

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
CERTAIN UNCOATED PAPER FROM AUSTRALIA, ) 701-TA-528-529 AND  
BRAZIL, CHINA, INDONESIA, AND PORTUGAL ) 731-TA-1264-1268 (PRELIMINARY)

**REVISED AND CORRECTED**

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THE UNITED STATES  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:                    ) Investigation Nos.:  
CERTAIN UNCOATED PAPER FROM ) 701-TA-528-529 and  
AUSTRALIA, BRAZIL, CHINA,        ) 731-TA-1264-1268 (Preliminary)  
INDONESIA, AND PORTUGAL            )

Wednesday, February 11, 2015  
Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC

The meeting commenced pursuant to notice at 9:30  
a.m., before the International Trade Commission  
Investigative Staff, James McClure, Acting Director of  
Investigation, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3

4 Staff Present:

5 William R. Bishop, Supervisory Hearings and  
6 Information Officer

7 Sharon Bellamy, Program Support Specialist

8 Mikayla Kelley, Student Intern

9

10 James McClure, Acting Director of Investigations

11 Nathanael Comly, Investigator

12 Vincent Honnold, International Trade Analyst

13 Amelia Preece, Economist

14 Charles Yost, Accountant/Auditor

15 Rhonda Hughes, Attorney/Advisor

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

3 King & Spalding LLP, Washington, D.C., and Stewart and  
4 Stewart, Washington, D.C., on behalf of United Steel, Paper,  
5 and Forestry, Rubber, Manufacturing, Energy, Allied  
6 Industrial and Service Workers International Union ("USW");  
7 Domtar Corporation; Finch Paper LLC; P.H. Glatfelter  
8 Company; Packaging Corporation of America

9 Richard L. Thomas, Senior Vice President, Sales  
10 and Marketing, Domtar Corporation

11 Robert Melton, Vice President, Business Paper and  
12 Strategic Accounts, Domtar Corporation

13 Jack Bray, Vice President of Manufacturing,  
14 Region 2, Domtar Corporation

15 Bonnie B. Byers, Consultant, King & Spalding LLP

16 Judy Lassa, Senior Vice President, Paper, BOISE  
17 Paper, a division of Packaging Corporation of America

18 Paul LeBlanc, Vice President, Paper Sales &  
19 Marketing, BOISE Paper, a division of Packaging Corporation  
20 of America

21 Josh Boyd, Director of Strategy and  
22 Administration, BOISE Paper, a division of Packaging  
23 Corporation of America

24 Douglas Franz, Paper Finance Analyst IV, BOISE  
25 Paper, a division of Packaging Corporation of America

1                   Jon Geenen, International Vice President, United  
2 Steelworkers Union

3                   Joseph W. Dorn and Stephen A. Jones, King &  
4 Spalding LLP

5                   Terence P. Stewart, Elizabeth J. Drake and Philip  
6 A. Butler, Stewart and Stewart

7

8                   In Opposition to the Imposition of Antidumping and  
9 Countervailing Duty Orders:

10                  Porter Wright Morris & Arthur LLP, Washington, DC on behalf  
11 of Australian Paper and Paper Products Marketing (USA) Inc.

12                   James R. Peters, President, Paper Products  
13 Marketing (USA) Inc.

14                   Leslie Alan Glick, Porter Wright Morris & Arthur  
15 LLP, Washington, DC

16

17                  Arnold & Porter LLP, Washington, DC on behalf of Asia Pulp  
18 and Paper

19                   Arvind Gupta, Director, Commercial, Asia Pulp and  
20 Paper

21                   Don Earls, Sales Manager (Copy Paper), PaperMax

22                   Roger D. Simpson, Consultant, Roger D. Simpson &  
23 Associates Pty. Ltd.

24                   Michael Shor, Arnold & Porter LLP, Washington, DC

25

1 Cassidy Levy Kent, Washington, DC on behalf of Portucel S.A.  
2 and Portucel Soporcel North America

3 Andre Leclercq, Sales Director International,  
4 Portucel S.A.

5 Mike Dutt, General Manager, Portucel Soporcel  
6 North America

7 John D. Greenwald and Jonathan Zielinski, Cassidy  
8 Levy Kent, Washington, DC

9

10 Steptoe & Johnson LLP, Washington, DC on behalf of Suzano  
11 Papel e Celulose S.A. and Suzano Pulp and Paper America,  
12 Inc.

13 Thomas Tarpey, Sales Manager, Suzano Pulp and  
14 Paper America, Inc.

15 Susan G. Esserman, Steptoe & Johnson LLP,  
16 Washington, DC

17 Mayer Brown LLP, Washington, DC on behalf of Asia Symbol  
18 (Guangong) Paper Co., Ltd., GreenPoint Global Trading (Macao  
19 Commercial Offshore) Limited, APRIL Fine Paper Macao  
20 Commercial Offshore Limited ("APRIL")

21 Alex Ismail, CEO, Limited Paper

22 Roger Webb, President, Business Products, Shinsei  
23 Pulp & Paper (US) Corp.

24 Sunil Sood, Head, Pulp & Paper Sales, APRIL

25 Matthew McConkey, Mayer Brown LLP, Washington, DC

1 DeFieffer & Horgan, Washington, DC on behalf of China Paper  
2 Association

3 Henric Wallen, General Manager, Chengrin Paper

4 Kevin Horgan, DeFieffer & Horgan, Washington, DC

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## 1 P R O C E E D I N G S

2 (9:32 a.m.)

3 MR. BISHOP: Will the room please come to order?

4 MR. McCLURE: Good morning and welcome to the  
5 U.S. International Trade Commission's Conference in  
6 connection with a preliminary phase of antidumping and  
7 countervailing duty Investigation Nos. 701-TA-428 and 529,  
8 and 731-TA-1264 through 1268 concerning Certain Uncoated  
9 Paper form Australia, Brazil, China, Indonesia and Portugal.

10 My name is Jim McClure. I'm the acting director  
11 of the Office of Investigations as well as the supervisory  
12 investigator on these investigations and I will preside at  
13 this conference.

14 Among those present from the Commission staff are  
15 from my far right, Amelia Preece, our economist; Nate Comly,  
16 the investigator in these investigations; Rhonda Hughes, our  
17 attorney advisor; Charles Yost will be here shortly, he's  
18 the auditor; and Vincent Honnold, the industry analyst.

19 I understand the parties are aware of the time  
20 allocations. I would remind speakers not to refer in your  
21 remarks to business proprietary information and to speak  
22 directly into the microphones.

23 We also ask that you state your name and  
24 affiliation for the record before beginning your  
25 presentation or when answering questions for the benefit of

1 the court reporter.

2 All witness must be sworn in before presenting  
3 testimony. I understand the parties are aware of the time  
4 allocations. Any questions regarding those allocations  
5 should be addressed with the Secretary.

6 Are there any questions?

7 (No response.)

8 MR. McCLURE: Mr. Secretary, are there any  
9 preliminary matters?

10 MR. BISHOP: Yes, Mr. Chairman. I would note  
11 that all witnesses for today's preliminary conference have  
12 been sworn in.

13 Also, with your permission, we will add to page 3  
14 of the witness list Don Earls, Sales Manager for Copy Paper  
15 of PaperMax, Roger D. Simpson, Consultant, with Roger D.  
16 Simpson and Associates.

17 Also, to page four of the witness list we will  
18 add DeKieffer and Horgan on behalf of China Paper  
19 Association, witness Henric Wallen, the General Manager of  
20 Chengrin Paper and Kevin Horgan of counsel.

21 There are no other preliminary matters.

22 MR. McCLURE: What, there aren't any more lawyers  
23 who want to get in on this?

24 Okay. Very well. Let's proceed with the opening  
25 statements.

1                   MR. BISHOP: Opening remarks on behalf of  
2                   Petitioners will be by Joseph W. Dorn, King and Spalding.

3                   OPENING STATEMENT ON BEHALF OF PETITIONERS

4                   MR. DORN: Good morning. Joe Dorn for  
5                   petitioners.

6                   This case is about rapidly increasing imports of  
7                   certain uncoated paper from Australia, Brazil, China,  
8                   Indonesia, and Portugal. Imports from all five countries  
9                   are dumped and imports from China and Indonesia are also  
10                  subsidized. The scope of the imported articles subject to  
11                  investigation includes uncoated paper with a basis weight of  
12                  40 to 150 grams per square meter with a GE brightness level  
13                  of 85 and higher and that is in sheet form.

14                  Because an identical product is manufactured in  
15                  the United States, and because clear dividing lines separate  
16                  certain uncoated paper from other types of paper, the  
17                  domestic-like product should be defined commensurate with  
18                  the scope definition.

19                  The conditions of competition make this domestic  
20                  industry particularly susceptible to injury from unfairly  
21                  priced imports.

22                  First, certain uncoated paper is a  
23                  price-sensitive, commodity-like product. Substantially all  
24                  U.S. shipments of subject imports and domestic products  
25                  consist of letter-size and legal-size, multi-purpose copy

1 paper. In fact, pricing product one, defined as 20-pound,  
2 letter-size copy paper with over 90 brightness, will likely  
3 capture a very large share of competing sales of the subject  
4 imports and the domestic-like product.

5 Because these products are standardized, they are  
6 highly interchangeable regardless of source. In fact, the  
7 same private label brand may be sourced from various  
8 producers in the United States and the subject countries.  
9 As a result, purchasing decisions are largely based on  
10 price.

11 Second, this industry is highly capital  
12 intensive. Fixed costs are high relative to variable costs.  
13 Paper machines are intended to operate 24/7 in order to  
14 minimize per unit, fixed costs. U.S. producers have a  
15 strong economic incentive to meet lower import prices to  
16 avoid lost sales and underutilized capacity.

17 Third, U.S. demand for certain uncoated paper has  
18 been declining at an annual rate of about 3 percent over the  
19 past 15 years. U.S. producers in turn have made painful  
20 decisions to disinvest in U.S. production assets in order to  
21 minimize oversupply and to maintain high operating rates on  
22 remaining assets.

23 Applying the statutory factors in the context of  
24 these conditions of competition, there is at least a  
25 reasonable indication that the domestic industry is

1 materially injured by reason of subject imports.

2 First, the volume of subject imports and increase  
3 the volume of imports are both significant. During January  
4 to September 2014, imports from the subject countries  
5 equaled 86 percent of imports from all countries and 21  
6 percent of U.S. consumption. Subject imports increased 44  
7 percent from 2011 to 2013 and 40 percent from interim 2013  
8 to interim '14.

9 They increased their share of the U.S. market  
10 from 10 percent in 2011 to 14 percent in 2013 and from 15  
11 percent in interim 2013 to 21 percent in interim 2014.

12 Second, the subject imports have had very  
13 negative price effects. Based on published industry data,  
14 and confidential information from our clients, subject  
15 imports have consistently undersold the domestic-like  
16 product by significant margins. The average unit value of  
17 subject imports also declined over the POI. The increasing  
18 volume and decreasing prices of subject imports have both  
19 depressed and suppressed U.S. prices. U.S. prices declined  
20 from 2011 to 2013. With an improving economy and increasing  
21 costs, U.S. producers attempted to recover from those price  
22 declines in 2014. The imports undersold the domestic-like  
23 product by even higher margins and took even more market  
24 share and suppressed U.S. prices in 2014 and going into  
25 2015.

1           Finally, the subject imports' negative volume and  
2 price effects have seriously impacted the domestic  
3 industry's market share, output, employment, profitability,  
4 and capital investment. The domestic industry lost over 4  
5 percentage points of market share from 2011 to 2013 and 6  
6 points from interim 2013 to interim 2014.

7           The four petitioning producers suffered declines  
8 in production, employment, and profits. The rapid increase  
9 of lower-priced imports at the expense of U.S. production is  
10 accelerating the domestic industry's disinvestment in U.S.  
11 production assets and its separation of U.S. workers.

12           Because the industry is already injured, there is  
13 no need for the Commission to assess threat of injury, but  
14 the rapid increase in imports, the persistent underselling,  
15 the excess capacity in the subject countries, and the  
16 government subsidies in China and Indonesia -- all in the  
17 context of declining U.S. consumption -- make clear that  
18 future injury is also eminent if duties are not imposed to  
19 offset the dumping and the subsidies.

20           Thus the Commission should reach affirmative  
21 preliminary determinations in each of these investigations.

22           Thank you.

23           MR. McCLURE: Thank you, Mr. Dorn.

24           Mr. McConkey, your turn.

25           MR. BISHOP: Opening remarks on behalf of

1 Respondents will be by Matthew McConkey, Mayer Brown.

2 OPENING REMARKS ON BEHALF OF THE RESPONDENTS

3 MR. McCONKEY: Good morning, this is Matthew  
4 McConkey of Mayer Brown.

5 As the staff knows, all too painfully well, each  
6 of these cases is decided on a unique set of facts, though  
7 some are more unique than others. To be sure, this is a  
8 unique case.

9 For years now, the U.S. mills have been shutting  
10 down production and consolidating. These actions have been  
11 systematically undertaken by the U.S. mills for several  
12 reasons including, they want to close older, higher-cost  
13 mills, and they want to move their capacity to higher-valued  
14 goods such as fluff pulp and specialty paper.

15 What's key to this list of reasons is what's  
16 missing, imports. None of the mill announcements of the  
17 closures have ever suggested that the closures were due to  
18 imports. Thankfully, the Commission doesn't have to take my  
19 word or the others who will be speaking today on behalf of  
20 those opposed to these petitions assertions this morning.

21 I'm now going to play an audio of Domtar's  
22 February 6th, 2014 earnings call.

23 MR. McCLURE: One thing I might interject here, I  
24 have asked Mr. McConkey to provide a transcript of this for  
25 the record and for our court reporter. And we'd like that

1 today.

2 (Audio tape)

3 MR. WILLIAMS: Our results this morning rounded  
4 off a successful 2014. We delivered strong results in our  
5 pulp and paper business and we reached new milestones in  
6 personal care. Our journey from pulp and paper maker to  
7 fiber innovator continue to gain pace and our growth  
8 strategy is now firmly on track. All these initiatives  
9 resulted in a year of strong cash-flows which enabled us to  
10 continue to look for valid credit opportunities and to  
11 retain capital to our shareholders.

12 Let me take a moment to discuss the fourth  
13 quarter. In paper we had strong shipments, but imports  
14 continued to be a challenge for our markets resulting in  
15 price adjustments in certain channels. Nevertheless, we had  
16 a 120 basis point margin improvement, so a solid performance  
17 overall. We shipped at 101 percent of our production to  
18 Corsa and we took 39,000 tons of market-related downtime.

19 Moving to pulp, we had a very good up-righting  
20 performance driven by strong productivity. Price  
21 realizations were down slightly from the third quarter and  
22 drifted low earlier in the year due mostly to the  
23 strengthening of the U.S. dollar, again we pulled an  
24 important corner in 2014 on our journey to build a growing  
25 fiber based business through acquisitions, strategic

1 investments and capacity and the repurchasing of assets.

2 We also enhance the energy and fiber efficiency  
3 of some of our pulp and paper mills and we continue to  
4 streamline our network to create a more cost-effective  
5 distribution channel. But then at that drop we delivered a  
6 strong performance. Our consolidated sales increased 3  
7 percent to \$5.6 billion dollars and we generated \$765  
8 million of either (unintelligible) and nearly \$400 million  
9 of free cash flow, a meaningful increase when compared to  
10 2013.

11 We significantly improved fuller results driven  
12 by good productivity, stable global inventory levels and  
13 good momentum in softwood markets.

14 (Unintelligible) was softer than the prior year,  
15 but our shipments turned it better than industry. Our  
16 specialty paper volumes grew 6 percent compared to last  
17 year, mostly driven by strong sales to Ackrium.

18 We also had additional volume opportunities -- .

19 MR. McCONKEY: Again, we'll submit the hard copy  
20 of that transcript.

21 MR. McCLURE: Thank you. I think that would be  
22 quite useful.

23 MR. McCONKEY: Sorry. Sometimes technology  
24 works, sometimes it doesn't.

25 So what is this case really about? Is it about

1 the U.S. mills being unprofitable? Not in 2014, they  
2 weren't. Indeed, the U.S. mills did their best in 2014 when  
3 imports were at their peak.

4 So this case is about the U.S. mills strategic  
5 decisions to remove capacity and the impact that those  
6 closures have had on the traditional injury factors examined  
7 by the Commission in these cases. Any indicia of injury  
8 shouldn't be assigned to imports, the blame falls squarely  
9 on the shoulders of the U.S. mills and their long-term  
10 strategic goal of repurposing their capital assets.

11 So later today you are going to hear from a  
12 number of speakers who will expand on why there is no  
13 indication of injury by reason of imports and why there is  
14 no eminent threat from subject imports on a cumulated basis.

15  
16 Specifically Mike Shore is going to spend some  
17 time talking about present injury and John Greenwald will  
18 address the issue of threat. We will then have a series of  
19 witnesses who will address specific issues.

20 Finally, and just to avoid any suspense in these  
21 staff conferences, if there ever is any, for purposes of the  
22 preliminary investigation, we are accepting the like-product  
23 definition as set forth by the petitioners, though we would  
24 reserve our right to address this should we get to a final.

25 Thank you.

1 MR. McCLURE: Thank you, Mr. McConkey.

2 MR. BISHOP: Would the panel in support of the  
3 imposition of antidumping and countervailing duty orders  
4 please come forward and be seated?

5 (Pause.)

6 MR. BISHOP: I would remind everyone to please  
7 state your name when you're speaking so that the court  
8 reporter can attribute accurately. Thank you.

9 STATEMENT BY RICHARD L. THOMAS

10 MR. THOMAS: Good morning. My name is Dick  
11 Thomas. Since 2007 I've worked at Domtar as senior vice  
12 president of sales and marketing. I'm responsible for  
13 supervising pulp and paper sales for a company. And the  
14 marketing of all pulp and paper grades produced at our  
15 mills. I have 36 years of experience in the U.S. paper  
16 industry.

17 Domtar has been producing certain uncoated paper  
18 in the United States since 2001 when it acquired four U.S.  
19 paper mills from Georgia Pacific. Domtar expanded its U.S.  
20 production platform for this product in 2007 when it merged  
21 with Weyhauser's Paper Business. Domtar operates two  
22 business segments, pulp and paper, and personal care.

23 Our pulp and paper segment accounts for  
24 approximately 90 percent of our business by value. We had  
25 total revenues in 2014 of 5.6 billion. Today Domtar is the

1 largest producer of uncoated free sheet paper in North  
2 America.

3 Domtar produces certain uncoated paper at eight  
4 U.S. paper mills which are located in Arkansas, Kentucky,  
5 Pennsylvania, Tennessee, South Carolina, Michigan, and  
6 Wisconsin.

7 We have sheeting facilities at our mills in  
8 Arkansas and Wisconsin and also at eight remote plants in  
9 seven other states.

10 Certain uncoated paper consists of cut sheets and  
11 folio sheets. Cut-size sheets are produced in standard  
12 sizes, 8 1/2 x 11, 8 1/2 x 14, legal, and 11 x 17. Folio  
13 sheets have various dimensions and are larger than cut  
14 sheets. According to the AF&PA cut sheets account for over  
15 90 percent of U.S. shipments of this type of paper, letter  
16 and legal size sheets alone account for over 84 percent of  
17 U.S. shipments of certain uncoated paper.

