 once it breaks down. In that service contract, they 
13 still require that you use a certify paper, so they're 
14 cost don't increase. They can't afford to be sending 
15 people out at your location to work on the printers 
16 and buying the parts and so on and they base their 
17 costs on an estimate of failure based on using 
18 certified media. If you don't use certified media, 
19 your failure to cost go up and thus they will charge 
20 you more.

   CHAIRMAN ARANOFF: Okay. But, it's only if 
22 you lose the gamble, right? You don't use certified 
23 paper and your costs, in fact, go up that you run into 
24 trouble.

   MR. KYRISS: I'm sorry, repeat that.
CHAIRMAN ARANOFF: I mean, what you said was if you use non-certified paper and your failure rate goes up, so it's above whatever the failure rate that was estimated in the service agreement, that's when you run into trouble.

MR. KYRISS: Correct.

CHAIRMAN ARANOFF: Okay.

MR. KYRISS: You're taking a gamble. But for someone the size of WalMart, the number of printers, they can't afford that gamble. So –

CHAIRMAN ARANOFF: Okay. And from what I heard, there seemed to be fair agreement amongst this fairly large panel that it's maybe 30 percent of demand in the U.S. that's represented by the people, who are small enough, that they tend to gamble. I took that as 30 percent of demand. I don't know if that was actually 30 percent of purchasers, which would be a different thing.

MR. SANDT: Let me just say, this is Roger Sandt, even if they were gambling, which I don't think they are, those of us, who are quality minded and who buy paper that is certified, will have, in our terms, that we warrant the paper to be used on the printer that its intended for and if there are any problems, that the company, who sold the printer, has or it will
put in writing about our paper, we would be glad to pay for the cost of the repair and the print head. I don't think we're that unusual in doing that. But, I have that amount of confidence. We have never had anybody take us up on that or ask us for it.

MS. JEONG: Chairman, just a clarification. I really don't-

CHAIRMAN ARANOFF: Could you state your name, please?

MS. JEONG: This is Rosa Jeong, sorry. I believe what Mr. Kyriss has said that he was estimating the percentage as 70 percent of the large retail accounts, which for whom the certification absolutely must. That doesn't mean that 30 percent based on his estimate, which are the smaller retailers, do not require certification. But, his estimate was just the larger retail accounts.

CHAIRMAN ARANOFF: Okay, thank you for clarifying that. Obviously, since a number of my colleagues have asked the question, we're trying to get a sense of what percentage of U.S. demand is made up of purchasers, who don't require certification and I don't think we've gotten there yet. So, if there is anything that anyone on either panel can put on the record, in the post hearing, that could help us to get
closer to that number, that would be very helpful.

I, also, think there's been some dispute in
the course of today and in the briefs about which
producers, which coaters' products were certified with
which OEMs at what time relative to when people
actually started buying them, particularly with
respect to Koehler's 48-gram product. Can one of the
witnesses from Koehler tell us either now or if it's
confidential, in the post hearing, when your 48-gram
product was certified with each of the OEMs?

MR. GREENE: Our 48-gram - this is Richard
Greene. Our 48-gram product was certified by IBM in
either December of last year or January of this year.

CHAIRMAN ARANOFF: Is that the only OEM that
it is certified by?

MR. GREENE: That's the only one we ever
submitted it to. It's a costly process and that's the
standard of the industry and we very rarely get asked
for certifications from other manufacturers. Maybe
Epsom as a second, but we haven't been asked for it.
So, we started selling it in 2005 and we had never
sought a certification. No one had asked for it.
When we started selling slowly to smaller users, I
guess it didn't go to the big box retailers, who
didn't require that. Then, finally, in 2007, as the
product started to really gain momentum, we were asked by big potential customers, is it certified. So, we started the process, which it took like eight or nine months to get it done, because IBM was tied up and they didn't have time to qualify and things like that, wasn't our doing, but it took a long time for them to be ready to test it. Finally, they tested it and within a few weeks after it was tested, they gave us an approval.

CHAIRMAN ARANOFF: And you are not currently in the process of seeking any further certifications from OEMs?

MR. GREENE: We're not actively doing that now.

CHAIRMAN ARANOFF: Okay. So, going back to this issue of warranties and service agreements, is it your understanding that someone who is - if someone is using an Epsom printer or a printer from another OEM requiring certified paper, the fact that your paper has an IBM certification, that's not good enough, right?

MR. GREENE: Well, we really never ran into that. We really never ran into people asking for Epsom certified grades in the United States. IBM is the only one who really ever asked for it and it's
kind of been if you have IBM's blessing, it's good
equenough for everyone else's machine. It's kind of the
unspoken way the trade operates.

CHAIRMAN ARANOFF: Okay. Let me ask

Mitsubishi, as well. Is your 48-gram product
certified by any OEMs?

MR. JAHNS: This is Falk Jahns, Mitsubishi.
Our grade, our 48-gram, as well as the 55-gram have
for years already been approved by IBM and that is
what we have for all 55 grams for an Epson approval.
However, Epson is more important really for the
European market, whereas IBM is the major OEM for the
North American market. If you have an IBM approval,
you know, that's good.

CHAIRMAN ARANOFF: Okay. Now, those are the
only two OEMs that I think we've been talking about in
the course of the case and even that are mentioned in
the staff report. Are there other OEMs that any of
you run into on a regular or semi-regular basis?

MR. JAHNS: This is Falk Jahns, again,
Mitsubishi. Certainly, there are some smaller OEMs,
as well, but they don't have such a huge importance
really on the market. So, it's good to have them and
we are certainly working on other approvals, as well.
But, a must is really the IBM approval. In fact, if
you have this one, this is really good and really
required by most of our customers.

CHAIRM AN ARANOFF: Okay. Thank you, very
much.

MR. KYRISS: Can I just — one real quick
point. Todd Kyriss. There are really only just a few
print head and printer manufacturers in the world that
really sell into the POS market. The rest of the
people put their box or their name around the printer.
So, it isn't like you have to go out to every single
printer with the brand name that you see and certify
that. It's that particular printer that comes from
Tack or Toshiba, whoever it might be, that you are
going to try to get certification on. And, again,
there are only two or three that are really big
players in that POS market.

CHAIRM AN ARANOFF: Okay. Thank you for that
and I am going to turn it over to Vice Chairman
Pearson.

VICE CHAIRMAN PEARSON: Thank you, Madam
Chairman. Greetings to all you panelists that are
here. I appreciate your being here. Mr. Silverman, I
wanted to go back and clarify the issue first raised
by Commissioner Lane regarding the difference in
production costs for 48- and 55-gram product whether
you're looking at area or weight. There were some answers provided here in the hearing. Will you, also, be providing in post hearing a more detailed clarification of this issue with costs that Koehler experiences in producing these products?

MR. SILVERMAN: This is Bill Silverman. We shall.

VICE CHAIRMAN PEARSON: Okay. And will the same be possible for Mitsubishi?

MR. EMERSON: This is Eric Emerson. Yes, we will.

VICE CHAIRMAN PEARSON: Thank you, very much. A question for Mr. Kyriss and perhaps for Mr. Qiang. Could you, please, elaborate on why you think an increase of imports of lightweight thermal paper split rolls from China is unlikely in the reasonably foreseeable future? Because, Mr. Kyriss, I think there was information that was provided that was - it was difficult for me to absorb it all, okay, so that's why I'm circling back now on some of these issues. Did I understand you correctly and, if so, could you walk it through me again?

MR. KYRISS: Yes. This is Todd Kyriss. Just as I made my visits to the different coaters that were in China and even actually the converting
facilities that I saw there, the ability – first of all, the quality coming from most of the coaters there was not sufficient to bring into the United States and we would not want to bring them in.

Second is the capacity that they had and the type of equipment that they had did not allow them to increase their capacity at a rapid rate or there wasn't a whole lot of capacity in China and it's going to take a pretty big investment to get to any type of capacity that would really make a dent in the U.S. market, and that's on both the converting side, as well as the coating side.

VICE CHAIRMAN PEARSON: And would I understand correctly that NCR was able to run a reasonable business at a limited volume of importing split rolls?

MR. KYRISS: It was such a small portion. Like I said, it was for the west coast and it was such a small portion of our total. It was less than five percent of our total usage. It was very, very small. I never saw it as a real threat to the U.S. market. I wouldn't say that maybe we didn't use it a little bit here and there, but it certainly – there's another side to that whole capacity issue. When you look at the way that the Chinese market was growing in the
domestic market and the demand for that, trying to
gear up capacity in China for the domestic market, as
well as for exports, either made it that much more
difficult for me to believe that they would ever be
able to bring enough into the U.S. market that would
have a real impact.

VICE CHAIRMAN PEARSON: Okay. I hear what
you're saying. But, in this case, we did see a rapid
increase from a low starting point in imports of
Chinese split rolls. And a number of other products
that we've had before us when we're looking at China,
we have seen increases in production capacity and the
potential of increased imports that's been rather
large. Are you telling me there is something
different about this industry, so that we shouldn't
expect a continuation of growth of imports like we had
during the POI?

MR. KYRISS: Right. I think they were very
under utilized at the time. They finally got a paper
that was good enough to bring into the U.S. and they
hit a peak - they hit a peak with us, at least, to
where they couldn't produce any more than what we were
basically buying from them. We were buying for both
the U.S. market and the Canadian market. We were also
looking for the European market in certain areas.
But, they were under utilized at the time, that's why I think you saw the big influx into the U.S. to start with. But, I think it was going to peak out and there wasn't going to be a whole lot more capacity available.

VICE CHAIRMAN PEARSON: And I just want to make sure, it was your testimony that the paper that you were - the split rolls that you were importing were not certified by any of the print head manufacturers?