18 Certain uncoated paper is typically used for  
19 office reprographics, copy and printer paper, books,  
20 business forms, flyers, and brochures. It's most often used  
21 in office and home copiers and printers such as the ones you  
22 use every day here at the Commission.

23 According to RISI over 95 percent of certain  
24 uncoated paper is sheeted in fact by the paper manufacturer.  
25 Typically independent converters only convert sheeter rolls

1       either for specialty cut size products such as those with  
2       perforations or punched holes, or for special size folio  
3       sheets. Thus, only a very minor portion of this type of  
4       paper is sold in the form of sheeter rolls to independent  
5       converters who then convert it into finished sheets.

6               Moreover, no sheeter rolls are produced by any  
7       U.S. producer that does not also produce certain uncoated  
8       paper.

9               Certain uncoated paper is distinct from other  
10       paper products which have different physical characteristics  
11       such as brightness, smoothness, gloss, ink consumption and  
12       ink retention. Because of their unique printing  
13       characteristics, these other papers have different uses than  
14       and are not interchangeable with certain uncoated paper.

15              These other types of paper are also generally  
16       produced in distinct manufacturing facilities using  
17       different production processes and production employees.

18              Certain uncoated paper is not like rolls of  
19       uncoated paper. Certain uncoated paper primarily consists  
20       of sheets of standardized sizes that are packaged and sold  
21       for use in office and home office sheet-fed copiers and  
22       printers. Thus, it cannot be used in web offset printers.

23              Conversely, rolls of uncoated paper cannot be  
24       used in sheet-fed copiers or printers.

25              The paper itself has different characteristics

1 depending on whether or not it will be sheeted. Moreover,  
2 while U.S. producers of certain uncoated paper also produce  
3 uncoated free-sheet paper to be sold in roll form for web  
4 offset printing, there are a number of significant U.S.  
5 producers of uncoated free sheet paper in roll form that do  
6 not produce certain uncoated paper. Those companies lack  
7 the equipment to sheet and package the rolls.

8           Finally, certain uncoated paper is not like  
9 uncoated free sheet paper having a basis weight less than 40  
10 GSM or more than 150 GSM. Lighter basis weight paper is  
11 unsuitable for use in copiers and printers that use this  
12 type of paper. This type of paper has different end uses.  
13 Heavier basis weight papers are also unsuitable for use in  
14 copiers and printers that use certain uncoated paper and  
15 thus has different end uses as well.

16           The U.S. industry producing certain uncoated  
17 paper is currently comprised of 11 companies operating 27  
18 paper mills. Virtually all U.S. production is by integrated  
19 mills that produce certain uncoated paper from pulp and that  
20 sheet and package the final products.

21           Since 2011, three companies have left this  
22 business entirely, Wausau in 2011, Harbor Paper in 2013, and  
23 Lincoln Paper in 2013. These closures resulted in the  
24 removal of approximately 223,000 tons of capacity from the  
25 market.

1           Other producers have remained in the business but  
2 have reduced their production capacity by permanently  
3 shutting down paper mills and machines. These include the  
4 closure of one of Domtar's four paper machines in Arkansas  
5 in 2011 which resulted in the removal of 125,000 tons of  
6 capacity.

7           Other producers also closed mills. Mohawk closed  
8 its Beckett paper mill in Ohio in 2012 removing 43,000 tons  
9 of capacity; Georgia Pacific shut down a 93,000 ton paper  
10 machine at its Crosset Mill in Arkansas in 2013, and PCA  
11 closed two paper machines in International Falls in 2013 as  
12 well, accounting for 115,000 tons of capacity.

13           As U.S. producers of certain uncoated paper shut  
14 down capacity in recent years, paper from subject countries  
15 began to flood the market from 2011-13 subject imports  
16 increased 44 percent and increased their share of the U.S.  
17 market from 10 to 15 percent.

18           Then in September of 2013, International Paper  
19 made the dramatic announcement that it would permanently  
20 close its paper mill in Courtland, Alabama resulting in the  
21 removal of 750,000 tons of uncoated capacity in early 2014.

22           What is most striking about this closure is that  
23 IP's mill in Courtland was the second largest in the United  
24 States, it housed one of the newest, largest, and most  
25 competitive uncoated free sheet paper machines in the

1 country.

2 As a result of the closure of the Courtland mill  
3 and previous capacity closures, U.S. producers, including  
4 Domtar hoped for improved market conditions. With an  
5 improving economy, increasing raw material costs, and the  
6 closing of IP's paper machines at Courtland, U.S. prices  
7 modestly rose in the first half of 2014. But low-priced,  
8 subject imports quickly rushed in to upset the supply/demand  
9 balance which stymied the anticipated price recovery.  
10 Subject imports continued to undercut our prices, and as a  
11 result they increased 40 percent from the first nine months  
12 of 2013 to the first nine months of 2014.

13 By quarter four of '14 we were forced to retreat  
14 from most of our price increases. We could not afford to  
15 continue losing sales volume because we must have high  
16 operating rates to cover our enormous fixed costs.

17 As a result of the sharp increase in lower-priced  
18 imports, U.S. prices for cut size paper have now fallen to  
19 levels prevailing before the Courtland closure and are about  
20 \$90 a ton lower than the price peak in August of 2011.

21 As detailed in our questionnaire response, the  
22 subject imports have had a negative impact on our U.S.  
23 shipments, production, capacity utilization, employment,  
24 per-unit fixed costs, prices, and profits. We expect that  
25 the imports will continue to increase even though U.S.

1 market demand will continue to decline. The U.S. market  
2 will remain a very attractive market for subject imports due  
3 to its sheer size and the number of major population centers  
4 in coastal regions.

5 In fact, the rate of increase and the volume of  
6 imports appears to be accelerating rather than abating.  
7 Significant capacity increases from subject countries will  
8 exacerbate a glut of global supply of certain uncoated  
9 paper. We also expect that unfair price competition among  
10 the subject import sources will continue. We anticipate  
11 sales and production declines, lower capacity utilization,  
12 reduced employment, reduced profitability and an inability  
13 to justify investment in our papermaking and sheeting  
14 assets.

15 In short, the future of the U.S. industry  
16 producing uncoated paper is bleak unless duties are imposed  
17 to offset the dumped prices and subsidized production of the  
18 subject imports.

19 On behalf of Domtar and our 10,000 employees, we  
20 ask the Commission to reach an affirmative preliminary  
21 determination.

22 STATEMENT BY JUDY LASSA

23 MS. LASSA: Good morning. My name is Judy  
24 Lassa. I am the Senior Vice President of Boise Paper, the  
25 division of Packaging Corporation of America. PCA is a

1 parent company of Boise White Paper LLC, which it acquired  
2 in 2013. I've been working in the paper business for more  
3 than 30 years, starting as a process engineer, progressing  
4 through many manufacturing management positions and finally  
5 as an executive.

6 I graduated with a degree in Paper Science and  
7 Engineering, and I began my career in paper manufacturing at  
8 Boise. I have experience with the production of a wide  
9 array of paper products, including not only uncoated paper  
10 but also newsprint, linerboard and coated paper. I've held  
11 a variety of positions at different Boise facilities, and I  
12 became the head of the company's paper business in 2010.

13 I was Boise's chief operating officer at the  
14 time of its acquisition by PCA in 2013. In the past few  
15 years, we have manufactured certain uncoated paper at three  
16 plants in the United States, our International Falls,  
17 Minnesota, Jackson, Alabama and Wallula, Washington. We  
18 stopped producing certain uncoated paper at Wallula in  
19 2013. Currently, our production of certain uncoated paper  
20 takes place on four machines in the United States, two at  
21 International Falls and two at Jackson.

22 Both facilities are integrated mills from pulp  
23 production through paper making and sheeting. We employ  
24 over 1,300 workers in our certain uncoated paper operations  
25 in the U.S. The scope of these investigations is certain

1 uncoated paper. The scope is limited to sheets, and thus  
2 does not include rolls. For PCA, nearly all the sheeting of  
3 certain uncoated paper is done in integrated mills, and only  
4 small amounts of limited runs are sheeted by outside  
5 converters.

6 Sheets serve the final end user market,  
7 primarily for printer and copier paper. While the paper in  
8 the sheeter rolls and sheets is the same, there are physical  
9 differences. Certain uncoated paper has been sheeted,  
10 counted, wrapped into reams and packaged into cartons for  
11 final end users.

12 Sheeting operations are highly automated, and  
13 add value to the sheets that is reflected in their higher  
14 price. Our facilities make web rolls in addition to certain  
15 uncoated paper. Web rolls are made using different paper  
16 recipes and different machine settings than those used for  
17 certain uncoated paper.

18 Each paper has its own recipe and own set of  
19 machine configurations, to ensure the final product has the  
20 physical characteristics and performance capabilities  
21 demanded by its particular end use. Web rolls are sold to  
22 be printed or converted in roll form before their final use.  
23 Web rolls have to have the physical characteristics to  
24 perform optimally in the web offset press or converting  
25 application.

1                   Certain uncoated paper, by contrast, is  
2                   sheeted before sale and is only used in sheet-fed presses or  
3                   copiers. The two are not interchangeable, and they are  
4                   viewed as different products by us and by our customers. A  
5                   web offset printer cannot print on sheets, and even a  
6                   sheeter roll would not have the right physical  
7                   characteristics for the job.

8                   Similarly, an end user of certain uncoated  
9                   paper could not substitute a web roll for its sheet-fed  
10                  printing or copying needs, and even if a web roll were  
11                  sheeted, it would not perform optimally in these  
12                  applications. As a result, we will not warranty a web roll  
13                  for sheet-fed printing or copying, and we would not warranty  
14                  a sheeter roll for a web-fed application.

15                  For these reasons, the Commission should  
16                  define the domestic like product as certain uncoated paper  
17                  in sheets, the same product that is within the scope of  
18                  these investigations. The imports covered by these  
19                  investigations are causing serious injury to the domestic  
20                  uncoated paper industry. Demand for certain uncoated paper  
21                  has been falling for more than 15 years, as more consumers  
22                  rely on electronic media to communicate, pay their bills  
23                  and read and write.

24                  However, the injury we have suffered since  
25                  2011 is not primarily due to these long-term trends. It is

1 due to the rapid growth of imports from Australia, Brazil,  
2 China, Indonesia and Portugal. In a declining market from  
3 2011 to 2013, imports from these countries jumped by 44  
4 percent, and they rose by another 40 percent in the first  
5 nine months of 2014. This massive increase in imports came  
6 at the direct expense of U.S. producers.

7 The way foreign producers took domestic market  
8 share was through aggressive pricing. From 2011 to 2013,  
9 the average unit value of subject imports from these five  
10 countries fell by \$90 a short ton, and unit values continued  
11 to fall in 2014. These dumped and subsidized imports have  
12 had a direct adverse impact on our paper business.

13 In the fall of 2013, we had to permanently  
14 shut two of our paper machines at International Falls. The  
15 closure reduced our paper production capacity by 115,000  
16 tons, and it forced us to eliminate 265 jobs. Those  
17 machines produced certain uncoated paper, as well as other  
18 uncoated paper. Unfortunately, it was simply no longer  
19 economical to keep those machines running in current market  
20 conditions.

21 The constant pressure on prices from rising  
22 imports was part of the reason we had to shut those machines  
23 in 2013. Our facilities that produce certain uncoated paper  
24 are highly capital intensive and require significant  
25 investment to maintain. The pricing pressure imports has

1 caused has prevented us from making important capital  
2 investments. In 2013, as we were coming to grips with the  
3 need to close two of our machines at International Falls,  
4 we had proposed to upgrade equipment that is dedicated to  
5 the production of certain uncoated paper.

6 Unfair imports had taken four percentage  
7 points of market share from domestic producers from 2011 to  
8 2013, and they were poised to seize another six percentage  
9 points in the first three quarters of 2014. These trends,  
10 together with imports' downward pressure on domestic prices,  
11 made it impossible to justify the additional investment at  
12 our International Falls mill.

13 In 2014, PCA made efforts to restore its  
14 pricing for certain uncoated paper. But imports flooded  
15 the market even more quickly in 2014, preventing PCA from  
16 achieving the prices it had sought in various announcements,  
17 and putting increased pressure on the domestic industry. If  
18 dumped and subsidized imports from these five countries are  
19 allowed to continue at the current pace, our industry will  
20 continue to suffer.

21 Imports will continue to seize market share,  
22 push down prices and drive out domestic competitors. More  
23 needed investments will be put off, more machines and mills  
24 will be closed, and more workers will lose their jobs.  
25 These are the realities our industry faces. Paper mills

1 must operate at high levels of capacity utilization because  
2 of their capital intensity and resulting high fixed costs.  
3 When mills cannot be run near capacity, machines and/or  
4 mills will close.

5 We have already seen this across the industry  
6 these last four years. For all of these reasons, we ask the  
7 Commission to make an affirmative preliminary determination.

8 Thank you.

9 STATEMENT BY JON GEENEN

10 MR. GEENEN: Good morning. My name is Jon  
11 Geenen, and I'm an International Vice President of the  
12 United Steelworkers, and I oversee collective bargaining and  
13 policy for USW members that work in the paper industry. The  
14 USW is the largest industrial union in America, with more  
15 than 650,000 active members, and the paper industry employs  
16 more of our members than any other sector.

17 I've been involved in the paper industry my  
18 entire adult life. I started on a mill on the shop floor in  
19 my hometown in Wisconsin, and worked my way up through the  
20 union. Like many families in mill towns, my family's a  
21 paper family. My wife, brother and two daughters have all  
22 worked in the industry.

23 It's not uncommon for generations of families  
24 to work in the same mill. The good wages and benefits that  
25 can be earned have built and sustained communities across

1 the country for decades. But like too many other segments  
2 of the paper industry over the years, the uncoated industry  
3 is now under assault by dumped and subsidized paper imports.  
4 The flood of unfairly traded paper from Australia, Brazil,  
5 China, Indonesia and Portugal since 2011 has taken an  
6 enormous toll on our domestic industry and its workers.

7           Since 2011, two companies that produced  
8 uncoated paper have gone out of business. Another ceased  
9 all uncoated production. Two more companies closed one of  
10 their uncoated paper mills, and three other companies shut  
11 down a total of four paper machines that made uncoated  
12 paper. In all, eight uncoated mills have been closed or had  
13 machines shut down since 2011, directly destroying nearly  
14 2,500 jobs.

15           It's widely understood that for each of those  
16 lost jobs, six other jobs are lost as well because of the  
17 powerful impact of the industry on the economy. Our union  
18 had members at seven of those eight mills. While overall  
19 demand for uncoated paper has been declining by about three  
20 percent a year, it's the rapid rush of imports into the  
21 market and their aggressive price undercutting that has  
22 pushed our industry over the brink.

23           In 2011, subject imports were at 466,000 short  
24 tons, entering at prices that undersold the average domestic  
25 market price by about eight percent. That year, the Wausau

1 mill in Brokaw, Wisconsin closed, eliminating 450 jobs, and  
2 Domtar was forced to shut down an uncoated machine at its  
3 Ashdown, Arkansas mill, cutting another 110 jobs. Both were  
4 certified for trade adjustment assistance.

5 Imports grew by nearly 13 percent in 2012, and  
6 average unit values for those imports fell by \$51 a short  
7 ton. That year, Mohawk Paper shuttered its mill in  
8 Hamilton, Ohio. With the closure, 137 more workers lost  
9 their jobs and were also certified for trade adjustment  
10 assistance.

11 Then came 2013. Imports jumped by a massive  
12 144,000 short tons in 2013, an increase of more than 27  
13 percent from the previous year. Rampant under-selling  
14 continued to drive down prices. In February, Harbor Paper,  
15 the largest employer in tiny Hoquiam, Washington permanently  
16 closed the mill that had been the center of economic life  
17 for more than 80 years and laid off 175 more workers.

18 In September, Boise was forced to shut down  
19 two paper machines at its International Falls, Minnesota  
20 mill, eliminating 265 jobs. The mill is the life blood of a  
21 town of 6,500 people. By the time we reached November of  
22 2013, the relentless onslaught of imports was too much for  
23 the industry to bear.

24 International Paper, a major domestic  
25 producer, closed down its largest uncoated mill in

1 Courtland, Alabama. More than 1,100 workers lost their jobs  
2 there. The mill, which had been the largest employer in the  
3 county, had contributed \$86 million in annual payroll and  
4 millions in vital local tax revenues. That same month,  
5 Georgia Pacific closed an uncoated paper machine at its  
6 Crossett, Arkansas facility, cutting 20 more jobs.

7           The year ended with Lincoln Paper and Tissue  
8 permanently shutting down its uncoated operations in Maine,  
9 leading to the loss of another 200 jobs. Of the five mills  
10 that were affected, four applied for and received trade  
11 adjustment assistance. Despite the massive reductions in  
12 capacity imports has already caused, Domtar at the end of  
13 last year announced that yet another machine in its Ashdown,  
14 Arkansas mill would cease producing coated paper in 2016.  
15 We have been put on notice that this will result in the loss  
16 of 125 jobs.

17           Thousands of workers have already lost their  
18 jobs, throwing the livelihoods of thousands of families into  
19 jeopardy. In a slowing recovering economy and especially in  
20 the often small, rural towns where paper mills are located,  
21 finding a new job, much less a job that could provide  
22 anything like the pay and benefits the paper industry  
23 provides, is not only difficult but it's usually  
24 impossible.

25           The closures have enormous ripple effects in

1 their communities, undermining local businesses that depend  
2 on the mills, and sapping needed tax revenue from the  
3 schools and government services. Over the last several  
4 years, workers have agreed to make significant modifications  
5 to collective bargaining agreements to ensure  
6 competitiveness. They've streamlined lines of progressions,  
7 eliminated jobs and introduced flexible work systems into  
8 production and service areas. But beyond that, every mill  
9 has made significant changes to either pay or benefit  
10 systems, ranging from adopting modified pay scales, to the  
11 elimination of scared defined benefit plans and even retiree  
12 health care benefits.

13           The uncoated paper industry and its workers  
14 have suffered from unfairly traded imports for too long.  
15 Many more mills and communities are at risk, if action is  
16 not taken to stem the tide of imports, return rational  
17 pricing to the market and restore a level playing field.

18           Unfortunately, our contracts cannot protect  
19 workers from this type of attack. If more machines and  
20 mills close, it will mean more lost jobs for our members,  
21 their salaried colleagues and the community. We hope the  
22 Commission will give our members in the paper industry the  
23 life line they so desperately need, by making an affirmative  
24 preliminary determination.

25           Thank you.

1 STATEMENT BY JACK BRAY

2 MR. BRAY: Good morning. My name is Jack  
3 Bray. I am the Vice President, Manufacturing Region 2 for  
4 Domtar Corporation. I supervise six Domtar production  
5 facilities that are part of our Pulp and Paper Division. I  
6 have worked for Domtar and its predecessor company for 15  
7 years. I have over 34 years of experience in the pulp and  
8 paper industry, and have held a variety of manufacturing  
9 positions for four different paper companies.

10 I will begin by describing the production  
11 process for certain uncoated paper, and also you should have  
12 some pictures labeled 1 through 4 up on the table in front  
13 of you, that I'll quickly reference as I speak. The  
14 production facilities of the domestic industry are generally  
15 integrated operations.

16 MR. McCLURE: Excuse me. We will enter that  
17 as Exhibit 1.

18 MR. BRAY: Sheeting and packaging of the final  
19 paper product occurs offline in separate sheeting  
20 facilities, which can be located at the paper mill or off  
21 site. The manufacturing process begins with the removal of  
22 the bark from the hardwood and softwood logs in a debarking  
23 machine. The logs are then chipped into small uniformly  
24 sized pieces in a chipper.

25 The wood chips next undergo a chemical pulping

1 process, whereby they are cooked under pressure with water  
2 and chemicals in a digester cooking vessel, to separate the  
3 cellulose fibers from the lignin and other impurities. The  
4 resulting wood pulp is washed and bleached to attain a level  
5 of whiteness and brightness required for the grade of paper  
6 being produced.

7           The fibers are then mechanically treated to  
8 increase their bonding properties and develop specific paper  
9 characteristics. Picture No. 1 simply shows an aerial view  
10 of one of our mills that makes certain uncoated product, and  
11 the picture is there to give you an idea of the scale and  
12 scope of the type of facilities we're talking about.

13           Different additives are combined with the pulp  
14 to provide specific properties to the finished paper. These  
15 additives can include materials such as calcium carbonate  
16 for brightness, opacity and smoothness, dyes for shade  
17 control, optical brighteners for whiteness, and sizing  
18 agents for moisture control. The exact proportions of these  
19 materials are determined by the specifications for the  
20 particular type of paper that is being produced.

21           A paper machine has three major sections. The  
22 forming section, which is also known as the wet end, the  
23 press section and the dryer section. The paper sheet is  
24 actually formed and the majority of water is removed in the  
25 wet end, and Picture No. 2 shows a typical wet end section

1 of the paper machine.

2 The fiber slurry is pumped into the paper  
3 machine head box, which distributes under pressure the  
4 slurry across the width of the paper machine. The slurry is  
5 carried on a continuously moving wire mesh. As the wire  
6 mesh moves along, water drains through it. The fibers begin  
7 to bond, and a sheet of paper begins to form on the wire.

8 The web of paper leaves on the moving wire and  
9 enters the press section, where the sheet is passed between  
10 large rollers that squeeze water out of the web. The web  
11 then proceeds into the dryer section, and passes over and  
12 under successive steam-heated drying cylinders, to reach the  
13 moisture specifications for the final paper.

14 At the end of the paper machine, the paper is  
15 collected on spools and large reels, which can reach weights  
16 exceeding 30 tons. These are typically known as parent  
17 wheels or parent rolls. The reels are then cut into  
18 narrower rolls of paper that widths and diameters required  
19 for sheeting.

20 The widths of the sheeter rolls are dictated  
21 by the sheet sizes into which they will be cut, and the  
22 capacity of the sheeter on which they will be cut. Sheeter  
23 rolls typically have diameters of at least 50 inches, and  
24 widths of 52 to 103 inches, which are efficient sizes for  
25 cutting standard 8-1/2 wide letter and legal size sheets.

1 The sheeter rolls are processed on a sheeter and packaging  
2 line.

3 Sheeter lines can simultaneously slit up to  
4 six rolls at a time, to the desired width and length. The  
5 sheeter lines cut the sheets to length and package the  
6 sheets into 500 sheet ream quantities, place the packed  
7 reams and cartons, and stack the cartons on pallets ready  
8 for shipment.

9 Certain uncoated paper has different physical  
10 characteristics than uncoated free sheeted paper sold in  
11 roll form for printing on web presses. In addition to the  
12 fact that certain uncoated paper is sheeted and packaged in  
13 cartons, these two types of paper have different end  
14 properties of dimensional stability, opacity, formation,  
15 sheet finish, ink consumption and ink retention. For  
16 example, certain uncoated paper has less moisture than a web  
17 roll and also has the application of salt or other  
18 additives to avoid static.

19 Paper production is highly capital intensive. A  
20 Greenfield pulp and paper facility would cost approximately  
21 \$1.2 billion today. These mills are designed to run 24-7  
22 and profitability is highly dependent on maintaining high  
23 capacity utilization rates.

24 The paper subject to this investigation is an  
25 excellent product for the mills, because the high volumes of

1 certain uncoated paper allow long run times between changes  
2 on the paper machines. Shorter runs due to lower volumes  
3 reduce operating efficiency and increase cost. At worst,  
4 lack of orders result in temporary paper machine down time  
5 and significant cost penalties.

6                   When lost sales volume is consistent and  
7 significant, we are forced to take extended down time on our  
8 paper machines, and either reduce the run time on our  
9 sheeters or close them temporarily. If the lost volume  
10 persists, we must make more permanent capacity reductions by  
11 closing down paper machines and sheeters, and Pictures 3 and  
12 4 show a length view of a sheeter operation, and Picture No.  
13 4 is the finished product coming off the sheeters.

14                   The subject imports are accelerating the rate  
15 at which Domtar and other U.S. producers are curtailing  
16 production and shutting capacity. As an example, the  
17 Ashdown facility permanently closed one paper machine in  
18 2011, which resulted in the elimination of 110 jobs. From  
19 2013 to 2014, as subject imports increased 40 percent, the  
20 unscheduled market-related down time of our paper machines  
21 increased threefold.

22                   We also had to reduce the run rates in all our  
23 sheeting operations in response to increased subject  
24 imports. The capacity utilization of our sheeters fell  
25 sharply from 2011 to 2014, to levels that are not

1 sustainable. For example, at our Ashdown facility, we were  
2 forced to reduce sheeting operations from a five day  
3 schedule to a three and a half day schedule.

4 We were able to briefly resume a five-day  
5 schedule, only after permanently shutting down two of our  
6 five sheeters at Ashdown in 2014. But even with reduced  
7 sheeting capacity, we were forced to return to a three and a  
8 half day schedule by September of 2014. Our  
9 under-utilization of paper machine and sheeting capacity  
10 increases manufacturing costs and lowers profit.

11 Lower profitability results in reduced  
12 incentives for investment in facility relieving, ultimately  
13 leading to loss of competitiveness and long-term viability.  
14 Increasing imports, in addition to structural demand  
15 decline, have caused Domtar to repurpose papermaking  
16 capacity at Marlboro, South Carolina; shut down a paper  
17 machine and two sheeters at our Ashdown, Arkansas facility;  
18 and more recently, reduce more capacity through a  
19 repurposing project at Ashdown.

20 Over \$300 million of capital has been  
21 redirected to repurposing projects, as opposed to optimizing  
22 the existing business. The workforce, of course, must be  
23 matched to production runs. When imports amplified the  
24 demand decline situation by taking ever more volume,  
25 underutilized capacity becomes a big problem, and we have to

1 take extended down time with employee layoffs. Ultimately,  
2 this can result in full facility closure and permanent job  
3 loss.

4 In conclusion, the increasing volume of  
5 subject imports has had a very serious adverse effect on our  
6 paper mills, our sheeting facilities and our workforce. If  
7 these trends are not reversed, we will be forced to divest  
8 more assets devoted to production of certain uncoated paper,  
9 as we watch dumped and subsidized imports increase at the  
10 expense of the U.S. industry and the U.S. workforce.

11 STATEMENT BY ROBERT MELTON

12 MR. MELTON: Good morning. My name is Robert  
13 Melton. I have been with Domtar for eight years, and I'm  
14 currently the Vice President of Business Papers and  
15 Strategic Accounts, a position I've held since 2012. I'm  
16 responsible for the sales and marketing of the company's  
17 business paper products. I've been in the paper business  
18 for 21 years.

19 I first would like to address the key aspects  
20 of market conditions in the United States. Certain uncoated  
21 paper is primarily sold as office paper that comes in  
22 standard sizes, weights and brightness levels. Although I  
23 wish it were otherwise, sales of this product are based  
24 primarily on price, because office paper is essentially a  
25 commodity product.

1                   Paper from any of the subject countries is  
2 interchangeable with that from Domtar and other U.S.  
3 producers. Its fungability is driven by the fact that the  
4 product characteristics are highly standardized, and brands  
5 of copy paper are largely the same. Accordingly, sales at  
6 all levels of trade are extremely price sensitive. There  
7 are no functional differences between certain uncoated paper  
8 from the United States and the subject countries.

9                   Lead time considerations are not an important  
10 factor, given the limited number of producers for this  
11 product. Moreover, end users do not distinguish between  
12 paper produced by one producer and another. As a result,  
13 price is the primary consideration in purchasing decisions.  
14 Everyone in our industry recognizes that demand for certain  
15 uncoated paper in the U.S. market is experiencing a steady,  
16 structural decline that will continue. Although year to  
17 year consumption may fluctuate a bit, demand has been  
18 declining by about three percent per year.

19                   The principle reason for this is that digital  
20 media innovations have changed the way information is  
21 distributed and communicated. In turn, this has changed the  
22 way paper is used in the marketplace. The United States  
23 remains the preeminent national market for certain uncoated  
24 paper, and will remain so for the foreseeable future. But  
25 the declining consumption trend is virtually certain to

1 continue.

2 By volume, the principal channel of  
3 distribution for certain uncoated paper is by direct drop  
4 shipment to large office supply or box store distribution  
5 centers, which are located throughout the United States.  
6 These large purchasers also import directly from the subject  
7 foreign countries.

8 In addition, there are merchant distributors  
9 that serve other retailers of certain uncoated paper. The  
10 subject imports, regardless of the country source, compete  
11 directly with Domtar and other U.S. producers in these  
12 channels of distribution and throughout the United States.  
13 Subject imports are somewhat less pervasive in the much  
14 lower volume Folio size printing paper segment of the  
15 market, but they have a significant presence in all end use  
16 markets, and this presence is growing.

17 By 2010, subject imports had grown to take  
18 about ten percent of the U.S. market. From 2011 to 2014,  
19 subject imports rapidly increased at the same time that U.S.  
20 demand was falling. By 2014, the subject imports had  
21 captured approximately 21 percent of the U.S. market. The  
22 increased market share taken by subject imports came almost  
23 entirely from U.S. producers.

24 There are several reasons for the greatly  
25 increased volume of subject imports. First, despite

1 declining demand, the United States remains a large market.  
2 Fundamentally, there's a global supply and demand imbalance.  
3 The other two major regional markets, Europe and Asia, are  
4 greatly oversupplied. Capacity increases, particularly in  
5 Asia, have merely exacerbated the situation in recent years.

6 As a result, the U.S. market is an attractive  
7 market for this considerable excess supply, which explains  
8 why all major supplier countries are pushing volume into  
9 this market.

10 Second, despite the price pressures that I  
11 will discuss in a moment, U.S. prices remain higher than in  
12 many markets that are still recovering from global  
13 recession. Thus, the U.S. market is economically attractive  
14 relative to other markets, particularly as the dollar  
15 strengthens. Third, because the production of certain  
16 uncoated paper is capital intensive and fixed costs are high  
17 relative to variable costs, the subject foreign producers  
18 have an economic motivation to export as much of their  
19 capacity as they can to the United States, so long as their  
20 prices cover their variable costs plus freight.

21 The imports from each of the subject countries  
22 significantly undersell Domtar prices. This underselling is  
23 the only way those imports have been able to grow their  
24 market share in the United States. When we raised prices in  
25 2014, subject imports rushed in. We in turn had to lower

1       our prices in order to maintain sales volume.

2                       Thus, the prices of subject imports have a  
3       significant impact on our prices. At Domtar, we have tried  
4       to hold the line on price declines, and have tried to  
5       institute price increases that reflect improving economic  
6       conditions and higher input costs.

7                       Trying to maintain our increased prices has  
8       resulted in a significant volume of lost sales.  
9       Particularly for major buyers, we have had to give price  
10      concessions to avoid further lost sales to subject imports.  
11      Even if a customer is currently buying imports, the import  
12      price point is used in price negotiations as representing  
13      the required competitive market price. There is a direct  
14      relationship between negotiated prices and the amount of  
15      volume we can achieve.

16                      To maintain volume, we must reduce prices. If  
17      we hold prices, we'll lose the volume. As indicated, we did  
18      raise prices in 2014, but even with the increases, prices  
19      remained below 2011 levels. In any event, the price  
20      increases were short-lived. In the fourth quarter of 2014  
21      and going into 2015, we have had to reduce prices.

22                      We could not afford to maintain the higher  
23      prices because we were losing too much sales volume to the  
24      lower-priced subject imports. We filed these petitions  
25      because there was no other option. We analyzed various

1 business scenarios for addressing the impact of the subject  
2 imports, including maintaining prices and sacrificing  
3 volume, reducing prices to maintain as much volume as  
4 possible, and also taking a middle of the road moderate  
5 price decreases, entailing some volume losses.

6 None of these scenarios were feasible. The  
7 subject import volumes are too high, and their prices are  
8 too low. We had to bring this case to protect our U.S.  
9 production assets and our U.S. workforce from unfair trade.

10 Thank you.

11 STATEMENT OF PAUL LEBLANC

12 MR. LEBLANC: Good morning. My name is Paul  
13 LeBlanc. I'm the Vice President of Sales and Marketing for  
14 Boise Paper, a division of Packaging Corporation of America.  
15 I'm responsible for our sales of certain uncoated paper as  
16 well as all other paper products.

17 I've been with PCA and Boise before that for  
18 almost 10 years. I started as a marketing manager and now  
19 lead the sales and marketing efforts for our communication  
20 papers and pressure-sensitive paper businesses. PCA  
21 produces and sells a wide range of certain uncoated paper,  
22 including 8.5 x 11 inch white copy paper and colored papers.  
23 We sell to paper merchants, wholesalers, and well-known  
24 retailers of office paper.

25 The market for certain uncoated paper is an

1 extremely competitive market. And while we work hard to  
2 provide differentiated value to our customers, competition  
3 is based largely on price. Certain uncoated paper is  
4 treated mostly like a commodity product. The basic  
5 specifications in terms of size, weight, brightness and  
6 smoothness are nearly the same for the vast majority of  
7 products in the market.

8           If I took a sheet of our white copy paper and set  
9 it next to paper from our domestic and foreign competitors,  
10 it would be very difficult for the average consumer to tell  
11 the difference. Of course, we meet very tight  
12 specifications to ensure that our certain uncoated paper can  
13 be run efficiently and effectively through all types of  
14 equipment, but our competitors deliver that same  
15 performance. As long as the paper performs, and all papers  
16 generally do, our winning business is heavily dependent on  
17 price.

18           We face price competition from imports every day  
19 and at nearly every one of our customers. Imports from  
20 Australia, Brazil, China, Indonesia, and Portugal are  
21 plentiful and they are aggressively priced. From 2011 to  
22 interim 2014, these imports rose from less than 10 percent  
23 of domestic consumption to more than 20 percent. This  
24 massive increase was made possible by importers selling at  
25 prices well below PCA prices.

1           All of our customers source from more than one  
2           supplier, and they can and do switch occasionally. Since  
3           certain uncoated paper from different producers is very  
4           similar and interchangeable, it is easy for purchasers to  
5           switch suppliers with very little lead time and no supply  
6           disruption.

7           Large customers will often have different  
8           suppliers producing the exact same private label product  
9           with no perceptible differences to consumer. When imported  
10          product is priced below ours, we hear about it directly from  
11          our customers. With the rapid rise in imports, these  
12          conversations have become impossible to avoid. And if we  
13          are not able to lower our prices to compete, we face the  
14          prospect of losing some or all of our business at those  
15          accounts. The margins by which imports undersell our  
16          product are significant and they are growing.

17          Our petition shows that overall average unit  
18          values for imports from the five countries were 8 percent to  
19          13 percent lower than the standard domestic price index for  
20          20-pound, 92-bright copy paper, with the highest margin of  
21          underselling in 2014. Even this comparison understates the  
22          pricing pressure we face as the domestic price index used in  
23          the petition includes prices for imported paper.

24          We do everything we can to explain the value of  
25          our product to our customers -- our best-in-class service,

1 our full line of products, our direct marketing to end  
2 users. But these benefits, as important as they are, cannot  
3 shield us from import competition. Some foreign producers  
4 have also developed brands and ranges of products.

5 More importantly, when they price their products  
6 as aggressively as they recently have been doing, it creates  
7 pricing pressure throughout the market for all types of  
8 customers and from unbranded products to private labels and  
9 branded products.

10 The rising volume of low-priced imports  
11 accelerated in 2014. The timing of the surge was  
12 particularly harmful to the domestic industry. For PCA, for  
13 example, having shut down two machines in 2013 and having  
14 suffered significant price erosion since 2011, we worked to  
15 reduce the price depression we had experienced through  
16 announced price increases in 2014. However, the additional  
17 200,000 tons of aggressively-priced imports that flooded the  
18 market in the first three quarters of 2014 prevented the  
19 company from achieving the rebound in prices we had sought.

20 As the long list of machine and mill closings  
21 across the industry attest, our industry is being materially  
22 injured by the surge in unfairly traded imports from the  
23 five countries subject to these cases. We are here today to  
24 ask the Commission to help remedy these unfair trade  
25 practices, correct these market distortions, and give our

1 industry the opportunity to compete on a level playing  
2 field. Thank you.

3 MR. DORN: Joe Dorn, for Petitioners. Terry  
4 Stewart and Bonnie Byers will now summarize why the domestic  
5 industry is materially injured and threatened by material  
6 injury by reason of subject imports. And I've handed out  
7 some hearing exhibits you have, and perhaps you can enter  
8 those into the record, Mr. McClure.

9 MR. MCCLURE: This document entitled Petitioners  
10 Staff Conference Exhibits will be entered as Exhibit No. 2.

11 MR. DORN: Thank you. To begin with, as set  
12 forth in Exhibit A, the scope of the imported articles  
13 subject to investigation is uncoated paper in sheet form,  
14 weighing from 40 to 150 grams per square meter with a GE  
15 brightness level of 85 or higher. Because an identical  
16 product is made in the United States, and there are clear  
17 dividing lines between certain uncoated paper and other  
18 types of paper, the Commission should define the like  
19 product to match the scope definition.

20 As detailed in the petition and in the testimony  
21 from our witnesses this morning, certain uncoated paper has  
22 different physical characteristics such as brightness,  
23 smoothness, and ink retention that dictate different uses.  
24 Other types of paper, for example, do not have the physical  
25 characteristics needed for office copiers, and they are not

1 used in office copiers. Thus, certain uncoated paper is not  
2 interchangeable with other types of paper.

3 While channels of distribution overlap to some  
4 extent with some other types of paper, a very large share of  
5 certain uncoated paper is sold through office superstores,  
6 such as Office Depot and Staples and large retailers, such  
7 as Wal-Mart and Target. In contrast, virtually all ground  
8 wood paper and coated paper is sold to commercial printers.