MR. KYRISS: That's correct. We did our own testing in our own labs to approve it and to make sure that we weren't going to have any major issues with it.

VICE CHAIRMAN PEARSON: Okay. Mr. Qiang, could you, please, comment?

MR. QIANG: Sorry, I don't know English.

VICE CHAIRMAN PEARSON: Believe me, I speak no Mandarin, so go ahead.

MR. ZHANG: I will translate for him, okay?

MR. NEELEY: Mr. Zhang can translate for him.

VICE CHAIRMAN PEARSON: Please.

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) I just add

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something here. First, that I say I take honor to be here to attend this hearing. My company is a small company actually.

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) I just add something. As Todd said, actually, in China, very few companies can meet the requirement for U.S. market. Normally, the converters, they are small, a small shop and have several workers and they definitely - their product cannot get into U.S. market.

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) And secondly, 95 percent of the Chinese converters, they are small and private-owned companies. It is impossible for them to get any government subsidies for their production.

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) That's what I would like to add here. Thanks.

VICE CHAIRMAN PEARSON: Okay, thank you. I have another question for Mr. Qiang. Have there been any changes in the export taxation of lightweight thermal paper coming from China or any change in the VAT rebates for that product?

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) In China, for the
paper export, there is – export duty refund is zero.
So, no tax refund at all for some paper.

VICE CHAIRMAN PEARSON: Okay. The domestic
industry has observed that the imports from China in
the interim 2008 period were much lower than in the
interim 2007 period and their conclusion is that the
reduction in imports was caused by the provisional
duties going into effect. Can you comment on that?
Is their view correct?

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) There are a couple
of reasons. First of all, just the exchange rate.
Originally, one dollar can get 8.3 RMB and now it's
about 6.8 RMB. So, it's about 20 percent
appreciation. That's an important factor.

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) Secondly, since
2007, Chinese Government implement the new labor law.
So that increased the cost of labor if you are a
manufacturer.

MR. QIANG: (Speaking Chinese.)

MR. ZHANG: (Translation) In other news from
a newspaper recently in China, there were over 100
small size companies that just shut down.

VICE CHAIRMAN PEARSON: Okay. Thank you,
very much. The light has changed, so back to you, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Okun?

COMMISSIONER OKUN: Thank you, Madam Chairman. I join my colleagues in welcoming this panel here this afternoon. I appreciate, very much, the perspective you bring to various aspects of this case.

Mr. Silverman, I think I am going to start with you, in light of the response of Mr. Greene to the Chairman's question regarding certification with IBM. On page 19 of your brief, you had – one of the arguments you had made is that Appleton's 48-gram was only marginally successful, because the product did not receive IBM certification until July 2008, thereby suppressing sales. What I heard from Mr. Greene is they were making sales of their product prior to getting certification. So, do you still stand by that argument with regard to Appleton?

MR. SILVERMAN: This is Bill Silverman. I think Mr. Greene can answer, he didn't make sales before certification. But, he can talk about what it has meant since he has had the certification. It's not –
first, though. Do you still make that – do you believe that that has suppressed Appleton's sales? Are you still making that contention in your brief?

MR. SILVERMAN: I don't make certifications of facts. Let him talk about the facts. You've asked a fact about the market.

MR. GREENE: Richard Greene. For example, one of our converter customers was selling WalMart, who wanted to switch to our product and they said, they insisted on the IBM certification. So, that's when we started working on it in the middle of 2007. And they lived with it and continued to use it and we told them we were in the process of getting certified. And we finally did get certified in January and then the business grew dramatically. But, they were the first big retailer that asked for it. And once they asked for it, we said we might as well get certified.

Now, we think that Appleton is handicapped by not having that certification. I think it's clear when they sell to converters, who are going after the large retailers, they are certain handicapped by not having that certification, but not until July when they finally got it.

COMMISSIONER OKUN: Okay. So, help me understand. Are you saying that you think your sales
of your 48-gram were handicapped until you got
certification? You were not successful in the U.S.
market with your 48-gram?

MR. GREENE: Well, when we - going through
certification is a big rigmarole. And we were under
the opinion that our 55-gram, which has been certified
by IBM forever, we were just running the basis weight
of the paper lighter and we didn't need the
certification. So, our response to the marketplace
was, we're running the same product, we're just
running it lighter and we really didn't need that
certification. It was only when we got pushed by the
large WalMart, the converter who was selling WalMart,
that they really wanted it for that basis weight. So,
then, we had to go get that individual basis weight
certified. For us, if we ran 48-gram or 60-gram,
every time we changed the basis weight, we would have
to get a certification. We still didn't understand
the reason for that, because we put the same thermal
coating on the paper. So, we really didn't need to
think - we really didn't believe we needed to go get
certification, because we were running the same
thermal coating on our base paper, but just changing
the basis weight. But, WalMart insisted on it and we
then went through the process. I hope that explains
COMMISSIONER OKUN: Okay. All right. Let me come back to the front row here, to the converters. We spent a lot of time with this morning's panel talking about 48 versus 55 and, obviously, there were converters on that panel, as well, and we've heard different things from you. And, obviously, we have additional information in our staff report, as well. So, I want to I guess just go back to a couple of things based on what we heard this morning and then what I heard from you. In terms of - we talked with the converters this morning about whether there was an advantage to the customer in having these longer rolls. And I know - I think at least a couple of you mentioned that, that the purchaser would like - or it's an advantage to the purchaser, because they're getting more product in there for the price. And so, I didn't know if there was anything else you could add, because I think what I heard from the converters this morning was you make your sale based on how much product, how many rolls, how many pallets you're going to sell and what you're going to put in your truck and then you pay for the - and then there's the trucking freight. And so, it didn't - the way I understood his testimony this morning, it didn't matter much if you
were - it didn't matter to the customer, because you were just - you couldn't fill up that much of a truckload. I think I'm saying it correctly.

So, I wanted to go back to you on what I heard from you, to try to understand if there are differences in the way that you're doing business, if it's just a difference in the customers and how they're ordering. Do the two stories make sense, what I heard this morning and what I heard from you this afternoon? And I'm not sure who wants to start, but you look like you're grabbing your microphone there. You can start.

MR. ENDSLEY: Yes. Doug Endsley. We customize for 5,000 grocery stores 90 days worth of register tape we ship at a time. So, we ship it using UPS and we ship it on a 100-weight basis. So, once we were able to switch from 55 to 48, it reduced my shipping costs by approximately $200,000 a year.

COMMISSIONER OKUN: Okay. So, UPS - shipping smaller amounts, then, that's where - or is it still the same amounts?

MR. ENDSLEY: Well, I would either ship smaller rolls, okay, that weighed less, or I would ship longer rolls, less cases. Either way, the savings were the same.
COMMISSIONER OKUN: Okay. Would other converters have anything to add with respect to advantages of the 48 versus a 55, just on that basis? Mr. Sandt?

MR. SANDT: I don't think you want me to detail again, because I gave you a pretty long narrative of how –

COMMISSIONER OKUN: Well, maybe you can then respond just - I mean, I'm not sure if you heard all the testimony this morning.

MR. SANDT: Yeah, I did.

COMMISSIONER OKUN: I'm trying to understand if it's just based on customers or - I mean, what the distinction is. Because, I've heard two different stories and, you know, I'm trying to understand which weight to give to them and can they exist in the same market place.

MR. SANDT: It doesn't even have to be a sophisticated customer, but a customer, who will listen, will really understand the advantages of longer footage rolls for all the reasons that I mentioned. It's less roll changes for them. It's fewer cartons that they have to buy in a whole year. It's fewer pounds that are shipped. That saves money. And it's, in the case of the customer that I told you
about, they save 574,000 roll changes a year and
574,000 cores that they don't have to throw out,
simply because they have bought fewer rolls that have
the same lineal footage on them. And that's very,
very significant and people, who will listen, will buy
because of that. And there's no overlapping between
the rolls. You can't use one – you can't use the 55
gram in place of the 48. Each of these manufacturers
is very good at hitting the target calipers and the
target weights that they want -- that's their business
– so that we can count on having the particular
caliper that will give us the footage roll that we're
selling. And if we didn't, they wouldn't fit in the
boxes.

COMMISSIONER OKUN: Okay. And then to those
particular customers, and this goes back – there have
been several questions about this, so we can talk
about should this product cost less because it weighs
less. I mean, what I have been focusing on, first of
all, was just the freight advantages and the
advantages you sell. But, now, I'm trying to
understand on the product, itself, because, again, Mr.
Greene just said, we didn't even think we needed
certification, because it's the same product.

MR. SANDT: The things that we save on, they

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save on, too. I mean, the fact that we don't have to use all of those cartons and all those cores. And our labor to make the longer footage roll is very, very similar, as the smaller roll. Our machines are fast. They ramp up. And if they are going to a certain footage, they ramp down very quickly. And probably in a day, we can make the same number of cartons of longer footage rolls, as we can the alternative size that I had mentioned.

COMMISSIONER OKUN: Okay. Well, if there is anything more for post-hearing, just in terms of helping me understand better what the advantages are, what the cost advantages on the shipping side - yes?

Mr. Malashevich, I have a yellow light, so -

MR. MALASHEVICH: It really doesn't like me.

COMMISSIONER OKUN: That's the Chairman, I'm sure, saying it's a yellow light, what are you doing.

MR. MALASHEVICH: Bruce Malashevich, economist to the German producers in this proceeding. I just came recently into possession of a document that I think will clear the air on this issue with respect to freight, as well as the distinctness of the 48 product. It's an Appleton produce brochure extolling the virtues of its 48-gram product. It bears the date of January 2008. And in listing the
key features, it has among it, low caliper for larger roll lengths, roller base weight, reduces freight cost, doesn't say the sum, under certain circumstances. It simply says, reduces freight costs, good general imaging, graphics and logo images, and among the specific applications indicated is “low caliper economy point-of-sale retail use.”

You heard earlier that the product has a distinct cost. Whether it's higher or lower than 55, it's distinct costs with distinct applications. And if you are a producer with economies of scale having a bread and butter product of 55 gram and claims to be in some degree of financial distress, why would you divert time, money, and energy to creating a new product, entirely new product that costs more, they say, and yet is theoretically, according to their claims, interchangeable? It makes no sense unless the products are in fact distinct. Thank you.

COMMISSIONER OKUN: Okay. My red light now is on, so I'm sure you'll put that in the record, and Petitioners will have a chance to comment on it as well. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Lane.

COMMISSIONER LANE: When we heard this morning that there was really no difference in the use

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of a 48 and a 55 gram product going into printers that
the printers would use or that you could use one or
the other and it didn't really make any difference,
are you all saying that that is not true or that I
just misunderstood what I heard?

MR. SANDT: A 55 gram, 300 foot roll would
not fit in a printer's cavity, a 48 gram, 300 or 308
foot roll would fit in a printer's cavity and run, so,
yes, the 55 is definitely not interchangeable with the
48.

COMMISSIONER LANE: And so are all 48s and
55s 300, I don't know, feet, inches, whatever?

MR. SANDT: No. It's taking advantage of
the capability of the thinness of the paper to wind it
to the maximum diameter that will fit into that
cavity, thereby giving a lot of advantages to the end
user, which a smart end user will recognize and buy,
and they do buy it.

COMMISSIONER LANE: Okay. But this morning
was the product 300 and some inches or whatever? I
thought it was 100.

MR. SANDT: I don't know. I heard the
testimony and I kind of shook my head and I didn't
agree with it.

COMMISSIONER LANE: Okay. I thought it was
121 and 126 or something like that. I could be wrong.

MR. SANDT: I don't recall. Not at all.

COMMISSIONER LANE: Okay. I'll look at the transcript.

MR. GREENE: Madam, Richard Greene. I just wanted to add I think this morning's testimony had to do with whether the printers could handle 48 gram or 55 gram, and all the printers could handle either base weight. The main advantage as far as longer rolls is the 48 gram has a 2.1 caliber and you can wind up to 308 feet on a receipt roll and still put it in the well of the printer.

So the net result is you don't have to change your printer all that often.

COMMISSIONER LANE: And so you would need a printer that would take the 308?

MR. GREENE: Well, all printers take 308 feet with 48 gram paper, but typically, with 55 gram paper they were running 230 or 273 feet. So the ability to make longer rolls with this thinner caliber really was a very important advantage because when you have a busy store and people are waiting on line, you don't want to say stop and go change the roll.

People would be impatient at the cash register. So the fact that they have so many less
changes -- as Mr. Sandt testified before, when he made his proposal to his large retailer they had 578,000, you know, something like that, less roll changes. That became a significant selling point.

COMMISSIONER LANE: I'm always excited when there's somebody at the cash register willing to wait on me.

MR. KYRISS: This is Todd Kyriss. I just want to jump in and try to clarify a little bit. As I stated in my statement, there's two different types of buyers, there's a cost per roll buyer and there's a total cost of ownership buyer. The converters that you had up there this morning typically probably sell more to cost per roll buyers.

They talked about the roll not being big enough and their customers complaining about that. If they rolled to footage, meaning if they rolled to a 230 foot roll, the roll diameter is going to be smaller, their customer is going to think they're getting cheated.

You're selling to a Walmart and Walmart loves the idea of a thinner caliber paper because they can put more feet on a roll.

They can get 330, or 350, or whatever it is, I'm not sure what it is anymore, but they have less
down time, they improve their customer service, they have less storage space where they have to store the rolls at, they do reduce their freight if they ship from their DUCs to their stores. There's just a variety of different advantages of having that product and selling to it. So it all depends on who you're talking to and who their customer is.

COMMISSIONER LANE: Okay. Thank you. Now I have questions for Mr. Endsley and Mr. Sandt. You each gave examples of where, Mr. Endsley, you wanted to supply a Walmart in Mexico and you wanted to buy the product from Appleton but it was too high. If that information is not already in the record as to the price you were quoted by Appleton and the price you actually paid, could you put that in the record posthearing?

MR. ENDSLEY: Yes, ma'am.

COMMISSIONER LANE: And, Mr. Sandt, the same for you. You were trying to sell product to Circuit City and you ended up buying from Koehler rather than Appleton. I think that's what you said.

MR. SANDT: And that was a supply issue. That was that there wouldn't be an available supply for me for the coming year to provide that to my customer, so that was the big issue right there.
COMMISSIONER LANE: And so it wasn't a price issue?

MR. SANDT: Not necessarily. In fact, I don't know if we got that far. I would not have the paper to supply to the customer.

COMMISSIONER LANE: Well, maybe you can supply for the record posthearing what you thought that Appleton could provide you the product for and what you ended up buying it from Koehler.

MR. SANDT: That might take some research. That was five years ago.

COMMISSIONER LANE: Okay. Well, if you can, that would be appreciated. The other question I have is when you're talking about the 55 and the 48 product, are they sold at the same price? Mr. Swadish?

MR. SWADISH: Ed Swadish. First off, I'd like to clarify a little bit about the cost between the 55 and the 45. In a laymen's terms, 55 was roughly 89 cents a pound and 48 was 99 cents a pound. That makes it a lot easier, you know, for an average person not dealing with paper, you know, to get involved with DMSF and all that.

A standard size of paper, 235 foot long of grade 55, weighed 35 pounds. The same footage in 48,
who I know nobody makes, would weigh 30. If you extended that extra length to 265 and made it out of 48 gram, it would weigh 34 pounds. Just so everybody's clear on the price and the weight differences with the extra paper.

Yes, we do sell our paper for more, the 48 gram. Thirty percent of all of our new business we actually sell for more than they were paying. The converters this morning, they seemed very focused on price, you know? It seems like that's probably how they were with their prospects. Price is possibly second or third thing we look at with a customer.

You know, with the 48 gram paper we put 13 percent more paper on the roll and we charged our customers eight percent more. So the customer got a five percent discount and we made extra money per case.

COMMISSIONER LANE: Okay. Did anybody else want to respond to that? Okay. thank you. That's all the questions I have. Thank you for your patience and your willingness to come and help us understand this issue. Thank you.

CHAIRMAN ARANOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman. Mr. Greene, just to clarify on this

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question of the certification of the 48 and 55 grams,
I take up until the point that Walmart said no, we
want the 48 certified, you were willing to say that
our paper has been certified whether it was 48 or 55
because basically that weight wasn't the most
important factor in terms of the certification.

MR. GREENE: Right. We maintained in the
market that our F-20 thermal coating was the important
aspect, whether we put it on 48 gram paper or 55 gram
paper. We had no trouble selling it for two years
with that sales approach. Then Walmart finally
insisted and we had to go through the expense, paying
a lot of money to IBM and going through the whole
process.

We did that because they were a large
customer.

COMMISSIONER WILLIAMSON: Okay. Thank you.
I just wanted to get that clarified. I think, Mr.
Jahns, you didn't answer the question about the
exchange rate fluctuation and what affect that has on
your decision with respect to exports.

MR. JAHNS: This is Falk Jahns, Mitsubishi.
With the U.S. dollar exchange rates we actually really
handle it like this, as I mentioned as well in my
testimony, and that we actually balance our purchases
on U.S. dollar basis with our U.S. dollar sales. In fact, then there is no impact on it.

COMMISSIONER WILLIAMSON: Okay. Thank you.

Both the German and Chinese Respondents addressed the question what affect do the fluctuations of ocean freight rates have on your decisions with respect to exporting lightweight thermal paper, and where do you expect to see the trends in the future?

MR. FRUEH: This is Willy Frueh from Koehler. We do expect that because of the international energy cost situation that also the cost for shipment to the United States are going to go up, but clearly, the decision to concentrate on 48 gram gives us a saving because we can get more paper in a container and we can ship more paper, more footage, in the same container.

So that also helps us to a certain extent to offset the higher costs.

COMMISSIONER WILLIAMSON: Okay. Does anyone else want to?

MR. BURNS: This is Chris Burns from Paper Resources. We've seen freight rates go up over the last three years, primarily with -- we used to ship predominantly through Los Angeles and then put it on a train and distribute the paper throughout the country,
but the railroads really started to raise rates so we started looking at all water service, you know, bringing the ship all the way to the east coast, to mitigate the rail increases.

What we started to see at the end of last year and into this year was the emergency fuel surcharge so the ocean carriers were putting in, you know, a 10 percent premium on top of the base ocean rate, sometimes 20 percent. Then, on top of that, when you get into June, July through end of November and December when the retailers are gearing up for the holiday season, they'll put another five to 10 percent premium on top of that.

So ocean freight rates have been trending up and we don't see much relief coming in. We were hoping to see some relief, honestly, but we're not seeing it. You know, the ocean carriers have repositioned a lot of ships, they've scrapped some of their older vessels, and anything they've put on order, they've deferred delivery.

So we don't see much relief on ocean freight rates coming up.

COMMISSIONER WILLIAMSON: Okay. Thank you. Thank you for that answer. Also for the Chinese Respondents, in your sales of slit rolls in the U.S.

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market, whom do you perceive to be your competitors? Are your competitors the U.S. converters who are also your customers?

MR. BURNS: This is Chris Burns. Just to give you a little background of me, you know, Paper Resources sold jumbo thermal rolls from Korea to a lot of the converters and for various reasons we went to China looking for jumbo thermal rolls and found that the converters there were not going to be competitive in this market.

We didn't even get into quality, certification, or anything like that. They just plain, we're not interested in the price levels that this market was transacting in. Really, for the coater width that they have, you know, that was touched on earlier, there's just a lot of waste.