9 Certain uncoated paper is generally produced in  
10 distinct manufacturing facilities using different production  
11 processes and employees. Because of its distinctive  
12 physical characteristics, end uses, channels of  
13 distribution, and the fact that it is typically made in  
14 distinct paper mills, both customers and producers perceive  
15 certain uncoated paper as a distinct category of paper.

16 Finally, the prices for certain uncoated paper  
17 are generally higher than ground wood paper and lower than  
18 coated, free sheet paper. And as you heard from the other  
19 side, our like product definition is not being contested by  
20 the Respondents.

21 As detailed on Exhibit B, Petitioners represent  
22 substantially all domestic production of the domestic-like  
23 product. The four petitioning producers have 13 paper  
24 mills. The USW represents workers at 11 of those mills and  
25 also represents the workers at nine mills of five other U.S.

1 producers.

2 As shown in Exhibit C, imports from all subject  
3 countries should be cumulated. The petitions were filed on  
4 the same day and there's a reasonable overlap in competition  
5 among the domestic-like product and subject imports.

6 Subject imports from each country and the  
7 domestic-like product are highly interchangeable. All U.S.  
8 and subject foreign producers focus their production and  
9 sales on cut-size paper sold in standard letter and legal  
10 sizes that are used in office copiers and printers. Subject  
11 imports from each country and the domestic-like product are  
12 sold simultaneously throughout the United States through the  
13 same channels of trade. Thus, the criteria for cumulation  
14 are clearly satisfied.

15 In considering cumulated imported, the Commission  
16 should recognize that the U.S. imports reported as from Hong  
17 Kong are, in fact, from China. As summarized on Exhibit D,  
18 there is no production of certain uncoated paper in Hong  
19 Kong. Instead, the U.S. imports reported for Hong Kong  
20 originated from Chenming in China and were shipped to the  
21 United States by Chenming's wholly-owned Hong Kong trading  
22 company.

23 The official Chinese export statistics  
24 corroborate that imports from Hong Kong must be included to  
25 capture all U.S. imports originating from China. The

1 official Hong Kong exports statistics further corroborate  
2 that Hong Kong is not the country of origin for those U.S.  
3 imports.

4 As our witnesses have testified, and as is  
5 summarized on Exhibit E, the conditions of competition make  
6 this domestic industry highly susceptible to injury from  
7 unfairly priced imports. First, purchasing decisions are  
8 largely based on price. In the eyes of most consumers, copy  
9 paper is copy paper, and there is no non-price reason to  
10 choose one over the other.

11 Second, production is capital intensive. As a  
12 result, paper mills need to operate continuously. Lost  
13 sales not only reduce revenues, they also increase per-unit  
14 fixed cost on remaining sales. Third, demand has been  
15 declining about 3 percent per year over the past 15 years.  
16 It would be one thing if the subject imports entered the  
17 United States to meet surging U.S. demand conditions, but  
18 here, subject imports have surged into a declining market.

19 With that introduction, Terry will now review the  
20 statutory injury factors.

21 STATEMENT BY TERENCE STEWART

22 MR. STEWART: Thanks Joe. This is Terry Stewart.  
23 Turning to the statutory factors for the Commission's  
24 analysis as to whether there's a reasonable indication of  
25 material injury, we turn first to the volume of imports of

1 the subject merchandise.

2 As seen in Exhibit F, imports from the five  
3 subject countries accounted for nearly 86 percent of all  
4 imports in the first nine months of 2014, and represented  
5 20.6 percent of apparent consumption. Such volumes of  
6 imports are significant. Moreover, as shown in Exhibit G,  
7 imports increased absolutely by 44 percent between 2011 and  
8 2013, and then exploded in the interim period, increasing 40  
9 percent in the first nine months of 2014.

10 As our witnesses and Joe have reviewed, this  
11 absolute growth in imports occurred in a market  
12 characterized by declining demand in the long term 2.8  
13 percent per year over the last 15 years. Data in the  
14 petition show a decline in consumption from 2011 to 2013, a  
15 period of economic recovery and expansion in the U.S., of  
16 3.6 percent or roughly 1.8 percent per year.

17 The decline in consumption in 2014 through nine  
18 months is a further 2.7 percent; yet, the result of rapid  
19 import growth in a declining market has a been a doubling of  
20 subject imports' penetration between 2011 and the interim  
21 2014 period; thus, the subject imports have increased not  
22 only absolutely, but relative to apparent consumption, and  
23 as reviewed in the petition, relative to domestic production  
24 shipments as well.

25 Transitioning between import volume and price

1 effects, Exhibit I shows that the rapid growth in imports  
2 was characterized by declining import prices of subject  
3 imports at the same time, falling 10 percent between 2011  
4 and 2013, and further falling in the interim period. In a  
5 commodity-type business, as our witnesses described, falling  
6 import prices have had the predictable effect of both  
7 underselling domestic product and resulting in price  
8 depression and suppression.

9           The Commission considers both whether there has  
10 been significant price underselling by the imported  
11 merchandise as compared with the price of domestic-like  
12 products and whether the subject merchandise otherwise  
13 depresses prices to a significant degree or prevents price  
14 increases which otherwise would have occurred to a  
15 significant degree.

16           The facts in this case as laid out in the  
17 petition and as attested to by our witnesses, and as we  
18 believe, will be confirmed when the Commission staff  
19 compiles the questionnaire data it receives, confirm both  
20 significant price underselling and significant price  
21 depression and suppression.

22           Consider Exhibit J, in 2011, the average subject  
23 import unit value was 7.9 percent below the average domestic  
24 price. By interim 2014, the margin of underselling had  
25 grown to 13.2 percent, very significant underselling margins

1 for a commodity product. And as the Exhibit J shows, there  
2 has been significant price depression in the 2011/2013  
3 period, nearly \$100 per ton and an inability to restore  
4 pricing in 2014, despite massive capacity closures by the  
5 domestic industry, confirming price suppression.

6 Turning to the third factor examined by the  
7 Commission in the Title VII investigations, the impact of  
8 such merchandise on domestic producers of domestic-like  
9 products. The testimony of our witnesses and the public and  
10 confidential information contained in the petitions shows  
11 the domestic industry reeling from the surge in imports as  
12 reflected in declining capacity, production, shipments,  
13 market share, employment, prices, and profits.

14 Exhibit K catalogs a number of the declines in  
15 the fortunes of the domestic industry reflected in both  
16 public information and our testimony and confidential  
17 information in the petitions. We are confident that when  
18 the staff compiles the domestic industry information from  
19 the questionnaire responses that the public industry data  
20 conclusions will be confirmed. In a declining demand  
21 environment, U.S. producers could have expected that their  
22 shipments would have declined consistent with declining  
23 overall demand.

24 Had U.S. producers been able to maintain their  
25 2011 market share through the interim period it would've

1        meant U.S. producers would've shipped an additional 54,000  
2        tons in 2012, 192,600 tons in 2013, and 328,000 tons in the  
3        first nine months of 2014, annualized at about 440,000  
4        additional tons. A RISI Report in late November 2014  
5        indicated that uncoated sheeting capacity had declined  
6        555,000 tons over the last 18 months at that point.  
7        Obviously, the vast majority of the capacity reductions were  
8        the direct result of the massive surge in imports from the  
9        five countries.

10                    Exhibit L reviews the domestic facilities  
11        producing certain uncoated paper that have closed entirely  
12        or closed paper-making machines during the period of  
13        investigation and the number of men and women who've lost  
14        their livelihood because of those closures. The bulk of  
15        those plant closures or machine shutdowns and the loss of  
16        jobs flow directly from increased subject imports sold at  
17        dumped or subsidized prices.

18                    For all of the above reasons, we urge the  
19        Commission to make an affirmative preliminary determination  
20        of material injury in these cases.

21                    Bonnie will now address the issue of additional  
22        threat.

23                    STATEMENT BY BONNIE BYERS

24                    MS. BYERS: Thank you Terry. Bonnie Byers for  
25        Petitioners.

1           You've heard from other witnesses this morning  
2           about the compelling evidence of present material injury,  
3           but the domestic industry is also threatened with additional  
4           injury. To begin with, the Commission should assess threat  
5           based on cumulated subject imports. Subject imports clearly  
6           meet the requirements for cumulation. They're fungible.  
7           They're sold through the same channels of distribution and  
8           they compete in the same geographical markets as the  
9           domestic-like product.

10           Moreover, subject imports from each country  
11           compete under the same conditions of competition. Producers  
12           from all sources compete to supply copy paper, which is the  
13           bread and butter for this industry. Applying the statutory  
14           criteria outlined in Hearing Exhibit M, the treat of injury  
15           from cumulated imports is real and imminent.

16           First, imports are increasing rapidly with the  
17           rate of increase accelerating over the period of  
18           investigation. From 2011 to 2012, subject imports increased  
19           by 12 percent. From 2012 to 2013, the rate increased to 27  
20           percent. But from interim 2013 to interim 2014, the  
21           increase jumped to 40 percent. U.S. market shares also  
22           demonstrate an accelerating market penetration with subject  
23           imports in the interim period gaining over 6 percentage  
24           points to 21 percent of the U.S. market.

25           These rates of increase in the volume and market

1 penetration of imports indicate a strong likelihood of  
2 substantially increased subject imports in the near future.  
3 Second, the capacity to produce uncoated paper in the  
4 subject countries is significant and growing. Because paper  
5 production is capital intensive subject producers have a  
6 strong economic incentive to export their excess capacity to  
7 lower their fixed, per unit cost of production.

8 Capacity in these countries has grown  
9 significantly in recent years. And despite the fact that  
10 the global demand trend for certain uncoated paper is flat,  
11 many producers have recently started up even more capacity  
12 or plan to over the next year.

13 As you can see in Hearing Exhibit N, Australia  
14 Paper started up a new 50,000 ton recycling plant last year,  
15 allowing it to compete more effectively for the sale of  
16 recycled paper. Brazil's Nopurcel started an uncoated paper  
17 machine at the end of last year, and IP Brazil is  
18 considering the addition of 200,000 metric tons of uncoated  
19 paper machine capacity at its mill in Tres Lagoas.

20 In China, producers have added or will shortly be  
21 adding 1.6 million metric tons, that's 1.8 million short  
22 tons of additional uncoated, free sheet capacity. April is  
23 adding a second machine to its mill in Guangdong Province.  
24 That will add an additional 450,000 metric tons. Shandong  
25 Tralin is starting up two machines at its mill, which will

1 add 350,000 metric tons. Shandong Tainhe is adding up a  
2 second machine at its mill that will add 100,000 tons. Shan  
3 Chenming will start up a new uncoated, free sheet mill in  
4 June of this year that will add an additional 95,000 metric  
5 tons. UPM will start up a new paper machine by the end of  
6 this year and that will add 180,000 tons.

7 In addition two companies Shandong Huatai and  
8 Wuhan Chenming are converting two of their newsprint  
9 machines to the production of certain uncoated paper, which  
10 will collectively add an additional 450,000 metric tons of  
11 capacity. In Indonesia, APP is ramping up the largest pulp  
12 line ever built in the world with capacity to produce 2  
13 million metric tons and they're also starting up a new paper  
14 machine that has the capacity to produce 500,000 metric tons  
15 of certain uncoated paper.

16 Third, subject imports are entering the United  
17 States at increasing lower prices that are likely to  
18 increase the demand for further subject imports at the  
19 expense of U.S. producers. They will have a significant  
20 depressing effect on domestic process. The average unit  
21 value of subject imports declined by over 10 percent from  
22 2011 to 2014, and in turn, Petitioners' prices also declined  
23 significantly. The unfair and declining prices of subject  
24 imports will stimulate demand for additional subject imports  
25 in the near future.

1           Fourth, many of the larger subject producers have  
2 their own importation, sales, and distribution networks in  
3 the United States, as indicated in Hearing Exhibit O. These  
4 established U.S. relationships will enable these companies  
5 to capture an even larger share of the U.S. market in the  
6 near future.

7           Fifth, Chinese and Indonesian uncoated paper  
8 producers benefit from numerous government subsidies in  
9 promoting the expansion of both production and export of  
10 certain uncoated papers.

11           Sixth, the subject foreign producers are export-  
12 oriented and direct a very significant portion of their  
13 exports to the U.S. market. Producers in several subject  
14 countries face trade measures in third countries.  
15 Brazilian producers face AD duties in Mexico, and Portugal  
16 faces AD duties in Morocco. In addition, Turkey recently  
17 initiated a safeguard investigation against imports of  
18 printing, writing, and copy paper in July of 2014, and then  
19 Jordan initiated a safeguard investigation of the same paper  
20 in August of 2014.

21           Finally, there is a strong likelihood that  
22 imports from APP from China and Indonesia will continue to  
23 increase. Several influential environment groups, including  
24 Greenpeace have now pledged support for APP's conservation  
25 efforts, diminishing the stigma for U.S. businesses to do

1 business with APP. This lead Staple's to resume copy paper  
2 purchases from APP last year and other companies quickly  
3 followed suit.

4 In addition, APP is in ongoing discussions with  
5 the Forestry Stewardship Council aimed at regaining its FSC  
6 accreditation. Thank you.

7 MR. DORN: That completes our panel's  
8 presentation. We look forward to your questions. Thank  
9 you.

10 MR. MCCLURE: Thank you, Mr. Dorn. And thank you  
11 to all the members of the panel.

12 One housekeeping note before we start the  
13 questioning. I hope everybody eat a nice breakfast this  
14 morning because we're going to go straight through. We'll  
15 take a 10 to 15-minute break after we finish questioning  
16 you.

17 We will begin the questioning with Mr. Conley,  
18 the investigator.

19 MR. CONLEY: This is Nate Conley, Office of  
20 Investigations. I'll keep my first round of questions short  
21 as to not still the thunder of my colleagues, but I'll keep  
22 them short and general. How about that?

23 My first question is what is the best  
24 representation of imports? You probably haven't had time to  
25 review the questionnaires that were released yesterday, but

1 in your brief if you could address that I'd appreciate that.

2 And along the same lines, do you still hold, as  
3 you did in the petition, that substantially all imports are  
4 under the 2HGS numbers, which I believe you used in your  
5 exhibits as well?

6 MS. BYERS: Yes. Bonnie Byers for Petitioners.  
7 Yes, that's correct.

8 MR. CONLEY: Thank you. Looking again still at  
9 imports, are there sheeter rolls that are imported into the  
10 U.S., and if so, from where and if not, why?

11 MR. DORN: We're not aware of any sheeter rolls  
12 being imported from the subject countries. Joe Dorn for  
13 Petitioners.

14 MR. CONLEY: And why is that; do you know? Is it  
15 just not economically feasible? Are they too big to come  
16 in?

17 MR. THOMAS: Richard Thomas from Domtar. I think  
18 there are a couple reasons. Number one, most or all of the  
19 companies that we've identified as importing product into  
20 the U.S. have the ability to convert into the finished  
21 product, so they can make certain uncoated papers for  
22 themselves.

23 And the other thing I think was touched on in  
24 some of the testimonies. There aren't a lot of independent  
25 converters in the U.S. There are very, very few in copy

1 paper. There are a few for folio, but again, not enough to  
2 really make that a strategic approach to try and enter a  
3 market. I hope that helps.

4 MR. DORN: It's my understanding the converters  
5 that do exist tend to be specialized. They wouldn't be set  
6 up to do the big 12-pocket sheeters, the very big sheeters  
7 that make the big volume copy paper, so there's not an  
8 existing infrastructure, so to speak, for the subject  
9 foreign producers to start shipping copy paper in rolls here  
10 to be sheeted.

11 MR. CONLEY: Okay. Thank you. I guess that  
12 brings me to my next question is how expensive is it to set  
13 up a sheeting facility, to start a new one, I should say?

14 MR. THOMAS: It would be quite expensive,  
15 particularly -- again, there was reference to the highly  
16 automated nature of these sheeters. They're pretty capital  
17 intensive. They cost a lot of money, so it would be a  
18 significant effort in the multiple, multiple millions of  
19 dollars. Sorry, Richard Thomas again.

20 MR. CONLEY: Thank you. And how long would it  
21 take, approximately?

22 MR. MELTON: Rob Melton from Domtar. Maybe six  
23 months.

24 MR. CONLEY: Thank you. The last question for  
25 this round, and maybe it's just my ignorance, I guess, of

1 this market; but why in the scope is colored paper included  
2 when all you talked about was brightness and things like  
3 that?

4 MR. MELTON: Colored paper is a core part of copy  
5 paper, of the copier paper line and we have also seen an  
6 impact in the subject imports coming in, in colors as well.

7 MR. CONLEY: And what share of the overall market  
8 does that represent?

9 MR. MELTON: Colored paper is approximately maybe  
10 3 to 5 percent, in that range.

11 MR. CONLEY: And is importation of that  
12 concentrated in any particular foreign exporters, so any  
13 country, is any country particularly?

14 MR. MELTON: I'm aware of imports of colored  
15 paper from China and Indonesia.

16 MR. CONLEY: Thank you. That's all I have for  
17 now.

18 MR. MCCLURE: The next questioner will be Rhonda  
19 Hughes of the Office of General Counsel.

20 MS. HUGHES: Contrary to Mr. Conley, I'm probably  
21 going to ask you a ton of questions because I'm old. He's  
22 young. I will never remember what I need to ask in another  
23 round.

24 So, let's start with domestic-like product. You  
25 do not get away by telling me that you just want one. I

1 have oodles of questions. Let's start with web rolls  
2 because we've had a number of other paper investigations at  
3 the Commission which gave me fodder. And I know there was  
4 consideration in at least one regarding the web rolls and  
5 whether they should be considered as part of the  
6 domestic-like product. So, I'd like to know what your  
7 thoughts are on that.

8 I assume from testimony I heard from Ms. Lassier  
9 that the answer is probably no, but I'm not going to put  
10 words in your mouths.

11 MR. DORN: Ms. Hughes, you're probably referring  
12 to the case on certain coated paper.

13 MS. HUGHES: Yes.

14 MR. DORN: And there was an issue in the  
15 preliminary phase of the case of whether web roll should be  
16 included in the like product even though they were not  
17 within the scope of the imported articles.

18 MS. HUGHES: Right.

19 MR. DORN: And the Commission decided that they  
20 were not within the like product and did not see any need to  
21 revisit that in the final and questionnaires did not cover  
22 web rolls in the final.

23 MS. HUGHES: Exactly.

24 MR. DORN: I think it's important to know how  
25 that issue arose in that case. In certain coated paper, the

1 Commission first applied the semi-finished product analysis  
2 to determine if sheeter rolls were part of the domestic like  
3 product. Now, that was unusual for the Commission to do.  
4 Because as we've researched the cases there's only been  
5 about, I think, six cases where the Commission has addressed  
6 whether to add an upstream product, semi-finished product to  
7 the domestic-like product where that upstream product is  
8 outside the scope. And in only two of those cases did the  
9 Commission decide to include that out-of-scope product  
10 pursuant to the semi-finished product analysis. One was D-  
11 RAMS and the other was Certain Coated Paper.