Then the prices here in the U.S., I mean, this is by far the most competitive market in the world for whatever is sold, whether it's paper, cars, or what have you. I think, you know, the volume that this market buys in whatever the product is dictates a very competitive environment.

So when I first started doing business with Hanhong and Mr. Xue, we went to the converters because I knew the converters and I presented them, you know,
the opportunity to buy the product. Some of them
decided to buy it for geographic reasons. I don't
think we were ever below, you know, serious
manufacturing cost.

I think we offered a competitive product and
a good product, but it was, you know, a geographic
option. As time went on, I think we got a little bit
of a reputation in the market for having an okay
product and reliable deliveries and we picked up a few
distributors. I would say we always looked at the
converters as potential customers.

COMMISSIONER WILLIAMSON: And you think the
competitiveness or the quality, has that improved over
the years?

MR. BURNS: I would say our quality has
always been fairly consistent. We've never had the
quality of, say, an Appleton or a Koehler, but we've
always had acceptable quality. It hasn't gone down,
it hasn't gone up, but it's certainly not at the level
that a lot of the other Chinese coaters are putting
out, which is really sub par.

COMMISSIONER WILLIAMSON: Okay. Thank you.

Just one last question. Demand for the lightweight
thermal paper grew substantially over the period of
investigation, and yet, the financial performance of
both coaters and converters was not that strong. What
would you contribute to this weakness?

I mean, here we have, you know, a product
which is growing quite well but the companies and
industries on this don't seem to be doing that well.
Any thoughts on that?

MR. BURNS: Chris Burns. I'd offer a
thought on that. There are over 45 converters in
North America, and I would say that none of them are
running close to capacity, so they're fighting it out,
and, you know, the competitive environment in the
market is requiring them to go back to the thermal
coaters and squeeze them for a better price to try to
compete in the market.

COMMISSIONER WILLIAMSON: Okay. Anyone else
have a thought on that? If there's no further
comments, I have no further questions, Madam Chairman.
Thank you.

MR. SILVERMAN: We will answer that, but I'm
sorry, it has to be in camera proceeding. You had
asked about the correlation between economic health
and import levels. We've addressed some of that in
our brief but it's the kind of thing that needs to be
done either in camera or in a postconference.

COMMISSIONER WILLIAMSON: Okay. Thank you.
CHAIRMAN ARANOFF: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you. I want to go back to the question that I was asking in the last round to make sure that everybody who wanted to answer or who had an answer was able to do so. The question was if the price of the slit rolls were low enough and the quality were high enough, would you consider selling them? The question was directed to the converters.

Mr. Jansen, did you have anything to add to that?

MR. JANSEN: Richard Jansen. Thank you, Mr. Commissioner. I have made a substantial investment of obviously money, but as well as time and training personnel, as a converter and fully committed to being a converter, and as my other colleagues have expressed, to control the product that I send to my clients.

Doing otherwise, I do not have that control and I want to be a converter of product. So thank you.

COMMISSIONER PINKERT: Thank you. Any other comments on this panel on that issue?

MS. JEONG: Commissioner Pinkert, this is Rosa Jeong. Just a short comment is that I understand...
why you're posing the hypothetical, but perhaps, you know, it probably isn't the right way to frame the question.

The domestic industry have argued that the decision is a make or buy decision and that's where your hypothetical comes from, but what we see and based on the evidence in the record, the testimony and when you look at the confidential trend of the converters, it really wasn't a make or buy, it was more of a make and buy decision.

COMMISSIONER PINKERT: Do you want to explain that?

MS. JEONG: What I meant was that the converters who are buying split rolls to service certain parts weren't doing it at the expense of what the jumbo rolls are buying. They weren't using converted rolls to replace jumbo rolls.

If you look at, and I don't know how much I could say regarding the confidential record is that I think the trend is there wasn't a decrease in shipments on the converters' part in purchases.

COMMISSIONER PINKERT: Perhaps you could answer another question that I have, Ms. Jeong, or perhaps those who are with you could answer this.

What percentage of the U.S. shipments originating with
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Shanghai Hanhong were made to U.S. converters? What percentage of the U.S. shipments?

MR. BURNS: This is Chris Burns. Over 90 percent.

COMMISSIONER PINKERT: And did those converters face a make-or-buy decision, or perhaps you would want to explain along the lines that Ms. Jeong has tried to explain? Did they face that kind of a decision?

MR. BURNS: Chris Burns. The converters that we sold did not reduce their jumbo-roll purchases. They grew their business overall, and, for some of them, even though I said earlier, the converting industry is oversupplied, there are a few converters that, either geographically or capacity, are restrained, and they decided to buy the finished rolls from us to grow the business.

COMMISSIONER PINKERT: Thank you.

Now, I want to return to Mr. Sandt for a moment. I recall from your testimony, which was before all of the rounds of questions began, that you used the phrase, "at this point," when you said that, at this point, you wouldn't switch from the 48-gram product, even if the price were right to make that kind of a switch.
When did you become more or less locked into the product? You say, at this point, you wouldn't make the switch, so I assume that there is some other point where you might have made the switch.

MR. SANDT: Probably. If I were to think back, we had gotten to the point where I don't like to have two different inventories, and I just decided that we would switch completely over. So, at that particular point, we probably passed a line that we would not go back, and I think, at the end of my testimony, I said, I think that was it. I don't care what the price was of 55. At this point, I would not change.

We've changed our approach to the marketplace. We're satisfied having one inventory in our stock to convert from. We have space constraints, and it just fits in fine.

COMMISSIONER PINKERT: I understand that it fits in fine, but I'm trying to get an idea of whether there is some sort of a tipping point for you where you're more or less committed to the 48-gram product, and, if there was such a tipping point, when did it occur, and how can I nail it down to know that that's when it occurred?

MR. SANDT: Whenever it was introduced, we
walked very softly for a little while, but it didn't
take us very long to just decide -- are you looking
for a time in history, you know?

COMMISSIONER PINKERT: I'm looking for some
sort of point in time or some period of time.

MR. SANDT: I would have to look at my --
whenever it was introduced, probably within a year
afterwards, we decided that we would make the switch
completely over because I know, in talking to Mr.
Greene, he said that we were ahead of most people
because most people were kind of timid to jump
completely into buying this particular grade, and we
were not. We grew as a result of making the decision.

COMMISSIONER PINKERT: If you could
supplement that in the post-hearing to give us a
better idea of more or less when you became committed
to that form of the product, I would appreciate it.

MR. SANDT: Sure.

COMMISSIONER PINKERT: Thank you.

Do the other converters agree that the
switch from 48 to 55 is not so straightforward that
you could just do it if the prices were right at any
given time?

MR. SWADISH: Ed Swadish. It would be very
difficult for my customers because, you know, they are
getting a better price per foot with the longer rolls,
so to introduce a new product to save money and then
have to switch them back two months later and maybe go
back to 48, it would be a nightmare, plus turning the
inventory over to the new sizes.

Everybody talks about these three basic
footages; really there's probably 20 footages and 40
widths, and we turned all of them over. Everything
got 13 percent added. You had to give it a new stock
number. It was tremendous work for months, just to
get everything to go. To switch it, make the customer
get not as good a deal on the paper, making less money
-- myself, I'm talking about -- I just couldn't see it.

COMMISSIONER PINKERT: Thank you. Mr. Jansen?

MR. JANSEN: Richard Jansen. It would also
be very hard for us to switch due to, frankly,
components, carton sizes. We would have to move back,
as well as, again, as I stated in my testimony, the
transportation portion of equation of that would be
actually going backwards for ourselves. Thank you.

COMMISSIONER PINKERT: Thank you.

MR. ENDSLEY: Doug Endsley. It's a little
different for me, in the fact that I have just a few

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customers, and we give them the product free. I was hesitant at first to switch to the 48, being thinner, because we put vivid colors on the back of the register tape. We were afraid that it might harm the readability of the image on the user side, but, eventually, I tested it, and we couldn't see any difference whatsoever in the way the grocery store's image appeared, and we've never had one complaint from the grocery stores.

That being said, if I can buy 55 gram for enough less price than the 48 to overcome the savings that we've already identified, I would consider buying either one.

COMMISSIONER PINKERT: Thank you. I would like to go back to Mr. Neeley for a moment. I believe you testified -- I'm not trying to change anything that you testified, but I believe you testified that there was about a two-year period for establishing new production of the thermal paper, and I'm wondering how you got that number. What's that comprised of?

MR. NEELEY: I'll let Mr. Xue do it, since I was actually reading his testimony, and he is the person with the knowledge. So I'll let Mr. Jon translate for him.

COMMISSIONER PINKERT: Thank you.
MR. ZHANG (translating for Mr. Xue): I'm the translator, Jon Zhang. I translate for Mr. Xue.

Mr. Xue said, "Our -- introduction of setting up a coater line in China. It takes about two to three years for the application, including the project-approval process and the buildup of the workshop and the purchase of equipment.

"We also need to find a coating specialist, and we also needed to get a technician in equipment assembling.

"Especially the more and more strict environmental requirements by the Chinese government, so application of the coating will generate some wastewater. So only for the environment approval, it would take at least a half year. That's the basic thing. Thanks."

COMMISSIONER PINKERT: Thank you. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: One of the things that was discussed this morning that hasn't seemed to come up this afternoon is the issue of reverse auctions, so I have a panel in front of me that includes six converters, representatives of six converters, so I want to ask each of you, have you participated in a reverse auction, and how significant has that been, in
terms of how your product is marketed?

I don't know who wants to start. Mr. Swadish?

MR. SWADISH: Ed Swadish. We don't participate in those at all. It's for more larger customers, and we deal with the small to medium, plus just our company philosophy -- I mean, that's just a tool that just beats your price up. Even if we did deal with larger customers -- I don't know -- these guys might be forced to have to do it -- I'm not sure, but we would try to avoid that at all costs.

CHAIRMAN ARANOFF: Have any of your customers invited you to participate?

MR. SWADISH: No.

CHAIRMAN ARANOFF: Okay. Mr. Sandt?

MR. SANDT: We've participated, and we've been successful in some cases. Is it attractive? Not especially. It does lower the bar, as far as pricing. It's a very competitive way to get business. It makes it more challenging to use ingenuity in getting business, but it's not impossible to present your ingenuity and help you get business. That's the way our company works.

Do we depend on them for our livelihood?

Not especially, but we have a certain portion of our...
business that's been gained by reverse auctions.

CHAIRMAN ARANOFF: Is it your impression that that's becoming a very common way for purchasers to make their purchases in this market?

MR. SANDT: For large retailers, yes.

CHAIRMAN ARANOFF: What is your experience with respect to what kind of product qualifications those large retail purchasers put on who can enter into the auction? For example, are they requiring OEM-certified paper?

MR. SANDT: In many cases, yes. You've heard the names thrown out here like Wal-Mart and Federated, which is Macy's now. They will usually have that in their specifications what are acceptable grades, and those acceptable grades are usually the grades that have been approved by the OEM of the equipment that they use.

CHAIRMAN ARANOFF: Okay. Mr. Jansen?

MR. JANSEN: Richard Jansen. We participate on a very limited basis in reverse Internet auctions, and the primary reason is, again, it goes down to price. My company is really not built on price but other factors, such as service, quality, reliability, quick action, those types of things.

So, for us, we've had exposure. I would
prefer not to deal in an element of solely price,
Madam Commissioner.

CHAIRMAN ARANOFF: Okay. Mr. Kyriss or Mr. Burns, did either of you want to comment?

MR. BURNS: This is Chris Burns. Yes, I would like to comment.

Two things on the Internet bid. One is we've never participated in one for the certification process; and, two, usually, when we find out what the auction went for, it was considerably below any price that we had ever sold any product for in this country, so it's completely unattractive to us.

MR. KYRISS: While at NCR, because of our size, of course, we've participated in probably about every one of the reverse auctions.

As far as what the qualifications were, as far as the paper, typically, and I would have to say, in 90 percent of the case, they would state exactly what products were qualified or what products they wanted you to quote. They would ask for alternatives. Very, very seldom did they actually use the alternatives, and they usually used it to try to drive the price down to use it maybe after the fact, in some cases.

Even though it's a reverse auction, I
wouldn't say it always ended there. There was always
negotiation that happened afterwards, and they would
tend to use lower prices and lower alternatives from
other converters, or whatever it might be, to continue
to drive the price down, even after the reverse
auction.

So I can't think of one time where a major
retailer who ran a reverse auction did not stay with a
certified product. I do not remember any.

CHAIRMAN ARANOFF: Okay. I guess I asked
the panel this morning, and I'll repeat the question,
but if people can provide, in confidence, if they need
to, in the post-hearing brief, it would be very
helpful to us to know the identity of the retailers
who are using these reverse Internet auctions as their
main means of purchasing, and, to the extent that
anyone can estimate what percent of domestic demand is
now being sold through that channel, that would also
be very helpful.

Let me turn to Mr. Endsley. I didn't ask
that question to you because you don't sell your
product, but I did want to ask you a little bit about
your business model, which is, if this is an industry
where everyone is trying to get the cheapest possible
paper for their cash register receipt, as long as it's
good enough to actually work, how come your business
model hasn't really taken off? Why aren't you driving
all of these other folks out of business?

MR. ENDSLEY: I am; it just takes a little
while.

CHAIRMAN ARANOFF: I'm not sure where to go
from there.

Do any of the other converters want to
comment on whether they think that that's a business
model that is likely to grow in the market? Mr.
Swadish?

MR. SWADISH: Ed Swadish. I believe my
colleague's business model is based upon a major
retailer, such as a Kroger's, where there is a large
amount of receipts given a large number of people.
That type of business is going to be giving out the
receipts to their customers.

For miles around that place, there's all
kinds of businesses that use receipts. I don't
believe he is going to try to put paper rolls into
that establishment -- cigar shop, restaurant -- you
know, any other type of retailer. The volume for his
distribution of his coupons would be minuscule, so he
is looking for big grocery stores, more than likely.
He is not interested in -- I don't know -- 90 percent
of the market, something like that.

CHAIRMAN ARANOFF: Okay. I also asked the converters on the morning panel about whether they used multiple suppliers of jumbo rolls, and, if so, why that was important to them. So let me pose that to this panel as well. Does anybody want to start? Mr. Swadish, you're always willing.

MR. SWADISH: I hate waiting in line. I would appreciate a diversity of vendors. I mean, Koehler's Company, they are great guys, and I trust them, but you never know. They are in Germany, and something could happen. But you've got to have the right paper, and you've got to have the right weight, and you have got to have things right.

So, as far as I'm concerned, I'm better off putting all of my eggs in one basket, rather than having two grades of paper.

If there was a supplier like Koehler in America -- I'm pretty pro-American -- I would be buying from that company.

CHAIRMAN ARANOFF: Mr. Sandt?

MR. SANDT: Roger Sandt. We buy from multiple sources. Appleton was our main supplier for years. They make -- I forget -- the market basket or the variety of papers that Ms. Hatfield mentioned.
It's really fun to go out and sell other than plain vanilla and take advantage of these papers that are outside your "lightweight thermal" definition and get people to use them for specific needs, like a paper that has a darker image, one that lasts longer, or what have you.

That's not what you're considering, but we've cherished Appleton as a supplier for years. We buy from Koehler, as we mentioned to you, and we buy from Kanzaki. We have several grades that we prefer from Kanzaki.

CHAIRMAN ARANOFF: You make that distinction based on your preference for particular grades, as opposed to a concern about the security of your supply.

MR. SANDT: I would say that the security of the supply is there. We would like to maintain relationships with a number of people, you know, for security reasons also.

CHAIRMAN ARANOFF: Okay. Did any of the other converters want to answer? Mr. Jansen?

MR. JANSEN: We also enjoy relationships with a diverse supplier group, again, with all of the coaters in this room, and we have purchased, and intend to continue to purchase, from all of the
coaters in this room in the future.

I think that is important to our industry, and thus we will maintain and continue to maintain relationships with the jumbo roll producers that are presented here in this room. Thank you.

CHAIRMAN ARANOFF: Okay. I've run out of time, but if either of the gentlemen in the back row wants to give a quick word on this subject.

MR. KYRISS: I would just say that, absolutely, at NCR, because of our size, due to security or any type of catastrophic event, we certainly needed to have more than one supplier. We have relationships with all of the major suppliers up until -- in fact, Appleton used to be one of our largest suppliers for low-end thermal, and it seemed like they bowed out about five years ago or so, and they decided not to play in that market.

So we're only dealing with, basically, two major converters and our coaters and also working with Mitsubishi and some others off and on. But because of that, we had to have both coaters; otherwise, we could have put ourselves in real harm.

CHAIRMAN ARANOFF: Okay. Well, let me invite all of you, in the post-hearing, since my time is up in this round. I understand people are saying
they like to have multiple suppliers. We sometimes see cases where people have multiple suppliers, but the share of their business that they give to domestic versus subject suppliers shifts over the period that we're looking at.

So if any of you have shifted the share of your purchases, if you could explain when that happened and the reason why that happened for the post-hearing, that would be very helpful.

If anyone wants to comment more on this in the public session, I can come back to it in the next round.

Vice Chairman Pearson?

VICE CHAIRMAN PEARSON: Thank you, Madam Chairman.

Mr. Kyriss, I'm correct to understand that it's been now more than a year since you worked for NCR?

MR. KYRISS: That is correct.

VICE CHAIRMAN PEARSON: Okay. I also have experienced leaving employment and trying to keep some track of what's going on. Obviously, you knew a lot about the business when you were still there.

To what extent are you current with what might be going on in the industry, either in China or
in the United States, today? Do you have some contacts still with people in that business?

MR. KYRISS: Sure. Yes, I do. I still have a lot of contacts, a lot of friends that I worked with over the 17 years. I don't get into it, certainly, in the detail that I did while I was working there. Over the last 12 months, I really can't comment a whole lot on where the industry went, and feel good about it, anyway.

I kind of keep track on where the market is going and some different things there, but, you know, since I left, I really haven't kept real close tabs on the market.

VICE CHAIRMAN PEARSON: But you're confident that the information you've given us today has been correct, as of the time you were there.

MR. KYRISS: All of the information that I've given you about the time I was there, I feel very confident about.

VICE CHAIRMAN PEARSON: And to the extent you may have speculated about the future, we should understand now that you're not involved in it every day.

MR. KYRISS: Correct, correct.

VICE CHAIRMAN PEARSON: Mr. Greene and Mr.
Jahns, this morning, I asked the Petitioners about the overlap in the size of 48- and 55-gram, in terms of the specifications, because the specifications do overlap, apparently, but, in terms of what actually happens commercially, do you have some sense of what percentage of your shipments might fall into that overlap zone so that it could qualify either as 48 or 55? And I understand you might need to answer at post-hearing, but tell me what you can, please.

MR. GREENE: This is Richard Greene. The specifications have a range that is a standard range that the German paper industry allows you to use in a specification. We don't come anyplace close to that range. In fact, our 48 gram is generally run in a basis weight of 46 and a half grams to 48, and, in a caliper, two and a half to 2.1.

Our converters could never put the amount of feet, the 310 feet, on a roll if the caliper varied the way those specifications did. They are just there because you can get that by the industry, and you can't be -- also, it's our incentive to run it lighter because we use less pulp, and we save more costs.