12 D-RAMS was a very unusual situation where the  
13 Commission really had to do that because some of the U.S.  
14 producers were sending the product outside of the United  
15 States to be assembled and then it was brought back into the  
16 United States. So, if you didn't apply the semi-finished  
17 product analysis, they wouldn't be a part of the U.S.  
18 industry.

19 And then certain coated paper is kind of  
20 interesting because the petition actually included rolls in  
21 the scope, and I'm sure that the ITC questionnaires  
22 addressed rolls. And then the Commerce Department, after  
23 discussions with the Petitioner, excluded rolls from the  
24 scope. So, it came up in sort of an interesting situation.  
25 It really wasn't an outcome determinative issue and

1       Petitioners really didn't care, so sheeter rolls got in.  
2       And then once the sheeter rolls were in, the other side  
3       argued, well, if sheeter rolls are part of the  
4       domestic-like product let's decide whether web rolls and  
5       sheeter rolls are alike, and the Commission said no.

6                 But our point of view would be you never get to  
7       that point because sheeter rolls shouldn't be in this case.

8                 MS. HUGHES: I would think about them as well.

9                 MR. DORN: And even if they were in the  
10       domestic-like product, when you're looking at whether web  
11       rolls are in you shouldn't be looking at whether web rolls  
12       are like sheeter rolls. You should be looking at whether  
13       web rolls are like the imported articles subject to  
14       investigation. So, the starting point should be comparing  
15       web rolls with the imported articles subject to  
16       investigation, which do not include rolls. And if you go  
17       through the various six factors, as we've done in some of  
18       our testimony, and in our brief we can touch on this further  
19       in our post-conference brief, you'll see that there's no  
20       basis for expanding the like product to include web rolls  
21       because they're different manufacturing steps to make the  
22       sheets. They have a totally different function. They're  
23       not interchangeable. Even the paper that's used to make the  
24       sheets and the web rolls are different and the channels of  
25       trade are much different.

1                   And in fact, the differences between sheeter  
2                   rolls and web rolls are much more significant in this case  
3                   than in certain coated paper because in certain coated paper  
4                   you had commercial printers that would either take sheets or  
5                   rolls to print on sheet fed presses or on web presses. So,  
6                   you had the two products going in the same channel of  
7                   distribution.

8                   Here, a large percentage of the certain uncoated  
9                   paper is going to office and home printers and copiers, and  
10                  not going to commercial printers at all, so the channels of  
11                  distribution are much more separate in this case than in  
12                  certain coated paper. And also in this case the steps  
13                  required to sheet the product are more extensive because of  
14                  the packaging. You're packaging it for retail display at a  
15                  Staple's or Office Depot. So, the Commission in certain  
16                  coated paper talked about the sheeting, but no mention of  
17                  the packaging. And here you have the sheeting and the  
18                  packaging and the ream wrapping to put it on the retail  
19                  shelf, so that's another reason that the facts are even  
20                  stronger here than in certain coated paper for considering  
21                  web rolls to be a distinct product and not like the articles  
22                  subject to investigation.

23                  MS. HUGHES: Okay. All right, so in your  
24                  post-conference brief -- I know that you said that you would  
25                  discuss the six factors in more detail with respect to web

1 rolls. Would you do it as well with the sheeter rolls?

2 MR. DORN: Well, sheeter rolls I think we would  
3 address that under the semi-finished product analysis as  
4 opposed to the six like product factors, but we'd be happy  
5 to do that. But I would note that the Commission has stated  
6 that generally it does not expand the domestic-like product  
7 using the semi-finished product analysis to add a product  
8 that's out of scope.

9 MS. HUGHES: Sure.

10 MR. DORN: The Commission's also stated that,  
11 generally, it does not bother to do the semi-finished  
12 product analysis where doing so would not change the  
13 composition of the domestic industry.

14 MS. HUGHES: True.

15 MR. DORN: It did change the composition in D-  
16 RAMS which led to the decision to include the out-of-scope  
17 product there. But here, as you've heard from our  
18 witnesses, there's no producer of sheeter rolls who does  
19 not also produce certain uncoated paper. So, even if you  
20 did the semi-finished product analysis, you're not going to  
21 change the composition of the domestic industry. And then,  
22 finally, it's not going to move the needle anyway.

23 MS. HUGHES: I just like to be thorough.

24 MR. DORN: Virtually all of the rolls are  
25 sheeted by the domestic producers.

1                   MS. HUGHES: Okay. You've also said there are  
2 not that many manufacturers that produce the web product.  
3 Could you give us a number or range or an estimate, I  
4 suppose, in your brief as to how many producers we're  
5 talking about?

6                   MR. DORN: Well, I think there are several  
7 producers of uncoated free sheet that only sell it in roll  
8 form who do not make certain uncoated paper. I think that's  
9 what you're referring to.

10                   And Bonnie, that New Page Verso and who else?

11                   MS. BYERS: New Page, Verso, and Evergreen  
12 Packaging.

13                   MS. HUGHES: But this is for the web rolls.

14                   MS. BYERS: Correct.

15                   MR. DORN: Because they don't have the equipment  
16 to make the uncertain paper.

17                   MS. HUGHES: Okay. And regarding the converters,  
18 as you know, we've looked at converters in various  
19 industries to determine whether or not they engage in  
20 sufficient production related activities to be considered  
21 domestic producers. And I'm not sure exactly how that  
22 applies in this case. It sounds like most of the converters  
23 -- well, you've stated they're not independent converters,  
24 but I gather that there are some that exist?

25                   MR. DORN: There are some independent converters.

1 MS. HUGHES: But most of them are contained  
2 within the manufacturer facility; is that correct?

3 MR. DORN: Correct. And there's some small  
4 degree of toll processing where if a Domtar is having some  
5 paper converted to be punched or some special product that  
6 it doesn't have the in house equipment to do it might send  
7 it out for toll processing.

8 MS. HUGHES: Okay, so a minority of the  
9 producers, the minority that are sending it out, I gather.

10 MR. STEWART: As you'll see, in the petition we  
11 identify that less than 5 percent is done outside of the  
12 integrated producers and the questionnaires have gone out to  
13 a number of the converters that were identified by the  
14 Petitioners at the request of staff, and I believe you all  
15 have information in your data that will answer your  
16 question.

17 MS. HUGHES: Okay, but I'm more concerned ^^^  
18 well, I'm also concerned with whether they actually engage  
19 in the type of activities we consider to be --

20 MR. STEWART: Correct. And we will be pleased to  
21 address that in the post-conference brief after we've had a  
22 chance to look at what their questionnaire responses look  
23 like.

24 MS. HUGHES: Okay. Thank you.

25 Now, I understand there's at least one issue with

1 regarding the related producers being that International  
2 Paper has an affiliate or facilities in Brazil. And so, if  
3 in your post-conference brief you could also address whether  
4 the Commission should include or exclude International Paper  
5 from the domestic industry we'd appreciate that.

6 MR. STEWART: We will.

7 MS. HUGHES: Let's see. Is there a business  
8 cycle in the certain uncoated paper industry?

9 MR. DORN: I don't think so in the sense of like  
10 a cattle cycle or anything like that.

11 MS. HUGHES: I know we're not talking crops or  
12 anything. And you mostly focus on office products,  
13 obviously, which operate 24/7, 365 days a year?

14 MR. DORN: Right.

15 MS. HUGHES: I was just curious really.

16 MR. LeBLANC: Yeah, there is generally not a  
17 business cycle. I mean, certainly there are some periods  
18 that are slightly stronger than other periods in a year, but  
19 in general the business is pretty stable. They're aren't  
20 cycles to it.

21 MS. HUGHES: Okay.

22 MR. LeBLANC: Paul LeBlanc, PCA.

23 MS. HUGHES: And since you do -- you have  
24 generally been speaking about office products, the rise of  
25 the home office is upon us. But I know a lot of people at

1 homes use inkjet printers and that kind of thing. Is your  
2 product encompassed in that as well?

3 MR. LeBLANC: Yes. The product in question here  
4 is heavily used in home office printers of all types,  
5 inkjet, laser, et cetera.

6 MS. HUGHES: Okay.

7 MR. LeBLANC: So it's a good functioning product  
8 in those applications at home.

9 MS. HUGHES: All right. And Mr. Dorn was talking  
10 about a decline in demand that the industry has been  
11 experiencing. Were you referring to just within this  
12 country or worldwide?

13 MR. DORN: The data that Terry Stewart mentioned  
14 and the other witnesses mentioned is from industry  
15 publications that indicate in the United States the annual  
16 rate of decline has been 2.8 percent over the last 15 years,  
17 I believe it is.

18 MS. HUGHES: Okay. Thank you.

19 If we could get some -- oh, I'm sorry.

20 MR. STEWART: It is the case that we have  
21 supplied the Commission staff with information that takes a  
22 look at trends elsewhere. Our understanding is that in  
23 developed countries like in Europe and in Australia and in  
24 Canada you have had similar declines in demand whether  
25 they've been as steep or steeper than what has happened in

1 the United States. And that there has been some growth in  
2 developing countries in terms of demand where per capita  
3 consumption is significantly lower than it is in the United  
4 States and Western Europe and Canada and Australia. That  
5 information is in fact with the staff.

6 MS. HUGHES: Okay. Thank you.

7 MS. BYERS: Bonnie Byers for petitioners.

8 I would note that you're right, Terry, there is  
9 growing demand in some of these third countries,  
10 particularly in Asia. However, it's been a lot lower, I  
11 think, than had been predicted, which is why you have this  
12 major contribution of the capacity glut by the Asian  
13 producers. We'll provide information on that in our  
14 post-hearing.

15 MS. HUGHES: Okay. Thank you.

16 And with regard to the shutdowns that the  
17 witnesses have referred to, is it anticipated that any of  
18 these facilities might be restarted?

19 MR. THOMAS: That would be a bit of speculation,  
20 but typically if you look at the history on this and the  
21 announcements themselves when they're made, there's almost  
22 no opportunity for restart. And that's been the history.

23 MS. HUGHES: So for shutdowns none have been  
24 restarted thus far. And nothing else is anticipated?

25 MR. THOMAS: That's correct. That's right.

1 Richard Thomas.

2 MS. HUGHES: Okay.

3 MS. LASSA: Judy Lassa, PCA, I just want to add  
4 that, you know, speaking for the facility where we shut down  
5 the two machines, those machines are not going to be  
6 repurposed or sold, they won't ever start up again.

7 MS. HUGHES: Okay. Thank you.

8 MR. GEENEN: John Geenen, Steelworkers. My  
9 experience has been that to idle a machine with the prospect  
10 of restarting it, you have to continue to invest significant  
11 resources in turning the machine over periodically. And  
12 once a machine is down for eight weeks or three months, or  
13 especially any time during the winter it is very, very hard  
14 to ever see the machine starting up again.

15 MS. HUGHES: Okay. Thank you.

16 MR. THOMAS: And if I may just add? Richard  
17 Thomas. In Exhibit L, unless I'm mistaken, none of these  
18 closures listed in this exhibit were designed to be  
19 repurposed nor are there any plans for any repurposing of  
20 these shutdowns.

21 MS. HUGHES: Okay. Thank you.

22 I think that's the conclusion of my questions at  
23 this time. Thank you.

24 MR. McCLURE: The next questioner will be Amelia  
25 Preece from the office of economics.

1 MS. PREECE: Okay. Amelia Preece here. I'm  
2 going to be asking you some questions that are basic  
3 background questions, some of which may have been addressed  
4 in your questionnaires, but I want them to be out in public.  
5 And it's just cleaner to have this material public. I don't  
6 think that there's anything that's scary or, you know, that  
7 you're going to be wanting not to admit to in public. So,  
8 we can just put it out in public and then everything is  
9 nice.

10 And I'm going to follow, not Nate's, but Rhonda's  
11 strategy. Is there anything else affecting demand besides  
12 electronic media? You can answer short if you want. These  
13 are not supposed to be trick questions.

14 MS. LASSA: Judy Lassa, PCA. I think that is the  
15 main reason for the percent decline in the uncoated free  
16 sheet.

17 MS. PREECE: Nobody sees anything else?

18 MS. LASSA: Not as significant as that.

19 MS. PREECE: Okay. Okay. And are there specific  
20 uses where electronic media will be less likely to take over  
21 and paper, does anybody have any kind of idea of what's  
22 going on with that?

23 MR. THOMAS: There are uncoated segments, they  
24 may not be contained within what we've classified here as  
25 certain uncoated given the basis weight range, but there are

1 some smaller end-use applications that have growth and there  
2 are some that are flat. So you've got some uncoated label  
3 papers, again, that's not part of the scope of this  
4 investigation, but there are some -- if you look  
5 generically at uncoated paper, there are some applications  
6 where there is some growth, at least today.

7 But within the scope that we're talking here,  
8 this classification, I would say, no, they're all declining,  
9 maybe at slightly different rates, but they're all in a  
10 state of gradual decline.

11 MS. PREECE: Okay. Some firms have said that  
12 there's seasonal demand with school year affecting the  
13 demand. Can I elicit something more on how important school  
14 demand is, school-year demand, all those things?

15 MR. LeBLANC: Sure. Paul LeBlanc, PCA. Yes,  
16 there is a slight demand uptick around what we would call  
17 back-to-school. You will see it in some of the big-box  
18 retailers, you know, they have big back-to-school events  
19 that also translates into demand across kind of a non-retail  
20 segment as well. So, yes, we do see a slight uptick in  
21 these summer months, kind of prepping for school to start  
22 in the fall. And conversely there will be some, you know,  
23 slight declining demand periods around holidays and things  
24 when there is, you know, a lot more vacations and things,  
25 and workers are not in the office as often. But, again,

1 these are what we would consider kind of minor upticks and  
2 declines. Again, demand is reasonably stable across the  
3 year with just minor influences up and down and around some  
4 of those key themes.

5 MR. STEWART: Included in that is, in addition to  
6 the big-box retailers is the contract business that is done  
7 by schools and those sorts of things. Right.

8 MS. PREECE: Thank you. I've got the idea that  
9 this is mainly used in copy machines. Now, is there any  
10 major other use that's not sort of so trial like folding  
11 airplanes or something like that? I mean, you know, I don't  
12 want to talk about that, but, you know, is there some  
13 percent that isn't really used in copy machines, copy  
14 printer machines? Now, there really isn't any difference  
15 between them now.

16 MR. MELTON: Rob Melton with Domtar. Yes, of  
17 certain uncoated product, about 90 percent of what we're  
18 talking about is used in office papers and copy machines.  
19 The other 10 percent would be folio sheeted which is larger  
20 sheet size that would go through a commercial offset  
21 printing press typically. End-use applications for that  
22 might be a printed brochure, menus, these types of more  
23 commercial applications.

24 MS. PREECE: Okay. In some of the questionnaires  
25 people said that coated paper was a substitute and could be

1 used in copy machines. The question I want to throw out to  
2 you is, how good is that as a substitute? I mean, obviously  
3 there's substitutes and substitutes.

4 MR. THOMAS: Richard Thomas. I would say  
5 overkill for most purposes in a printer -- a laser printer,  
6 inkjet printer or copier is overkill because you end up with  
7 a better quality product than is necessary for the  
8 application. So it can be done, but it's pretty rare.

9 Now, on the folio side, the 10 percent that Rob  
10 referred to a minute ago, typically the commercial printer  
11 will get input from his end-use customer about what exactly  
12 is he looking for, what level or quality, and they may go to  
13 coated, they may go to uncoated. So I would say there's  
14 certainly more substitution in that segment of certain  
15 uncoated.

16 MS. PREECE: Clearly coated is more expensive?

17 MR. THOMAS: Coated is more expensive without  
18 exception.

19 MS. PREECE: Good. What you know as reasonable  
20 and stuff, we need sort of to have it stated so that we can  
21 take it and put it in a report because, you know, obviously  
22 that's a reasonable expectation, but frequently reasonable  
23 expectations are broken by reality. So we want to have it  
24 as clear as possible.

25 MR. THOMAS: Sure understood. And, again,

1 Richard Thomas. Think of this as the high-volume commodity  
2 end of uncoated free sheet papers where, again, the cost --  
3 the pricing typically reflects the cost to produce and it'd  
4 done high-volume and tends to be lower-priced than more  
5 specialized papers.

6 MR. STEWART: If I could just add a note. Joe  
7 and I were both involved in the coated case and the sheeting  
8 operations of the producers in those cases weren't anything  
9 like the sheeting operations here and they didn't produce 8  
10 1/2 by 11 types of sheets. So while that could happen  
11 theoretically, it would have to be at a converter that would  
12 be doing that as it wouldn't occur at the OEM's, I don't  
13 believe. And so it's a kind of a theoretical example in the  
14 context of the 90 percent that we've been talking about.

15 MS. PREECE: Yeah, but it's very helpful if  
16 people say, oh, we can substitute uncoated paper, then I can  
17 say, well, yeah, you can, but -- you know, it isn't cut that  
18 way and blah-blah-blah so that makes it very helpful to have  
19 this understanding.

20 Thank you.

21 Do you know who is the -- I mean, if I took this  
22 copy paper and I said, okay, who is using it? Businesses,  
23 government, schools, I mean, schools are obviously perhaps  
24 part of government, but Bill and I want them separate  
25 because they seem to be large, and other, you know, home

1 offices, where -- can you percentage out, chunk out this  
2 demand in any way? Do you have any good idea of where it's  
3 coming from?

4 MR. DORN: I understand Domtar can provide that,  
5 but it would be confidential marketing information. We can  
6 provide that in our post-conference brief.

7 MS. PREECE: Yeah, I don't need the --

8 MR. DORN: You're looking for segments of demand.

9 MS. PREECE: Yeah. I don't need real clear, I  
10 mean, it's like, you know, 5 percent, 10 percent, you know,  
11 just sort of general ranges would be helpful.

12 MR. MELTON: Certainly most of certain uncoated  
13 product would be used in businesses. Government would be  
14 maybe a 20 percent, and that would include schools, you  
15 know, in that number. So the vast majority would be in  
16 offices, again, with a certain portion of it in the folio,  
17 commercial printing side going to businesses as well, but  
18 just in kind of a different form. So this is largely a  
19 business sort of application.

20 MS. PREECE: And bureaucracies like us are really  
21 small?

22 MR. MELTON: Shrinking, unfortunately, for our  
23 business, but, yes.

24 MS. PREECE: Okay. Thank you.

25 (Pause.)

1 MS. PREECE: We've mentioned sort of two groups  
2 of sizes, 8 1/2 by 11, legal size and then this folio size.  
3 Do you have an idea -- can I have an idea of what's legal  
4 size versus 8 1/2 by 11? Is that -- I mean, what shares go  
5 this way?

6 MR. THOMAS: You can figure 11 x 17 which there  
7 is a little bit of in the high volume copiers, and then 14  
8 inch, they're going to comprise less than 10 percent of the  
9 total.

10 MS. PREECE: Okay. Great. Thank you.

11 Question about pricing. This is more of a  
12 leading question. I've been looking at the pricing data and  
13 I see your very clear underselling in the AUVs, but I don't  
14 see it in the pricing data. Is there any -- not necessarily  
15 now, but I want you to think about addressing that as time  
16 goes on because I think this is going to be an important  
17 issue for you.