So it's really not at all overlap. It's an overlap only in specifications. The converters would be upset that they wouldn't be getting the 15-percent
freight savings that we told them they would expect if we were shipping a heavier-weight paper, and they wouldn't put the feet on the roll if we were shipping a paper that was thicker.

So that's not really a fair thing to say at all. There really is no overlap. We're running it 48 or under, and that's what we run it at. We have this machine that we put in in 2000 that was designed to run paper from 40 to 80 grams. That's a very, very narrow-range paper machine, and it's highly specialized just for base paper thermal.

We have tremendous advantages with that base paper machine of controlling the caliper, and, frankly, that base paper machine has been really the story of our success. The advantage we get from having an efficient base paper, the domestic coaters can't get. They have to buy base paper, and you heard this morning's testimony, correctly so, that, normally, when they go out and buy base paper in lighter weights, they have to pay more for that.

You can't blur the distinctions, as the Petitioners are trying to do, because, in practice, we wouldn't have any customers, if those variations were as the German Paper Trade Association allows us to put on our spec. sheet.
VICE CHAIRMAN PEARSON: Okay. So I would be correct to understand what you're saying, that none of Koehler's 48-gram paper that's come into the United States has drifted upward to being where it would fall into the potential specifications for 55.

MR. GREENE: Zero. Zero paper has drifted up. I doubt anything would be above 48 and a half because it's just to our disadvantage. We want to keep the paper thinner and lighter.

VICE CHAIRMAN PEARSON: Okay. That's a very clear statement. If you have anything to add in the post-hearing, you may do so, but I'm not sure that additional clarity could be achieved. Mr. Jahns?

MR. JAHNS: Falk Jahns, Mitsubishi. I just want to make it very quick now. I certainly can agree upon what Mr. Greene has just said. As well, on our technical data sheet, we certainly use the standardized specification variations which we are allowed by law to use. However, our production specifications are much more tighter. There, we are really speaking about a variation which allows us about plus or minus two maybe, so much, much more and narrower than is actually on the data sheet.

VICE CHAIRMAN PEARSON: Okay. So, in the case of Mitsubishi, as with Koehler, none of your
product that has come into the United States as 48 gram would be heavy enough so that it actually would qualify as 55 gram, potentially.

MR. JAHNS: That's correct.

VICE CHAIRMAN PEARSON: Okay. Good. Thank you very much. I appreciate that clarification.

Mr. Swadish?

MR. SWADISH: Ed Swadish. I would also like to touch on the subject of overlapping of the paper.

It's just impossible for it to happen. Any sheet of paper in front of you right now is three-thousandths thick. Take that thickness and divide it by three. If our thermal paper was too thick, by that one-third of that, the rolls would be too big to fit in the box. We would know, as soon as we put that roll on the machine, slit the first shaft. Our production guy would come to me and say, "We've got a problem. The rolls aren't fitting."

Actually, we've never had that with anybody's thermal paper. That happens somewhat frequently with bond paper, never with thermal. So I know for a fact that that doesn't happen.

VICE CHAIRMAN PEARSON: Mr. Ferrin?

MR. FERRIN: Yes. Just one thing -- this is Richard Ferrin -- one thing I would add is that if
there had been some merit to this argument that the Petitioners are making, you would have seen this explained in the petition, you would have had them use some other basis for trotting out pricing products in the petition, and you would have seen this argument in the preliminary phase of the investigation.

The fact that you hear this argument for the first time after a preliminary determination that they came very close to losing and that at first appeared when there was the discussion of the comments on the draft questionnaire, I think, speaks volumes to where they really see the dividing lines. Thanks.

VICE CHAIRMAN PEARSON: Okay. Thank you.

This next question is also directed primarily to Mr. Greene and Mr. Jahns, but if any of the converters would care to comment, I would welcome that.

Now that Appleton's new plant at West Carrollton has begun production, is there overcapacity for manufacturing jumbo rolls in the United States, or is the market perfectly balanced with the new plant online?

MR. JAHNS: Falk Jahns, Mitsubishi. In our point of view, since we believe as well that the market is still growing in the next years, and we
know, from our own experience, as well, how long it actually takes, from the day that you turn on the machine until you've reached your full production capacity level, so that you really can produce at full speed, and the whole ramp-up phase, with all of the wastage which you had at the beginning, we believe that there is no overcapacity in the market because the market is further growing.

We, as Mitsubishi, are not growing with the market. We are concentrating on other totally different grades which are really not within the scope of this investigation. So we can't see that there is an overcapacity here in this market.

Furthermore, what you have to keep in consideration as well, that Appleton is extremely focusing right now on exporting as well. You can see them in Europe, you see them in Asia, you see them in Australia, and you see them in South Africa, certainly with various grades, but they are offering as well the fax point-of-sales grades there as well, which we've seen, for example, as well in Europe now.

VICE CHAIRMAN PEARSON: So if I had asked the question, not just about the U.S. market but about the world market, the supply and demand of capacity for thermal paper is adequately in balance.
MR. JAHNS: It's balanced right now, I would say. I can't see, right now, any overcapacity, you see, because Appleton is a bit like Koehler as well. Appleton is a bit like Mitsubishi as well. They are not offering only the fax point-of-sales grades; they are offering as well some top coated grades.

So, for example, here in the North American market, you will see, over the next one or two years, an extremely high growth for the lotto applications because there are still many dot-matrix systems which are now switching over to direct-thermal systems. So they are going to participate from this as well.

VICE CHAIRMAN PEARSON: My red light is on, but I'm curious.

MR. JAHNS: Sorry.

VICE CHAIRMAN PEARSON: No, that's fine. Just a quick follow-up. How many months is it likely to take to get a new facility so that it's running at full speed? Are we talking about six months, a year, to work out the bugs, or longer than a year?

Mr. Jahns, you had indicated that it would take some time to do that.

MR. JAHNS: Yes. It really depends on, since they are not producing now their own base paper, probably something like three, four, or five months.
maybe. It really depends a bit on, you know -- it's very difficult to say.

VICE CHAIRMAN PEARSON: Okay. Thank you very much, and thank you for the indulgence, Madam Chairman.

CHAIRMAN ARANOFF: Commissioner Okun?

COMMISSIONER OKUN: Thank you. Let's see. Mr. Greene, a question for you.

One of the arguments Petitioners have made, in saying that the reason that you're marketing the 48-gram product in the United States is price driven, is that if you look at what you're selling in Europe, you're not selling the 48-gram product. I think they said that there was a limited market, maybe the U.K., and I think that Italy might have been the other one. Can you comment on that?

MR. GREENE: Richard Greene. I think that Mr. Frueh, who is in charge of thermal sales in Europe, could better answer that.

COMMISSIONER OKUN: Okay. Thank you.

MR. FRUEH: This is Willy Frueh.

COMMISSIONER OKUN: I can't see you over there, but now I can hear you. Okay.

MR. FRUEH: Actually, we do sell 48 gram successfully in probably half a dozen countries in
Europe, so it's not accurate what you heard this morning, that there is very little sales. We are increasing our sales in 48 gram also in Europe.

COMMISSIONER OKUN: Okay. Perhaps, for post-hearing, if you could just provide the breakdown of how much is 48 versus 55 in Europe, that would be helpful for me to evaluate that argument.

MR. FRUEH: Okay.

COMMISSIONER OKUN: Okay. I appreciate that.

Then I think I heard this, and I just wanted to make sure to clarify it, Mr. Greene, again for you. Are you selling 55 gram in the United States still?

MR. GREENE: No. We've discontinued selling 55 gram.

COMMISSIONER OKUN: Discontinued. Okay, 55 gram, so no longer that. Okay.

I know, in our closed session, we'll be able to talk more about the particular pricing that's on the record, but I did want to have a chance, and I'll direct this to converters, if you could help me understand what you saw, with respect to pricing, in the U.S. market after the provisional duties were imposed, and if you saw changes prior to the provisional duties, if you could comment on that as
well, or volume, so both. Was there an impact on pricing or volumes after the provisional duties were imposed in this investigation?

MR. SWADISH: Ed Swadish.

COMMISSIONER OKUN: Mr. Swadish going first again, first at bat. I just talked to my daughter, who gave a big speech today, and she said she got five extra credit points for going first. You've racked up a bunch, but our cases don't work that way.

MR. SWADISH: The one thing I can comment on is, when we were buying the 55 from Koehler, the trucks were $36,000 to $37,000, and now that we're buying the 48, it's more like $41,000, so it's gone up substantially over a year, a year and a half.

COMMISSIONER OKUN: Okay. And the timing being related to when the provisional duties were imposed. Is that correct? I just want to make sure I understand because sometimes when we're asking these questions, we're looking at what the law tells us to do, and one of the provisions is whether what's happened after the provisional duties went in place is an accurate description of whether to give less weight to it, in terms of the evidence. So I'm just trying to be very specific about what's happening in the marketplace.
MR. SWADISH: I believe the price increases started before the prevailing duty.

COMMISSIONER OKUN: Okay. Now, I know there has been some information put in the record with respect to that. If there is anything specific that you haven't introduced on when you saw pricing change, if you could put that in the post-hearing.

MR. SWADISH: I sure will. Thanks.

COMMISSIONER OKUN: Others?

MR. GREENE: If I might add to that.

COMMISSIONER OKUN: Yes, Mr. Greene.

MR. GREENE: In our prehearing brief, we showed that we led the last five price increases in the market, the first one being we announced, in May 2006, 17 months before the petition was filed, and the second one three months before the petition was filed, and three additional price increases in the year since the petition was filed. So that's five in more than two and a half years.