18 MR. DORN: We'll certainly address that in our  
19 post-conference brief. I think that we could do some fine  
20 tuning in the way that the pricing is collected to deal with  
21 volume situations and channels of trade.

22 MS. PREECE: Thank you. Done.

23 MR. McCLURE: The next questionnaire will be Chip  
24 Yost, our auditor in these investigations.

25 MR. YOST: Good morning and welcome to the

1 conference. I have a couple of questions that I would like  
2 to ask. Some of them are follow on to questions that have  
3 already been asked by my coworkers and colleagues here at  
4 the table.

5 The first one is, I've seen in a number of  
6 industry publications the term "secular decline". And Mr.  
7 Stewart in this regard referred to a long-term, over the  
8 last 15 years, decline in demand. So I'd like to ask you in  
9 post-conference to address perhaps how the Commission should  
10 look at demand in this industry in terms of a long-term  
11 decline in demand. Factor that into the Commission's  
12 analysis.

13 MR. DORN: We'd be pleased to do so.

14 MR. YOST: Thank you. With the shutdown of  
15 capacity particularly in the sheeting capacity, would you  
16 expect the role of converters and the independent tollers to  
17 increase? Have you seen that role increase at all in the  
18 last, let's say, five years?

19 MR. THOMAS: This is Richard Thomas. I would not  
20 expect that actually. In fact, typically what you'll see  
21 with a closure is the mills footprint as it gets smaller,  
22 it's going to still be able to generate the percentage of  
23 sheets that their customers want. So they'll try to  
24 harmonize a closure to make sure that they're still able to  
25 go to market with a blend of sheets and rolls and whatever

1 else they do that is optimal. So they'll keep sheeting  
2 capacity in an offsite location if necessary, if they  
3 desire to shut down roll-only capacity.

4 So that would be my expectation going forward as  
5 well.

6 The only exception would be, there is growth in  
7 digital printing which typically has some unusual sizes and  
8 the folio capacity of some mills is not designed to do that  
9 because it's a fairly recent phenomenon. So you would see  
10 some of that going outside. But, again, on a aggregate  
11 basis, it's quite small.

12 MR. YOST: Let me ask, in terms of the closures,  
13 I'm sorry.

14 MR. MELTON: I'm sorry, Rob Melton. I just  
15 wanted to add onto that, to your question. I think the  
16 other key component of that is there is not an  
17 infrastructure today in the independent converter market to  
18 be able to add capacity without making significant  
19 investment. And because it's a commodity product and  
20 there's what I would consider very small returns, there  
21 would be little economic incentive to invest in sheeting  
22 equipment as an independent converter going forward.

23 MR. YOST: Okay. In terms of the closures that  
24 were discussed here today, I have a number of closures that  
25 were listed, Wausau, Harbor, and Lincoln, for example, were

1       these entire plants that were closed down, both the  
2       papermaking line and the roll making and the sheeting? If  
3       anyone can talk in terms of these three companies.

4               MR. GEENEN: Wausau's Brokha mill was shut down  
5       in its entirety. The mill out west was shut down in its  
6       entirety and Lincoln Tissue continues to operate a tissue  
7       mill, but shut down all of their uncoated production.

8               MR. YOST: Okay. And I think, Mr. Geenen, you  
9       had mentioned a number of other plants as well. Was it the  
10      sheeting lines that were closed or also the papermaking  
11      line?

12              MR. GEENEN: So in every facility companies have  
13      to match sheeting capacity with paper production capacity.  
14      So when there's a paper machine shutdown in almost every  
15      case that I can think of, there's also been sheeting  
16      capacity that's been shut down.

17              MR. YOST: Is the converse true, that a company  
18      would only shut down a sheeting line that keep, let's say,  
19      paper making and rely on some other outlet for it's sheeting  
20      operation?

21              MR. GEENEN: Well, that probably was true before  
22      the decline in the market, and the import question, but now  
23      nobody is adding investment in terms of, you know, more  
24      productive sheeters right now. So the reverse would not be  
25      true.

1                   MR. BRAY: Jack Bray with Domtar. One other  
2 notable addition to the list of mills that have closed  
3 permanently would be the International Paper, Courtland,  
4 Alabama closure. And Higher Mill closed one of the ten  
5 largest mills in the United States.

6                   In addition to John's comments on sheeters too,  
7 you would find it rare to close a sheeter and then find some  
8 other avenue. As we've already expressed, there really  
9 aren't sheeters available to do that, you know, outside the  
10 manufacturers of paper. Tolling is kind of a small and rare  
11 practice. So typically it's very well matched inside of a  
12 company strategically to sheet certain uncoated product.

13                   MR. YOST: Then what drives capacity  
14 utilization? Is it this match between papermaking and  
15 sheeting operations? Is that what drives capacity  
16 utilization?

17                   MR. BRAY: Are you talking about capacity  
18 utilization on the sheeter?

19                   MR. YOST: Well, capacity utilization for a  
20 mill. You obviously try to match paper making with  
21 downstream operations. So is that drives utilization, the  
22 capacity utilization on the sheet line and your ability to  
23 make paper?

24                   MR. BRAY: Typically, it's the ability to  
25 manufacture paper for the demand that then drives your

1 sheeter capacity.

2 MR. YOST: Okay.

3 MR. BRAY: And strategically where you have  
4 those assets and how you utilize them.

5 MR. YOST: Okay.

6 MR. DORN: If I might add, as Mr. Bray  
7 testified and you'll see in the confidential record, there  
8 has been a reduction in sheeting capacity at Domtar. He  
9 testified about their experience at Ashdown, where two  
10 sheeters were closed during the POI, and that's specific to  
11 the loss of volume respective to this particular product,  
12 certain uncoated paper.

13 MR. YOST: Does that lead you -- I'm wandering  
14 into confidential business information, but does that lead  
15 you to then ship rolls to another sheeting facility? You  
16 can answer that post-conference if you would prefer.

17 MR. DORN: We'll be happy to do that  
18 post-conference.

19 MR. YOST: Okay.

20 MR. STEWART: Mr. Yost, it's Terry Stewart.  
21 To the extent your question is whether or not mills  
22 typically make both certain uncoated and other uncoated, the  
23 answer is many mills would produce both. And so the  
24 decision as to capacity utilization can be a combination of  
25 both certain uncoated and other uncoated at a particular

1 mill.

2 MR. YOST: Okay. For the lines that were  
3 closed, was there any replacement of equipment or upgrades  
4 of other existing equipment?

5 MS. LASSA: It's Judy Lassa, PCA. In our  
6 case, at the International Falls mills, we did not -- like I  
7 said, we shut down the two machines and we did go to our  
8 board to ask for, you know, some upgraded capability for the  
9 other, one of the other machines at the mill, and that was  
10 turned down. So basically we shut down, and we did not get  
11 any other upgrades.

12 MR. YOST: Okay, thank you, and given a number  
13 of mill closures, do we have a survivor bias in our data?

14 MR. DORN: Yes, we think you certainly do, and  
15 we can address that our post-conference brief.

16 MR. YOST: Okay, thank you. That concludes my  
17 questions. Thank you.

18 MR. McCLURE: The next questioner will be  
19 Vince Honnold, our commodity industry analyst.

20 MR. HONNOLD: Hello. This is Vince Honnold,  
21 Office of Industries. I've just got a couple of questions.  
22 During the Period of Investigation, there's been some  
23 consolidation among U.S. paper merchants and retailers. How  
24 has this consolidation affected your certain uncoated paper  
25 business?

1                   MR. THOMAS: This is Richard Thomas.  
2                   Fundamentally, it hasn't affected demand. Typically, if you  
3                   get two large retailer or we'll call them distribution  
4                   entities together, they'll be a temporary reduction in  
5                   apparent demand, because they'll consolidate multiple supply  
6                   chains under one.

7                   But these products, particularly copy paper,  
8                   again which forms the lion's share of the classification  
9                   here, they're ubiquitous in terms of your access to them.  
10                  So there's no evidence that demand has been stymied by any  
11                  consolidation at the distribution level.

12                  MR. HONNOLD: What about with respect to  
13                  pricing, the upgraded pricing power?

14                  MR. THOMAS: The intermediaries have greater  
15                  pricing power?

16                  MR. HONNOLD: Right, the merchants and the  
17                  retailers.

18                  MR. THOMAS: Well, I guess common economic  
19                  sense would say at some level they do as they get bigger.  
20                  But you know, I'm not sure that you could quantify that  
21                  channel by channel. So I mean obviously that's what they're  
22                  seeking in part. So it's not something that you could  
23                  really speak to, other than maybe a case-by-case basis.

24                  MR. HONNOLD: Next question, and you've  
25                  mentioned this a couple of times, International Paper's big

1 shutdown of their mill in Alabama. Could you go into a  
2 little more detail about how that shutdown affected your  
3 business, and in the overall market for certain uncoated in  
4 the U.S.?

5 MR. THOMAS: This is Richard Thomas. I guess  
6 there was some commentary in my testimony here, so let me  
7 take a first crack at this and the other folks can chime in.  
8 The expectation was a closure that large, in matching that  
9 up with kind of the demand glide path which, you know, we  
10 were pretty confident we know what that looks like, would  
11 provide an opportunity for a better supply-demand balance in  
12 the industry, and certainly from Domtar's standpoint.

13 Our expectation going forward was there'd be  
14 an improved supply-demand profile, as we looked out at our  
15 customers. We can speak to the macro, but we can be  
16 confident in the micro, which is our outlook. So we felt  
17 that we would have an opportunity to recover some pricing  
18 that had been lost, as well as pass through some cost  
19 increases that we'd seen.

20 As you've heard in the testimony, there was --  
21 in fact, Rob commented on this. There were price increase  
22 announcements. There was some realization. But then very  
23 quickly you saw imports, really kind of simultaneous with  
24 these announcements, you saw imports rush in, and then you  
25 saw the supply-demand balance become unbalanced.

1                   MR. HONNOLD: Can I get Boise's perspective on  
2 that question?

3                   MS. LASSA: You know, I would agree with what  
4 Dick has said. I think if you just look at it from the  
5 standpoint of a three percent demand decline, we would have  
6 expected to recover on our domestic shipments. But then  
7 domestic shipments after the shut had about, you know, an  
8 eight or nine percent decline.

9                   MR. HONNOLD: Okay. Just one other thing. On  
10 the post-conference brief, can you just provide information  
11 on the anti-dumping countervailing duty orders in the third  
12 country markets?

13                  MR. DORN: We'll be pleased to do so.

14                  MR. HONNOLD: Okay. That's all for me.

15                  MR. THOMAS: Thank you. Let me -- I'd just  
16 like to go back with what Judy said a minute ago, because  
17 it's -- I think the numbers tell the story here. So you can  
18 look at what consumption was over that period of time. But  
19 then if you look at what U.S. shipments are, and again, this  
20 is not speculation. These are known measured numbers.  
21 You'll see that there was twice as much decline in U.S. mill  
22 shipments as there was loss in demand. So I just wanted to  
23 reiterate that from a standpoint of perspective.

24                  MR. STEWART: And if I could just add to that.  
25 I believe your question also was seeking whether or not a

1 closure of a large mill could have resulted in a shortage of  
2 product in the U.S. marketplace that would draw imports in,  
3 and the answer is no. There was more than enough capacity  
4 in the United States to address the demand, recognizing that  
5 there was declining demand without any problem.

6 MR. McCLURE: Thank you, Vince. Ms. Preece  
7 has one more question, and then we will go back to Mr.  
8 Comly.

9 MS. PREECE: Okay, I'm sorry. This is the  
10 kind of question that I have to ask as the economist. I  
11 have this lovely piece of paper, set of paper here, and this  
12 is printed subject product I assume, and this printed  
13 subject product has some kind of cost associated with it,  
14 which is somebody had to pay.

15 I want to know what the paper is in this cost  
16 of this printed subject product which I have in front me,  
17 and I'm thinking about costs of the copier, cost of the ink,  
18 cost of the energy and any other costs involved.

19 MR. DORN: Don't forget the legal fees.

20 MS. PREECE: No. The legal fees I cannot  
21 include.

22 MR. McCLURE: We can't count that high.

23 MR. DORN: But if you're looking at it in  
24 terms of price elasticity of demand, you should, because  
25 it's the cost of paper in terms of the overall business of

1 King and Spalding or any of the law firms here. The cost of  
2 paper is negligible, and we're not going to buy more or less  
3 paper because of a change in the price, because we need that  
4 paper to be here at the ITC to make our presentation, no  
5 matter what the cost is. So it's very price inelastic is my  
6 point.

7 MS. PREECE: That's a very good explanation,  
8 and when you do your brief, if you can tell me about the  
9 other things, I would appreciate it too. But I very much  
10 take your point. Thank you, and I will cease asking  
11 questions at this point.

12 MR. McCLURE: Mr. Comly.

13 MR. COMLY: The good news is most of my  
14 questions have been asked already by my colleagues, but I do  
15 have a few additional ones. Let's see, and this may be more  
16 for counsel. But how should the Commission look at capacity  
17 utilization? As in should they look at it from the  
18 perspective of a sheeter capacity utilization, or should  
19 they look at it from paper machine capacity utilization?

20 MR. DORN: Well, I think we can answer that  
21 better with the confidential data in our post-conference  
22 brief. But I think you should give particular attention to  
23 the capacity utilization for the sheeters, because that's  
24 more specific to this product. Because as it's been  
25 discussed, the capacity utilization of the paper machines is

1 a mixed bag between the sheets and rolls.

2 MR. COMLY: Thank you. In the testimony,  
3 someone mentioned recycled paper. Has that changed how the  
4 manufacturing process is done and the costs involved?

5 MR. BRAY: Well, the manufacturing process for  
6 making recycled paper, speaking for Domtar, we purchase that  
7 fiber specifically into our mills. We do not manufacture  
8 the individual recycled fibers themselves. We purchase  
9 that, and then we enter it into our papermaking process.  
10 The technology around that, the process you use, has not  
11 substantially changed at all. So does that answer your  
12 question?

13 MR. COMLY: It does, and what about  
14 manufacturing costs? So has it lowered the cost?

15 MR. BRAY: The recycled fiber, entering it  
16 into the sheet increases our cost of manufacturing.

17 MR. COMLY: And what's the demand for that in  
18 the U.S. market? Is there an increasing demand of that?

19 MR. BRAY: I'll defer to Rob for that.

20 MR. MELTON: In total, it's declining on a  
21 percentage basis as well as an absolute basis. Again, the  
22 government agencies are the primary consumers of that, and  
23 as budgets have fallen, paper consumption has fallen, and as  
24 a result, recycled paper consumption has fallen.

25 MR. COMLY: The other players in the market

1 don't really care whether it's recycled or if it's in pulp?

2 MR. MELTON: Because it costs more. There's  
3 an upcharge for recycled paper. Again, copy paper is copy  
4 paper to a lot of people, and they just want the lowest  
5 price.

6 MR. LeBLANC: We at PCA, this is Paul LeBlanc,  
7 you know, the government is definitely a large user of  
8 recycled paper. It's a small percentage of the total,  
9 somewhere less than ten percent of the total product we're  
10 talking about here, and it's, you know, similarly dealing  
11 with demand-decline issues.

12 But you know, there are customers that like  
13 it, demand it, you know, value it for a variety of reasons,  
14 you know, based on whether they have certain strategies  
15 within their company, in terms of how they want to like put  
16 their environmental footprint forward or something. So you  
17 know, it's a small piece, pretty stable piece of that total  
18 pie. But again, remains fairly small.

19 MR. STEWART: There are a variety -- this is  
20 Terry Stewart. There are a variety of products that are  
21 offered by foreign producers that are subject to  
22 investigation here, just as there are from many domestic  
23 producers.

24 The level of recycled paper can vary, in terms  
25 of percentage, and there's a higher cost, depending on the

1 higher percentage of recycled that's available. So it's one  
2 of the products in the mix that's out in the market, and  
3 it's offered by all of the producers for people who have an  
4 interest in it.

5 MR. COMLY: Let me go back to capacity. At  
6 what point is it -- at what point, either you can show it by  
7 capacity utilization. But at what point is it uneconomical  
8 to run a paper machine anymore? So at what point do you say  
9 all right, I've reach 80 percent capacity utilization; I  
10 can't afford to run this anymore and I'm going to shut it  
11 down?

12 MR. THOMAS: This is Richard Thomas. I can  
13 only speak for Domtar. You know, what we choose to do is  
14 take what appears to be an affordable amount of down time.  
15 So last year it's public record. We took 139,000 tons of  
16 down time in lieu of shutting down an entire paper machine,  
17 because we felt there was demand there to run at that rate.

18 So and it's going to vary by mill and machine  
19 where that tipping point is, where it makes no sense to  
20 continue running. But certainly there is one. So I just  
21 give you, you know; kind of anecdotally, that's been our  
22 approach to it. And so you look for what's it do to the  
23 overall mill balance, the pulp versus paper machine versus  
24 sheeting. So you've got to -- remember, these mills were  
25 built to harmonize all these different functions.

1                   So when you throw it into disharmony, it has  
2                   an effect from the front of the mill to the back, you know,  
3                   and it's just one of those things in a process-driven  
4                   system. So it's complicated in terms of -- the economics  
5                   are going to vary, I think, location by location.

6                   MR. DORN: And then the other part of  
7                   equation, of course, is what price you're receiving for the  
8                   paper you do produce.

9                   MS. LASSA: It's Judy Lassa from PCA. I think  
10                  we have a similar outlook in how we go about that. I mean  
11                  they're designed to run 24-7. You look ahead to see whether  
12                  or not, you know. If there was a gap in that, then you  
13                  would decide to take these small periods of down time. If  
14                  that continues to happen, at some point and the rate and the  
15                  economics don't make sense, and then you look to shut down  
16                  permanently.

17                  MR. THOMAS: And this may be out of scope of  
18                  your question, but just it kind of leads me down a logical  
19                  thought process. We talked about repurposing and where  
20                  there are opportunities to do that, and we talked about the  
21                  Exhibit L. None of those were repurposed, but it's come up.

22                  So I thought that I'd just comment on that,  
23                  and I don't want to get into -- here, at least, into the  
24                  specific economics of that. But I think you'd be  
25                  hard-pressed to find a repurposing, where whatever you

1 repurpose to didn't generate far lower returns than when  
2 that facility was producing certain uncoated paper. So you  
3 know, the thinking about, "Well geez, I can just have this  
4 (mill) do" this instead. You generally end up spending  
5 money to get this to do that, and then the returns are much  
6 lower.

7 And we could, in private session, talk about  
8 some numbers. Again, I don't want to do it here. But that  
9 seemed a logical extension to your question, Mr. Comly.

10 Thank you.

11 MR. COMLY: I'm going to shift and these are  
12 going to be my final questions, shift over to the imports  
13 and foreign producers. I noticed in the public data that  
14 China's imports are relatively lower than many of the other  
15 subject sources, and that's unusual for the Commission. Can  
16 you explain why that might be, and do you expect it to  
17 continue to increase, as it has increased, and do you expect  
18 them to take a more dominant role?

19 MR. DORN: Well, I assume -- are you including  
20 the Hong Kong numbers with China, because -- this is Joe  
21 Dorn -- you should be including the Hong Kong numbers with  
22 China, because that's really product from China. What we're  
23 showing is from 2011 to 2013, imports from China increased  
24 418 percent, and they increased 56 percent in interim 2013  
25 to interim 2014. In interim 2014, you know, they weren't --

1 they were certainly not the lowest of the subject countries.

2 So you know, what concerns us in particular  
3 about China is tremendous growth, and the potential for  
4 further growth for the reasons that Bonnie Byers mentioned  
5 in her testimony.

6 MR. COMLY: Partially associated with that,  
7 how is Staples' reengagement with APP, how is that going to  
8 affect imports coming from Indonesia and China? Do you see  
9 an increased threat there?

10 MR. STEWART: I think if you looked at the  
11 import statistics from Indonesia, you see a big spike in  
12 2014, and that corresponds to the point in time that  
13 Staples, as we understand it, renewed their relationship  
14 with APP. That's from public data. We can obviously  
15 comment in the post-conference brief, if the questionnaire  
16 responses will let us look at that.

17 MR. THOMAS: Yeah. I was going to say. We  
18 could speak, I think, more directionally in private session.  
19 So we'd be glad to do that. Thank you.

20 MR. COMLY: That would be great, thank you,  
21 and that is all I have.

22 MR. McCLURE: Jim McClure. You will all be  
23 thrilled to know that I think staff has asked sufficient  
24 questions. Whoops, I should have known. The lawyers always  
25 get the last word. Ms. Hughes. Oh, I'm sorry, boy.

1                   MS. HUGHES: I'm not just the lawyer, but the  
2 old person who had this question and couldn't formulate it  
3 properly had more time to think. So I'm looking at Exhibit  
4 F here, and I see that there's a very small amount of  
5 non-subject imports listed, okay, and you know the  
6 Commission loves to think about replacement benefit  
7 analyses.

8                   So I have to ask a question about it, and in  
9 the event, and I'm sure counsel here would say in the  
10 extremely unlikely event that the Commission would make a  
11 negative determination in this preliminary -- in these  
12 preliminary investigations, do you think non-subject imports  
13 would stop in to replace the subject imports to any  
14 significant degree? Feel free to answer this in the  
15 post-conference brief.

16                   And but more specifically, can you tell me how  
17 the non-subject imports compare in terms of  
18 interchangeability with the domestic like product, or your  
19 proposed domestic like product, and with respect to how  
20 they're priced?

21                   MR. STEWART: This is Terry Stewart. We'll  
22 fill that out in the post-conference brief. If you look at  
23 the import statistics, what you find is that non-subject has  
24 declined more rapidly than the decline in consumption. So  
25 they've lost market share during this period.

1                   The bulk of the imports are from Canada,  
2 Mexico and Israel, and those products are all comparable in  
3 terms of being interchangeable, but they are much higher  
4 priced than the imports that are the subject of  
5 investigation. We can lay all of that out in the  
6 post-conference brief.

7                   MS. HUGHES: Okay, thank you.

8                   MR. McCLURE: Mr. Yost.

9                   MR. YOST: Hello again. I do have two  
10 followup questions, and one is for post-conference. For the  
11 companies represented, would you please define an adequate  
12 rate of return on assets? I'd appreciate it. My second  
13 question is in the opening remarks by Respondents' counsel,  
14 he referred to or he played the earnings call forecast. I  
15 haven't read the transcript and I couldn't hear the  
16 forecast, but I'm going to offer you a chance  
17 post-conference to respond to it.

18                   MR. DORN: I appreciate that opportunity.  
19 Thank you.

20                   MR. YOST: Thank you, and that concludes my  
21 questions once again.

22                   MR. McCLURE: I think we've asked sufficient  
23 questions. We're going to take a ten -- let's just come  
24 back at 12:00 noon, and in closing, I'd like to award Ms.  
25 Byers and Mr. LeBlanc gold stars for batting a thousand on

1 identifying themselves every time they spoke. Ms. Lassa,  
2 you were on your way to batting a thousand, but the last one  
3 you didn't.

4                   Anyway, with that, we will adjourn for 15  
5 minutes. Remember, the room is not secure, so take care of  
6 your business proprietary information.

7                   (Whereupon, a short recess was taken.)

8                   MS. BELLAMY: Will the room please come to order.

9                   MR. MCCLURE: Before we get started, there are so  
10 many of you and we really need you to give your name as you  
11 start because this is going to be a challenge for our court  
12 reporter. So, I can pull out my taser and zap people if  
13 they don't do it.

14                   But anyway, Mr. Shor, it's all yours.

15                   STATEMENT BY MICHAEL SHOR

16                   MR. SHOR: Good morning, Mr. McClure, members of  
17 the Commission staff. My name is Michael Shor of the law  
18 firm of Arnold & Porter. I'm appearing today as counsel for  
19 the APP Indonesian producers Tjiwi Kimia, Indah Kiat, and  
20 Pindo Deli.

21                   On behalf of all Respondents, collectively, I  
22 will present our analysis of why there is no indication of  
23 injury by reason of subject imports. John Greenwald will  
24 then explain why there is no imminent threat of future  
25 injury.

1           Each individual Respondent will then take five  
2 minutes to address specific issues. And I hope everyone  
3 understands the order in which they're speaking.

4           We heard earlier today a story from the domestic  
5 industry that simply isn't reflected in the data that you  
6 will have before you. As you evaluate that data, I want you  
7 to consider three important markers, 2014, Courtland and  
8 Ashdown. 2014 marked the change in the domestic industry's  
9 performance that they do not blame on the increase in  
10 subject imports that occurred during that period.

11           Courtland is important because there was a major  
12 shutdown, a change in the condition of competition, a  
13 removal of a huge portion of the U.S. supply capacity.  
14 Ashdown, as Domtar announced closures for 2016, they've  
15 already announced it. It's going to take a further 10  
16 percent of U.S. capacity out of production.

17           We believe that those three markers, 2014,  
18 Courtland and Ashdown will show why there is no present  
19 injury and why there is no present future injury.

20           At the outset, I will reiterate that for purposes  
21 of this preliminary determination Respondents accept the  
22 domestic-like product definition in the petition; however,  
23 we reserve our right to address the inclusion of sheeter  
24 rolls in any final investigation.

25           With respect to conditions of competition, I'll

1 be brief. We do not agree that domestic and subject  
2 uncoated paper competes only on the basis of price. Price  
3 competition is attenuated based on a variety of factors,  
4 including huge differences in order lead times, supply chain  
5 reliability, the presence of branded products like  
6 Hammerhill Paper, Buy American preferences for certain  
7 tax-supported bids, significant differences in minimum order  
8 size. From Indonesia, we can only sell a container -- they  
9 can sell a few boxes -- and U.S. domestic freight costs.

10 Let me just give you an example of freight costs  
11 in this industry. The U.S. industry predominantly is  
12 concentrated in the Southeast to take advantage of the  
13 southern yellow fine fiber resource. Subject imports, on  
14 the other hand, largely are sold near east and west coastal  
15 points of entry. It is costly for the U.S. producers to  
16 ship long distances, such as to the West Coast.

17 For example, our estimates show that it costs  
18 roughly \$140 a ton to ship paper from Arkansas to Los  
19 Angeles. The cost from Sumatra, Indonesia to Los Angeles is  
20 \$95 a ton.

21 Now, let me address present injury. Even under  
22 Petitioner's theory of a fungible commodity product that  
23 competes only on price, there remain three problems with  
24 that theory.

25 First, there is no present injury. Second, there

1 is no present volume impact. And third, there are no  
2 present price effects. Why do I say there is no present  
3 injury? The aggregate data tell the story. We expect your  
4 questionnaire data will show that in interim 2014 the  
5 domestic industry's operating income ratio was high and had  
6 increased significantly over 2013.

7 It reached a very robust level typically not seen  
8 in these Commission injury investigations. And note that  
9 profitability was at its peak in the very year in which  
10 subject imports were at their peak, having increased by some  
11 40 percent over interim 2013. They did their best when we  
12 imported the most.

13 You have before you a presentation labeled  
14 Respondent Injury Presentation. Mr. McClure, I'd like that  
15 entered in the record.

16 MR. MCCLURE: We will enter that Respondent's  
17 Injury Presentation as Exhibit 3, I believe.

18 MR. SHOR: Consistent with the aggregate data, we  
19 believe your questionnaires will show those Petitioners that  
20 are public companies told their shareholders after the  
21 fourth quarter of 2014 that their commodity paper businesses  
22 were performing well.

23 Let's look first at International Paper. IP  
24 circumstances are especially interesting. IP shut down one  
25 paper machine at its Courtland, Alabama plant in the fourth

1 quarter of 2013 and an additional two machines in February  
2 2014. One might expect operating income for IP's paper  
3 segment to have declined in 2014, but that is not the case.  
4 If you turn to Slide 1 -- and these slides are numbered in  
5 the upper right-hand corner because they came with their own  
6 numbers.

7 I've circled the numbers that show IP's operating  
8 income for North America in the printing paper segment.  
9 There was a small, but notable increase from 2013 to 2014,  
10 the very year they shutdown mills and the very year in which  
11 imports increased by 40 percent. Not that operating income  
12 in the printing paper segment declined in other markets,  
13 whereas it increased in North America.

14 If you want to gauge how U.S. industry performed  
15 relative to other markets, there it is, and the U.S.  
16 industry performed better. If you turn to Slide 2, you have  
17 IP's characterization of the markets for its products. With  
18 respect to paper in North America, they described the volume  
19 as stable and pricing as stable. Nobody used the words  
20 "reeling" as Mr. Stewart used this morning.

21 The Domtar slide is next. Domtar's CEO, John  
22 Williams, presented at a Merrill Lynch conference in  
23 December 2014, just two months ago. If you look at Slide 4,  
24 which was his overall depiction of his company, he described  
25 the commodity paper business at the bottom as a solid,

1 EBITDA margin business and a core engine for the company.

2           You all would know better than I, but I doubt  
3 there are many instances in which one officer of a company  
4 tells security analysts that a business is a "solid, EBITDA  
5 margin business" while other officers of the company come  
6 before you and tell you that the same business is materially  
7 injured by imports. Mr. Thomas used the word "bleak" this  
8 morning.

9           In their February 6 earnings release, Domtar  
10 reported that operating income for its pulp and paper  
11 segment increased from \$171 million in 2013 to \$323 million  
12 in 2014. They do not break out paper from pulp and they  
13 don't break out Canada from the U.S., but overall, their  
14 business was expanding.

15           With respect to PCA, it's hard to compare their  
16 numbers because the acquisition of Boise at the end of 2013  
17 skews the comparison of 2013 and '14. So, we looked instead  
18 at the ratio of EBITDA for sales revenue as publicly  
19 reported for their paper market segment. For PCA, operating  
20 income as a percentage of sales jumped 50 percent in 2014,  
21 from 10 percent to 50 percent.

22           While Petitioners have a big problem in showing  
23 present injury, they have an even bigger problem with their  
24 volume case. That's the one depicted on the slides that Mr.  
25 Dorn handed out this morning, the slides you see in every

1 case showing imports increasing and every indicator of  
2 domestic performance decreasing.

3 Blaming imports for the decline in domestic  
4 production, shipments, employment, capacity, and similar  
5 factors simply does not work in this case. As Domtar's Mr.  
6 Melton explained "In the digital age demand for copy paper  
7 is in a secular decline and has been for a while." The  
8 domestic industry years ago adopted a strategy of  
9 periodically removing uncoated paper capacity from the  
10 market to adjust supply to falling demand. They do so not  
11 in response to imports. They do so specifically to improve  
12 efficiency and profitability.

13 If you turn to Slide 4, we tried to indicate the  
14 mill and machine closures that have taken place since at  
15 least 2007. The first thing to note is that the process  
16 started in 2007. It didn't start when they started talking  
17 about it this morning in 2011 as part of the period of  
18 investigation, and it had nothing to do with imports. It  
19 started long before imports were a significant factor in the  
20 market.

21 It is simply disingenuous of the panel this  
22 morning to have discussed their plant closures as if they  
23 only started in 2011 and as if they were in response to  
24 imports. Over the POI along, the domestic industry has  
25 removed 1.8 million tons of overall uncoated capacity. Most

1 recently, in late 2013 and early 2014, IP shutdown three  
2 machines at Courtland, Alabama mill. That removed 750,000  
3 tons of uncoated paper capacity from the market.

4 And based on Rizi data, that relates roughly to  
5 approximately 418,000 tons of cut-size paper or about 10  
6 percent of total domestic capacity. To put that reduction  
7 in perspective so we can understand it a bit more, we note  
8 that it is equivalent to roughly 150,000 billion sheets of  
9 copy paper. And these plant reductions continue today with  
10 Domtar already announcing additional reductions at Ashdown  
11 for 2016.

12 It is important to note that no domestic producer  
13 has ever announced that they were reducing capacity because  
14 of imports as the remaining slides in your packet exemplify.

15 Slide 6 just simply highlights the capacity  
16 reductions in each year, and the remaining slides, which I  
17 hope you don't read while I'm giving you the rest of my  
18 presentation, we've highlighted the statements about how  
19 they're reducing capacity to improve efficiency and to  
20 improve profitability, and you won't see imports mentioned  
21 in any of their news releases.

22 If your business strategy is continually to  
23 reduce capacity and production to improve profitability in  
24 the face of a secular decline in demand you cannot come  
25 before the Commission and point to the decline in production

1 and shipments as an indicator of injury. These declines are  
2 deliberate and planned. They are not injury.

3 Moreover, the domestic industry's own supply  
4 reduction strategy makes imports necessary to fill the  
5 supply gaps created by what are plainly large, disruptive  
6 shutdowns.

7 Full year 2014 import data are now available.  
8 The increase of subject imports of some 201,000 tons in 2014  
9 over 2013 is fully explained by the domestic industry's  
10 removal of 218,000 tons of cut-size capacity. And in 2014,  
11 domestic producer margins and operating income improved.  
12 Their business strategy is working.

13 The third problem with Petitioners' injury case  
14 is their price affects arguments. The domestic industry's  
15 current robust and improving profitability answers the price  
16 affects argument. Whatever the pricing of subject imports  
17 it did not prevent the domestic industry from pricing their  
18 products profitably. We expect that the compiled pricing  
19 comparison data will show that beginning in the fourth  
20 quarter of 2013 the average domestic producer prices for  
21 each of your three product comparisons increased in the next  
22 three or four quarters.

23 Average sales values we expect to be higher in  
24 interim 2014 than in interim 2013. No finding of price  
25 depression is possible because they increased prices.

1 Likewise, no finding of price suppression is possible  
2 because there is no cost price squeeze. In fact, while  
3 domestic prices increased, it is our understanding that  
4 domestic costs decreased.

5 This is my first case in which I've ever faced a  
6 possible price expansion, so I'm not even sure what to call  
7 it.

8 In sum, there is no present injury due to robust  
9 profitability. There is no volume effect because domestic  
10 reductions result from a deliberate and effective business  
11 strategy. And there's no price depression or suppression  
12 because prices increased while costs decreased, resulting in  
13 improved profitability.

14 I now defer to John.

15 STATEMENT BY JOHN D. GREENWALD

16 MR. GREENWALD: I'm going to address threat of  
17 injury. It will be brief. What I'd like to do is to set  
18 before you basic threat of injury propositions and then have  
19 you reflect on it in light of the data that you will have in  
20 the questionnaire responses.

21 When you look at threat of injury, you're first  
22 looking at the trends in U.S. industry performance. And if  
23 they are going the bottom line the right way, that is, let's  
24 say profitability or pricing it's very difficult to make a  
25 threat of injury argument. What you have here is an

1 indisputable fact that domestic production is declining, but  
2 what I'd like you all to think about hard is why that's  
3 occurring.

4           Let me quote Domtar's chairman's characterization  
5 of what Domtar is doing, and it reflects the thinking within  
6 the industry as a whole. To quote Domtar's chairman,  
7 "Domtar is on a journey from pulp and paper manufacturer to  
8 fiber innovator." And that journey is already certain to  
9 continue because it is true that Domtar has announced what I  
10 call and what this morning's panel sort of tried to distance  
11 itself from a re-purposing of assets at a major mill.

12           They have announced, as Mr. Shor said, a decision  
13 to take out several hundred thousand tons of capacity at  
14 Ashdown. They have done that with a very clear intention.  
15 If you go to page 5 in the threat of injury handout we gave  
16 you, a very clear intention of switching that production  
17 capacity to another product line which they view as a growth  
18 opportunity. They say they're taking out 364,000 short tons  
19 of annual uncoated free sheet production capacity in the  
20 second quarter of 2016 and converting the pulp feed stock to  
21 what they call a pulp or fluff pulp conversion product that  
22 is an important step in advancing our strategy to generate  
23 300 to 500 million of earnings from growth businesses.

24           Imports have nothing to do with that decision.  
25 It is a function, a very deliberate, very calculated

1 corporate strategy. And so, while it is true that domestic  
2 production will go down, it is not true that that is in any  
3 way driven by imports. What actually happens in the  
4 marketplace is when you take this much capacity out you're  
5 not declining your production capacity by 3 percent a year.  
6 You're taking out large chunks and it creates a vacuum and  
7 imports have increased because the demand for them is  
8 there, that is, again a function of the domestic industry's  
9 deliberate strategy.

10 Now, let me turn briefly to the criteria for  
11 threat of injury in the statute. It is undoubtedly true  
12 that you have to look at the trend in imports. And it is  
13 undoubtedly true that imports in the aggregate have risen.  
14 But when a rise in imports occurs because the domestic  
15 industry is shifting assets into more profitable lines and  
16 at a time when the condition of the domestic industry  
17 defined narrowly is actually improving because inefficient  
18 or less efficient assets are taken out you cannot attribute  
19 injury or threat of injury to a volume increase.

20 With regard to price, the statute asks you to  
21 look at price suppression and price depression. You cannot  
22 have price depression when prices are going up, as we submit  
23 in this case. And you cannot have price suppression when  
24 prices are increasing relative to the loss cost of goods  
25 sold and therefore profitability is going up. There is a

1 question about period of investigation inventory build up.  
2 You will find that it is far too small to matter. And then  
3 there's an issue in the statute that you have to consider  
4 regarding product shifting.

5 And what I would submit to you there is when  
6 analyze the data you will find there is no economic  
7 incentive to shift down for higher price products to lower  
8 price products. There's no economic incentive to put assets  
9 that are currently used in producing downstream products  
10 into paper production. So again, the product shifting  
11 argument simply isn't there.

12 When you look at the data, what you're going to  
13 find is not only is there no present injury, but things are  
14 getting better and that the threat of any injury is frankly  
15 zero.

16 STATEMENT BY KEVIN HORGAN

17 MR. HORGAN: Good morning or good afternoon, I  
18 guess. I'm Kevin Horgan. I'm here on behalf of the China  
19 Paper Association. Our testimony today is going to be  
20 presented by Henric Wallen, who's the general manager of  
21 Chenming Paper Company, a member of the China Paper  
22 Association. Chenming's been in business since 1958, and  
23 has been on China's stock exchange since 1993.