COMMISSIONER OKUN: Right. I'm aware of that in there, and I do want to continue with the converters, and then, obviously, we have pricing data in the record, and I'm trying to hook that all together, but I appreciate you pointing that out to me. Mr. Endsley?
MR. ENDSLEY: Yes, ma'am. Doug Endsley.

Also, when you order from Koehler, you have to order at least 90 days in advance to say those price increases that were mentioned were communicated to us 90 days prior to that.

COMMISSIONER OKUN: Okay. So, again, if you have specific information. We have their announcements. Sometimes announcements stick, and sometimes they don't. So what I'm trying to understand is, if you have any information that you can provide with specifics on your price increases and when they were communicated to you, that would be helpful. Mr. Sandt?

MR. SANDT: I can confirm that we received, and all of the price increases stuck that were presented to us. Whether they were due to prevailing these duties being put on, we're in an inflationary period. Everything that goes into making up our rolls has gone up. The plastic cores have gone up 15 percent. The boxes have gone up -- I think it's probably about 20 percent. So I don't think Koehler is any different from --

COMMISSIONER OKUN: Okay. Whatever, again, specificity and timing. You know, often I know when price increases are announced, they are accompanied by
a statement indicating that there are raw material
prices or something else going on in the market.

So to the extent that you received
communication and when you received that, I think that
would be helpful as well.

Mr. Jansen?

MR. JANSEN: As well, at the end of this
calendar year, we have received three price increases,
and, again, to echo my colleagues' statements, they
all have been firm. If you would like some
documentation, post-hearing, we'll gladly provide
that. Thank you very much.

COMMISSIONER OKUN: Okay. I'll appreciate
looking at that.

I'm trying to decide if the rest of my
questions would be better asked in the closed session,
which I think they are, so I will hold those, but I do
want to thank all of you for your responses in this
session. Thank you, Madam Chairman.

CHAIRMAN ARANOFF: Now, I don't want to cut
off anyone's turn. Commissioner Lane, do you have any
more questions?

COMMISSIONER LANE: No.

CHAIRMAN ARANOFF: I don't believe
Commissioner Williamson or Commissioner Pinkert does,
which means it's back to me, and I do have a few more
questions.

One question for Hanhong. Can you tell me
whether there are any Chinese producers who can make,
or are making, a 48-gram product?

MR. ZHANG (interpreting for Mr. Qiang): "To
produce 48-gram paper, there are two conditions.
First, we need to have the base paper.

"In China, the paper mills who can produce
such a thing like 48 grams, some are base paper, only
have two or three companies, maybe just the two
companies that can produce such a thermal-based paper.

"The thinner the paper is, the higher
technology that it requires, so it's very difficult.

"So a second condition is needed: very
advanced equipment to produce the thin-based paper. I
believe that all of the coaters know this.

"In China, only Guangdong Guanhao can
produce such a base paper. Thanks."

MR. BURNS: This is Chris Burns. I would
just like to clarify that the base paper is going to
be less than 48 gram. It would probably be more like
39 or 40 gram.

CHAIRMAN ARANOFF: Right, and then you add
the coating.
MR. BURNS: Correct.

CHAIRMAN ARANOFF: Okay. Thank you.

Ms. Jeong, let me direct this question to you. In your brief, the Chinese Respondents point out that domestic coaters can't supply total market demand for jumbo rolls, which means that imports are required, but you also concede, in the brief, that U.S. converters have ample capacity to supply total domestic demand for slit rolls, as well as some exports.

Does that mean that, even if imported jumbo rolls might be necessary to meet domestic demand, that the rise in imported slit rolls cannot be explained as necessary to satisfy demand?

MS. JEONG: This is Rosa Jeong. I think maybe perhaps I'm looking at separate issues. There is certainly capacity in the converter side, but our belief is that it's really a structural problem, the fact that there are excess capacity, but the excess capacity for the converter market is also driven by the availability of the coated paper and the demand.

The slit-roll imports coming in from China haven't really replaced any slit rolls being produced from the domestic jumbo rolls.

MR. NEELEY: Jeff Neeley. Just one other

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sort of similar thought, that excess capacity has been there, year in and year out, which is, I think, what Rosa is also saying, and there is really just no material effect from the Chinese imports, which are very small in their capacity, nor any threat since the capacity over there is so small as well.

CHAIRMAN ARANOFF: Let me ask the witness, Koehler. We had testimony this morning that at least one company had purchased slit rolls from China which they said were converted from German jumbo rolls in China. Can you tell me whether China has been a significant market for German jumbo rolls, and whether you view the phenomenon of such rolls being slit in China as a threat to your market position for jumbo rolls in the United States?

MR. FRUEH: This is Willy Frueh. The volumes that we ship to China are insignificant, absolutely insignificant, versus the scope of what we are doing here, how much we are shipping here. I do not have an explanation of why Koehler paper has been shipped from China to the United States. This doesn't make real economic sense and is also beyond our control.

COMMISSIONER OKUN: How about Mitsubishi? Are you shipping jumbo rolls to China that might be
MR. JAHNS: This is Falk Jahns, Mitsubishi. We're selling into China, but the same with Koehler, absolutely insignificant even to compare to the quantities which we sell here into the U.S. This is just under what we call "contact quantities" so that we just only see what's really happening in the Chinese market, and we get some kind of customer feedback.

But if it were, let's say, something maybe like three containers in a month, then it's already a lot. It's really, really insignificant, nothing, in fact.

COMMISSIONER OKUN: Okay. Thank you. With that, I think I may actually have exhausted my questions, and I do want to thank this panel for your endurance and for all of the information that you've provided.

Vice Chairman Pearson, do you have additional questions?

VICE CHAIRMAN PEARSON: Yes, Madam Chairman. It would be terribly impolite of me to have the Chairman be the only person to ask a third round, so I'll just do this quickly.

The first question for Mr. Greene: Did you
have anything to add to what Mr. Jahns had responded
earlier in regard to the question of possible
overcapacity in the U.S. market with the new plant
built by Appleton, in the U.S. or world market? Did
you agree with his comments?

MR. GREENE: I don't really have anything to add. I don't really know how much capacity Appleton
is adding to the market. I heard originally that they
were shutting down some excess capacity up in
Wisconsin. So we're not really sure how it will
affect the market.

VICE CHAIRMAN PEARSON: Okay. Stay tuned,
in other words.

A question for converters: We've heard,
really, two very different views of the marketplace
today. If I'm understanding you correctly, you're
saying that customer preferences in the marketplace
are changing relatively quickly toward the 48-gram
paper.

So my question: Is the marketplace changing
faster than the domestic industry has been able to
adjust? Mr. Swadish?

MR. SWADISH: I would say there is quite a
few converters that are missing the boat on that as
well, you know. Instead of creating a new product and
making a new profit center for themselves, they are
hanging onto that 55. There's a lot of guys that are
missing the boat, and those are the guys that are
getting beat up and making less money.

VICE CHAIRMAN PEARSON: Any others?

Let me ask kind of a similar question, only
this way. Look at the customer service provided by
the various suppliers of jumbo rolls. Is it
relatively similar between the imported jumbos and the
domestic jumbos, or do you see differences in customer
service, based on country of origin or company? Mr.
Endsley?

MR. ENDSLEY: Doug Endsley, yes. I've been
doing business with Koehler for 10 years, and I've
never placed an order that they didn't fulfill timely.
So we've never had a capacity issue at all, and that's
not been the case with my experiences with the other
domestic mills.

VICE CHAIRMAN PEARSON: Any other comments?

Mr. Sandt?

MR. SANDT: You have to be very organized to
do business with Koehler, and perhaps this is good for
us. We do place our orders three months in advance.
If you've been around most of American purchasing,
they like to do just-in-time inventory, and that's
something that could be really open for a domestic
source to be involved in, but the foreign source, in
this case, has worked out just fine. It sounds scary,
to begin with, if you're not used to buying three
months ahead of time or six months sometimes; we place
orders six months in advance.

VICE CHAIRMAN PEARSON: I thought there
might be an argument here that the German suppliers
were providing superior customer service relate to the
domestic suppliers, and if you want to make that
argument, you're not making it very forcefully, so
maybe I should just leave it there.

MR. SANDT: I don't want to start an
argument.

VICE CHAIRMAN PEARSON: Okay. Well, if
anyone would care to add something in the post-
hearing, I would be glad to read it there, but,
otherwise, I'm certainly not going to lean on you
harder. I was struck by the different view of the
marketplace by the morning panel and by your panel, so
I'm trying to understand a little better what might
explain that.

Madam Chairman, I have no further questions.
Thank you all very much for your participation.

CHAIRMAN ARANOFF: I don't believe there are
any further questions from the dais. Do the staff have any questions for this panel?

MR. McCLURE: Jim McClure, Office of Investigations. Mr. Bernstein has one request.

MR. BERNSTEIN: That is correct. I have one request for the counsel for the German Respondents.

At pages 51 to 53 of your prehearing brief, you suggest the Commission take into account dumping calculations the Department of Commerce made for various product models within the single product category of lightweight thermal paper.

You cite the 1989 Federal Circuit Algoma decision as authority for the Commission to conduct such an analysis. Even if your reading of Algoma is correct, the opinion was issued before the Uruguay Round Agreements Act amendments to the antidumping laws. It would require the Commission to take into account the magnitude of the margin of dumping and specify the pertinent margin is the one published by the U.S. Department of Commerce.

The final determination for Germany that Commerce published in the Federal Register today does not contain dumping margins on individual product models.

In light of this, please explain, in your
post-hearing submission, how your reading of Algoma is consistent with the URAA amendments concerning Commission consideration of the dumping margins. And, parties supporting imposition of duties, if you would like to address this question in your post-hearing submission, you're welcome to do so as well. Thank you.

MR. McCLURE: Chairman Aranoff, the staff has no further questions.

CHAIRMAN ARANOFF: Thank you. Do Petitioners have any questions for this panel?

MR. DORN: No, Madam Chairman.

CHAIRMAN ARANOFF: Okay. The game plan for the rest of the evening, and there is quite a bit of it left: We are going to turn now to the first in-camera session, the Respondents' in-camera session, so, in a moment, I will ask that the room be cleared. When we complete that session, we are going to take a very short, 15-minute-ish dinner break so that the Commission can get our energy level back up so that we do justice to the rest of the evening. That will be followed by the Petitioners' in-camera rebuttal, to the extent that they want any, and then the public closing statements.

I'm not quite sure we're going to get

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everyone out of here in time to hear the debate tonight, but I think our first obligation is to do justice to all of you who have traveled so far to present your case to us today, so we will persevere. For those of the witnesses who are not aware, our all-time record for concluding a hearing is 10:58 p.m. I'm hopeful that we will not break that record tonight.

So, Madam Secretary, I'll now ask that the room be cleared so we can prepare for the first in-camera session.

MS. ABBOTT: And I'll ask if the 17 persons on the protective order, since they are personally known, will identify themselves to me. You may stay in the room.

(Whereupon, a short recess was taken.)
CHAIRMAN ARANOFF: Mr. Dorn, Mr. Horlick, please proceed.

MR. HORLICK: Thank you, Madame Chairman, Jerry Horlick. On behalf of Kanzaki, I'd just want to emphasize a few key points.

As was mentioned earlier, the vast majority of Kanzaki's sales are 2.2, actually a little less sometimes, caliper, which works out to 53 grams. So this whole debate that I've listened to about 48 versus 55. We're right in the middle, yes 48 and 55 compete with both of them. This idea that there are two separate products isn't true in the marketplace.

We've submitted for the record voluminous contemporaneous business records showing that we lost sales to imports of both 48 and 55.

The other point I want to reiterate is that we did not place people on allocation. Kanzaki runs on a lean program with rolling forecasts. Sometimes if people come in at the last minute, we can't fulfill those but we didn't put anyone on allocation. We didn't turn down people who didn't -- if we didn't get acceptances from people who wanted lower prices than we were willing to charge. Thank you.

MR. DORN: With regard to the issue of
alleged shortages, what did you hear from the other side? Mr. Jansen from Paper Solutions said he had "no exposure to that situation."

Mr. Kyriss, formerly of NCR, said that they never were cut back on their existing volume. He talked about switching volume back and forth to various sources, and he always asked for price concessions. So that was about price.

Mr. Swadish of Discount Papers said that he had heard rumors about allocation but he had no evidence to provide that he'd been allocated or had any shortage situation.

And Mr. Endsley from Register Tapes said it didn't want to pay a higher price for Appleton's product. That's his shortage allegation.

I would also add that Register Tapes was a credit risk and Sandt Products was also a credit risk in the eyes of at least Appleton. Sandt's testimony was that he didn't know exactly when this allocation was. But, then, when he was asked later, he said: Well, it was five years ago. so it was before the period of investigation.

So, the bottom line: There was no evidence today about any shortages or allocations that would suggest that the increased imports were needed. there
has been a lot of focus on Appleton's capacity and so forth, but there's no question raised by anyone that Kanzaki had open capacity at all times during the POI, as you heard.

I thought the testimony regarding warranty and certification was extremely interesting today, especially given the fact that NCR, which I understand has very tight quality requirement, brought in product from China, which was not certified by OEM but NCR had no problem bringing in product from China and selling it.

NCR is also a major provider of service agreements. But again, it didn't have any problem bringing in product from China. It was interesting that Mr. Greene indicated that Koehler just gets certification with respect to IBM where EPSON is really the majority of the U.S. markets. So this idea that you're going to blow your warranty if you don't have the certification with respect for that particular printer just makes no sense at all.

With regard to Mr. Swadish's testimony that there was a problem with 48-gram paper offered by Appleton, he says that was a problem that he suffered in March of 2008. That's just not true. The product was up and running and very well received in the
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marketplace in Nashua, which I think is one of the top
two converters in the country, was using it in the
spring of 2008. They said they loved it. It's
interesting that Nashua is not here today.

It was also interesting hear Mr. Greene when
asked about certification, really making our case that
there is no difference between KT-48 and KT-55. He
said that the coating is exactly the same. In fact he
said that he'd already gotten the 55 certified, so why
even bother to get the KT-48 certified. It's just the
same product.

With regard to Koehler's price
announcements, what Appleton and Kanzaki tell us is
that those announcements are fine but that they don't
stick. What you need to look at is the real pricing
data in the record.

And I thought it was interesting that we got
confirmation from the other side that the reverse --

CHAIRMAN ARANOFF: Your light is on, Mr.

Dorn, can you wrap up real quick please?

MR. DORN: Just the last point: We got
confirmation that the reverse Internet auctions are
becoming increasingly important and they'll all about
price was the testimony.

Thank you.
CHAIRMAN ARANOFF: Thank you very much.

Can we have the Respondents come forward for their closing. Please proceed.

MR. SILVERMAN: I was here for the record night. I remember it well, so we're not going to break their record.

CHAIRMAN ARANOFF: Me, too.

MR. SILVERMAN: You heard a lot of numbers, a lot of back and forth on who said what to whom. I want to come back to what's really happened in the marketplace. Let's not get buried by some of these numbers.

As I said at the beginning, the growth of 48, as the Germans introduced it in a strong way explains a lot about what went on in the market. I went back and looked at the transcripts from the preliminary conference. The witness for Appleton said with respect to lower-weight paper: We had that paper out in the market until 2006 and we decided to discontinue it. There wasn't a tremendous demand for it. That's on p. 109 in Ms. Hatfield's comments.

They missed the boat. They blame it on price but the fact is that they didn't realize all the benefits that various people, in various market segments, were realizing. I hate to use the term but
if you read their testimony on p. 105-106, they dumped
on the product. They thought that product was not
going to go anywhere. There's no market demand.

And that's because they didn't realize the
characteristics that would be successful.

Koehler came in. It took it's customers
from 55 and persuaded them that the 48 had numerous
benefits and that they're converter customers would
have numerous benefits. Interestingly, somewhere
along the line, the light did go off. In January
2008, Appleton introduced a new product, and what did
they advertise as one of the major reasons to buy
their light-weight product, their 48 product, were
freight costs. Just the kind of thing that Mr.
Malashevich mentioned. I think the Staff has that and
we'll attack it to our brief where they said it.

Now, they go back and forth at least a
hundred times saying that 55 is the same thing as 48.
That's critical to their case. If they were exactly
the same, why did they back out of selling 48. They
didn't figure that it sold in the market. That's
their testimony.

Now, they recognize it and now they're
selling it because there is a difference. There is an
advantageous. So their own commercial behavior
conflicts with the testimony that they've given.

On pricing, I think from your questions in various parts of this conference, you've seen some of the problems with that pricing data for them. They hate that pricing data. They tried so many times in so many ways to have it changed. The Staff caught them numerous times. There is footnote in the Staff Report about it and they'd come up with all kinds of ways to get around it, one plus one equals two, as I said earlier, but in the confidential session, they came up with a new one. I can't tell you what it was, but if you go back in the testimony there was a question about one of the producers and they came up with another reason: You should disregard the pricing data.

It was really damaging to them and I hope you won't let them spin you around with the latest way to play the shell game with the prices.

As to the question about combining products in the pricing data, please refer, Commissioner Okun, to Exhibit 9. You asked a question and we provided that as Exhibit 9 in the pricing.

Last, you talk about sales to retail stores. Koehler does not sell to retail stores. Koehler sells to converters. So any discussion about what
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retailers bought or didn't buy is germane because we don't sell to retailers.

MS. JEONG: Let me just address a few points related to the bid analysis and some of the speculation that's been flying around this evening. First, given that the Chinese got started with virtually nothing in the first part of the POI, it's absurd to use words like an astronomical increase over an increase in their imports.

An increase from one ton to a thousand tons would be a thousand fold increase, an astronomical number, but not really when you're looking at a market the size of a million tons.

We'd like the Commission to really look at the relative terms, the fact that in relative terms, the Chinese imports remain quite small.

Second: How should the Commission interpret the fact that not many Chinese companies responded to the questionnaires. I personally found it incredibly offensive that some of the allegations that were flying around based on some devious document for which there is absolutely no evidence that any thermal paper company even saw the document, much less followed it.

I can tell you that I've been working with Chinese companies for a number of years, and I can...
tell you that the Commission's response to any AD/CVD actions based solely on the company's financial resources and their interest in the U.S. market and whether they have the money and the effort to go out and hire counsel to make sense of the whole thing.

The lack of participation in this case really confirms that Hanhong, along with maybe two other companies to a lesser extent, is the only company with the interest and the level of qualify that is finally acceptable in this U.S. market.

In light of the Chinese domestic market and the absolute market cap imposed by the lack of certification that Chinese goods have, this also means that Chinese imports are not likely to increase much in the near future.

Thank you.

CHAIRMAN ARANOFF: Thank you.

We're now short of our record for which I think we can all be profoundly grateful. Post-hearing briefs and statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by October 9, 2008.

The closing of the record and the final release of data to parties is due October 23, 2008, and final comments are due on October 27, 2008.
I want to extend a special thank you to our hearty Staff for hanging in with us all this time, and as well for all of your work on this case.

With that, this hearing is adjourned.

(Whereupon, at 9:57 p.m., the hearing in the above-entitled matter was concluded.)
CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Lightweight Thermal Paper

INVESTIGATION NOS.: 701-TA-451, 731-TA-1126-1127 (Final)

HEARING DATE: October 2, 2008
LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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.

DATE: October 2, 2008
SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
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Washington, D.C. 20005

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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