24 Chenming accounts for a predominant portion of  
25 the exports of the subject merchandise from China to the

1 United States. It is one of only a handful of Chinese paper  
2 producers who are capable of serving the United States  
3 market for the subject merchandise. Censing's experience is  
4 typical of other Chinese exporters. I will let Henric speak  
5 now.

6 STATEMENT BY HENRIC WALLEN

7 MR. WALLEN: Henric Wallen, Chenming. As you  
8 might reasonably ask, why would Chenming only start  
9 exporting measurable quantities of copy paper to the United  
10 States in 2012, when as you already heard, the U.S. market  
11 for uncoated free sheet paper was shrinking, while the  
12 Chinese market was growing?

13 The answer to that question is we were asked  
14 by International Forest Products, IFP, which is a  
15 Boston-based world leader in international forest products  
16 trade, with numerous manufacturing locations across the  
17 United States. IFP is one of America's top 50 exporters.  
18 They do business in more than 80 countries around the world.

19 Almost all of the uncoated free sheet paper we  
20 ship to the United States is sold to IFP. They sought out  
21 Chenming in 2011, because IFP's customers, including  
22 Staples, were concerned about having an adequate supply of  
23 uncoated free sheet paper. According to the American Forest  
24 and Paper Association, North American capacity to produce  
25 uncoated free sheet has declined every year since 2008.

1 It's currently only about 70 percent of what it was back in  
2 2008.

3 Domtar's CEO, John Williams, said himself in  
4 July of 2014, I quote "When the closure of that amount of  
5 capacity is seen, customers are seeking to see if they can  
6 get what they need." The U.S. paper mills have been  
7 reducing their high cost capacity for years, by shuttering  
8 obsolete mills, so their customers understandably sought out  
9 reliable, long-term alternative suppliers.

10 This was and is the cause of shutdowns causing  
11 imports, not imports causing the shutdowns. The growth  
12 markets for uncoated free sheet, in fact the only growth for  
13 uncoated free sheet are in the developing world. That is  
14 where the vast majority of Chenming sales are directed now,  
15 and where they will be directed in the future.

16 I think it's important for you to know that  
17 Chenming only ships to the United States after receiving an  
18 order from a U.S. customer. In the case of IFP, when IFP  
19 already holds an order from its customer, in the case of  
20 copy paper, which accounts for virtually all of Chenming's  
21 shipments to the United States, the uncoated paper that  
22 Chenming ships here is already in customer wrapping, bearing  
23 the customer's private label brand name and logo.

24 There are no boxes of Chenming paper on the  
25 water or sitting in a domestic warehouse looking for a

1 buyer. We are also prohibited by contract to diverting any  
2 of the private label paper destined for the United States to  
3 any other customer than those appearing on the wrapper.

4 Looking at mill capacity is also misleading,  
5 because a Chinese mill's capacity to serve the U.S. market  
6 is limited by the mill sheeting capacity, not the overall  
7 mill capacity. The mill's capacity to produce copy paper in  
8 the standard U.S. size, 8-1/2 by 11 inches, Chenming only  
9 has one mill that can produce this product. That mill has  
10 less than ten percent of its capacity can be utilized to  
11 produce the copy paper if needed in the United States, due  
12 to the fact that it has limited sheeting capacity.

13 There's only a handful of Chinese mills that  
14 have the capacity to produce copy paper for the United  
15 States. In short, the United States is not the best market  
16 for uncoated free sheet from China. The shipping costs are  
17 high, lead times are long, sales opportunities are  
18 shrinking. It is a difficult market to serve from China.

19 Certainly, our limited participation in the  
20 U.S. market is having very little impact on U.S. producers,  
21 who appear to be doing well financially after implementing  
22 their long-term strategy to eliminate their excess capacity.  
23 Those shutdowns are a key elements of a successful business  
24 strategy implemented by domestic producers, long before  
25 China started shipping uncoated free sheet to the United

1 States.

2                   Given this long-standing and highly publicized  
3 business strategy, it would be wrong for the Commission to  
4 now find that those same shutdowns are a reasonable  
5 indication of injury from imports that only arrived in the  
6 country after most of the shutdowns had already occurred.  
7 Thank you very much for your attention.

8                   STATEMENT BY SUSAN G. ESSERMAN

9                   MS. ESSERMAN: I am Susan Esserman from  
10 Steptoe and Johnson, appearing on behalf of the Suzano  
11 Companies of Brazil. I'm accompanied by Tom Tarpey, sales  
12 manager, Suzano America. Brazil is positioned differently  
13 in the U.S. market than the other subject producers in key  
14 respects. These important differences include patterns of  
15 trade, product characteristics, market positioning,  
16 geographic orientation and environmental profile.  
17 Decumulation of Brazilian uncoated paper from other subject  
18 producers therefore is fully warranted.

19                   There is an important fact that you need to  
20 know about Brazil. That is, half of the volume of Brazilian  
21 imports, as set forth in the petition and official import  
22 statistics is not sold in the U.S. at all. Instead, this  
23 large proportion of Brazilian imports has been directly  
24 re-exported to Latin American destinations by a Miami based  
25 trading company.

1                   It is more efficient and cost effective to  
2                   serve certain small volume Latin American customers through  
3                   this route rather than directly from Brazil. Thus, the  
4                   petition dramatically overstates Brazilian presence in the  
5                   U.S. market. Moreover, this pattern of Brazilian sales  
6                   demonstrates a major difference as compared with other  
7                   subject imports.

8                   Virtually all Brazilian uncoated paper  
9                   actually sold in the U.S. market is exported by Suzano. A  
10                  long-term participant in the market, Suzano has been a  
11                  non-disruptive supplier since entering the U.S. in 1992.  
12                  Approximately two-thirds of Suzano sales are to two  
13                  distributors with which Suzano has had a long term  
14                  relationship. Nearly all of Suzano's product sold in the  
15                  United States is branded.

16                  Another differentiating factor is the global  
17                  recognition that Suzano has received for its sustainable  
18                  forestry management practices, which is an important factor  
19                  in certain customers' choice of Suzano. This is  
20                  increasingly the case, as sustainability issues have gained  
21                  greater importance worldwide. Unique among producers,  
22                  Suzano's paper is produced exclusively from single species  
23                  Eucalyptus forest, which naturally yields high bright paper  
24                  and lends itself to a blue/white shade preferred by  
25                  customers. The eucalyptus fiber inherently produces a

1 smooth surface, stiffness and opacity.

2 Therefore, unlike other producers, 100 percent  
3 of Suzano product is high bright paper, demanded for  
4 important documents, presentations and promotional materials  
5 that require improved legibility and contrast. As you have  
6 heard from other witnesses, there is no present injury here,  
7 so this is a threat case, and there is no business to  
8 suggest that Brazilian imports will threaten the U.S.  
9 industry.

10 In fact, all available indicators point in the  
11 opposite direction. Brazilian producers benefit from a  
12 large home market base, which unlike the U.S. market has  
13 been growing, and according to RISI, is projected to  
14 continue to expand for the next ten years. Importantly,  
15 Suzano has a Latin American orientation, so unsurprisingly,  
16 during the Period of Investigation, Latin America  
17 represented the largest export destination for Brazilian  
18 producers by a large margin.

19 The proximity and projected growth of the  
20 Latin American markets make it natural that this pattern of  
21 exports to Latin America will not only continue, but  
22 intensify. RISI projects that Latin American exports to  
23 North American will remain relatively stagnant, since the  
24 domestic market in Latin America is still growing. Finally,  
25 Brazilian producers are operating at high rates of capacity

1 utilization. RISI notes that Brazilian capacity is quite  
2 limited, and attributes strong pricing to the lack of  
3 capacity expansion and high operating rates in Brazil.

4 Under these circumstances, there could be no  
5 basis for finding that Brazil import sales are a threat of  
6 injury. Thank you.

7 STATEMENT BY JAMES R. PETERS

8 MR. PETERS: Good day. My name is Jim Peters,  
9 and I'm president of Paper Products Marketing located in  
10 Portland, Oregon. I and my company have more than 37 years'  
11 experience in the paper business, both domestically and  
12 globally. I'm accompanied today by my legal counsel, Les  
13 Glick, of Porter, Wright, Morris and Arthur here in  
14 Washington, D.C.

15 I do have attachments to my prepared remarks  
16 that I would request be included with my written statement  
17 and the official transcript. PPM is a wholly-owned  
18 subsidiary of Australian Paper, a producer and exporter of  
19 the product under investigation. We have been a participant  
20 in the North American cut-size paper market for the past 12  
21 years.

22 Unlike the majority of importers of paper, we  
23 are owned by a paper manufacturer. We have always conducted  
24 our marketing and pricing strategies with an intent to be a  
25 responsible supplier of paper, and we do not engage in any

1 predatory underselling practices. Our limited range with  
2 only letter-sized product are a small market share, which  
3 averaged 1.2 percent over the four year Period of  
4 Investigation.

5 Our letter-size sheeting capacity restraints  
6 at our mill, which is now operating at 100 percent, and our  
7 responsible pricing strategies for North America are all  
8 factors that indicate that we are not a cause of injury or a  
9 threat to U.S. producers, and we should not be cumulated  
10 with other countries.

11 I will demonstrate that our products are not  
12 being sold in violation of the anti-dumping laws, nor  
13 causing material injury or threat of material injury to any  
14 U.S. producer. Petitioners have relied on inaccurate  
15 information as to our pricing in Table 1-4. First, the  
16 Petitioners' pricing information is based on a delivered  
17 price, before discounts, and does not reflect the actual  
18 pricing to customers in the market.

19 There is widespread discounting by domestic  
20 producers from their list price sheets, depending on volume  
21 and the market segment they are penetrating.

22 Second, Petitioners' submission of Australia's  
23 prices listed in the petition are transfer prices from  
24 Australian Paper to PPM at the port of U.S. entry, which is  
25 totally different from our delivered prices. When you

1 compare domestic prices for the same quality product, there  
2 is little difference between Petitioners' prices and ours.  
3 Again, the prices that Petitioners have listed in the  
4 petition for Australia on page 1-29, when used to compare to  
5 U.S. producer prices, are misleading and inaccurate.

6 We are today providing a summary of our  
7 average delivered sales prices, which will show you that  
8 they were \$997 a short ton in 2011, not 888 as alleged by  
9 the Petitioners; 954 in 2012, not 825; 933 per short ton in  
10 2013, not 820; and \$953 a short ton in 2014, not 811. We  
11 are consistently higher than those transfer prices listed on  
12 page 1-29 of the petition for the same period.

13 Our prices have been and continue to be within  
14 the range and basically in lock step with the domestic  
15 prices for these same products. The RISI report for the  
16 products under investigation list four primary segments for  
17 the market as follows:

18 Mill Brand. These are the leading brands from  
19 the domestic producers that also include support sizes, the  
20 legal size and the 11 by 17. Prices for support sizes are  
21 considerably higher than the basic letter size. Australia  
22 Paper does not produce the support sizes, and PPM only  
23 markets the letter size.

24 Private Label. Due to name recognition such  
25 as Xerox, this carries a much higher price on the market

1 than standard copy paper. Only a small portion of our sales  
2 would be involved in this segment.

3 The last two segments are called White Box or  
4 Large Box and Contract, which includes the tax-supported  
5 bids. This segment has a price range from 920 to 900  
6 dollars a short ton, which is quite consistent with the  
7 pricing that we have had for our product over the four year  
8 period. Australian Paper and PPM sell paper to paper  
9 merchants, and to a lesser extent to smaller office supply  
10 stores. We do not quote to the large box stores like Office  
11 Depot, Max and Staples, which make up over half the market  
12 sales of copy paper.

13 We also do not participate directly in the  
14 tax-supported bids, although at times our distributors have  
15 when there are no Buy American requirements. The large box  
16 and TSB markets make up close to 70 percent of the market,  
17 and Australia does not participate directly and cannot  
18 therefore be a factor in any alleged injury or threat to  
19 this segment.

20 We are proud to support the U.S. paper  
21 merchant industry, and especially the Association of  
22 Independent Paper and Printing Merchants, who at times have  
23 had domestic mills shut them out of supply on short notice.  
24 In January last year, one of the Petitioners notified five  
25 of the AIPPM members that due to supply constraints, they

1 would no longer be able to supply them paper. They gave  
2 them one week's notice. We were able to fill the void on  
3 the letter-sized product with these merchants when the  
4 domestic producers could not.

5 MR. McCLURE: If you could wrap up.

6 MR. PETERS: Yes. Non-price factors are why  
7 merchants and distributors buy our product. We have 100  
8 percent environmental certifications that many U.S.  
9 customers require, and not all U.S. producers have. We also  
10 have recycled grades which make up half of our growth in  
11 2014. We have excellent quality, consistent supply and do  
12 not attempt to undersell the market. Therefore, we repeat,  
13 we are not causing material injury or threat of material  
14 injury to any U.S. producer.

15 Thank you.

16 MR. GLICK: Les Glick of Porter Wright. We  
17 would just like to ask that the exhibits and attachments to  
18 this statement, which we distributed to the Secretary, be  
19 made an exhibit for the record.

20 MR. McCLURE: Yes, we will put them in as an  
21 exhibit.

22 MR. GREENWALD: John Greenwald, Cassidy Levy  
23 Kent. I'm speaking now for Portucel, who's a Portuguese  
24 exporter subject to this investigation. With me are Mike  
25 Dutt and Andre LeClercq, both of whom are from Portucel and

1 will be happy to answer any questions you have.

2 If against the evidence you decide what's  
3 going on is something beyond a deliberate domestic industry  
4 strategy, and you find either material injury or a threat of  
5 material injury, then the question becomes overlap of  
6 competition. Taking the Petitioners' testimony at face  
7 value, that has to be determined by things like relative  
8 pricing.

9 So when you look at the data that Portucel has  
10 submitted to you, what I would urge you to do is to look at  
11 the relative pricing, to look at capacity utilization, to  
12 look at customer lists, to look at channels of distribution,  
13 all the issues that we will address in detail in our  
14 post-conference brief for Portucel.

15 I promise you, you will see no reasonable  
16 overlap of competition, thank you, and therefore there  
17 should be no cumulation of Portugal.

18 Thank you.

19 STATEMENT BY ROGER WEBB

20 MR. WEBB: Roger Webb, president of Business  
21 Products with Shinsei Pulp and Paper USA. I've been  
22 involved in the paper importing business since 1995, working  
23 for several U.S. paper merchants, distributors and a foreign  
24 paper manufacturer. Overall, I've been dealing directly  
25 with manufacturers and customers of copy paper for over 20

1 years.

2 SPP USA is in the business of importing copy  
3 paper for Indonesia and China and reselling to our U.S.  
4 customers. In other words, SPP USA is a distributor in the  
5 U.S. and we sell bulk quantities downstream to distribution  
6 channels. We import copy paper mostly from April Indonesia  
7 and a small amount from April's mill in China. Over the  
8 course of 2014, prices of April copy paper have increased in  
9 every quarter.

10 Even though imports from Indonesia have  
11 increased in 2014, SPP USA has been importing and reselling  
12 in stable quantities from April for several years. I'm not  
13 aware of any condition on my customers' part or in the  
14 market generally that would cause it to change, nor any plan  
15 by April to significantly expand their presence in the U.S.  
16 market.

17 The production of copy paper is a very capital  
18 intensive business, as you've heard. I can also tell you  
19 that importing and distributing copy paper is a highly  
20 capital intensive operation. For example, in order to sell  
21 \$5 million worth of copy paper, you could need as much as  
22 \$20 million in capital to run that operation.

23 Due to the large amount of capital required  
24 and the risk associated with financing an import operation,  
25 it is highly unlikely that SPP USA or any new importers

1 would suddenly become a part of any threat to U.S.  
2 producers. Finally, our customers have become very  
3 concerned about the long term phasing out by domestic  
4 manufacturers. Our customers feel that imports provide a  
5 good alternative to an uncertain future of copy paper  
6 manufactured in the U.S.

7 Thank you.

8 STATEMENT BY ALEX ISMAIL

9 MR. ISMAIL: My name is Alex Ismail, and I'm  
10 the CEO of Liberty Paper. I have been involved in the copy  
11 paper business for over ten years, and currently import and  
12 distribute copy paper from several countries, including  
13 Indonesia, China, Mexico and Israel. Let me explain why my  
14 company imports copy paper, instead of buying it from the  
15 U.S. mills.

16 The reason is that U.S. mills won't sell to  
17 me. Indeed, when I have approached larger U.S. producers  
18 like Domtar and Boise, they have refused to sell to me.  
19 Instead, they refer me to their own selected paper  
20 merchants. However, I compete for customers with these same  
21 paper merchants. So it becomes a losing proposition. It  
22 has forced me to import paper. In short, I'm shut out from  
23 direct access to U.S. paper mills.

24 Let me give you a perfect example that just  
25 happened a year ago. For several years, I purchased private

1 branded Xerox paper directly from Xerox Corporation. That  
2 Xerox branded paper was produced by several U.S. mills. I  
3 had built a decent amount of business for the Xerox branded  
4 paper. However, a couple of years ago, Xerox Corporation  
5 sold its division of copy paper to Domtar.

6                   Within 12 months of acquiring that division  
7 buy from Xerox, Domtar cut me off. Domtar said that they  
8 will not sell me Xerox branded paper, which I've been  
9 selling for ten years. So in my opinion, imports were  
10 pulled rather than pushed into the U.S. market, primarily  
11 due to unfair distribution practices by domestic mills. As  
12 you know, U.S. producers making uncoated paper have been  
13 through significant downsizing, mill closures as well as  
14 consolidation.

15                   With each of these mill closures, my customers  
16 have become increasingly concerned about having access to  
17 paper. In short, the paper I am bringing in is simply  
18 filling a fraction of a big hole in U.S. demand left open by  
19 the actions of the U.S. mill. Hence we import, and to  
20 support our infrastructure, we employ a lot of individuals  
21 who help us facilitate the storage and sales of copy paper.  
22 Thank you for your time.

23                   STATEMENT BY ARVIND GUPTA

24                   MR. GUPTA: Good afternoon members of the  
25 Commission staff. My name is Arvind Gupta, and I'm the

1 Director of Commercial for APP Group of Pulp and Paper  
2 Companies. I have with me Don Earls, our sales manager for  
3 North America, and Roger D. Simpson, who is our consultant.  
4 I'm speaking here today on behalf of our three Indonesia  
5 paper mills, Tjiwi Kimia, Indah Kiat, and Pindo Deli. These  
6 companies account for most export of uncoated paper from  
7 Indonesia to the United States.

8 APP also has a very small mill in China that  
9 produces some uncoated paper, Goldwasham. The volume is not  
10 significant, and it is consumed primarily in China. Our  
11 exports to the United States from China was significant,  
12 less than 700 tons in 2014.

13 With respect to Indonesia, I'd like to make  
14 two points. First, I will address in the increase in our  
15 exports to U.S. that occurred in 2014. Second, I will  
16 address the new Oki pulp mill in Sumatra, on which  
17 construction has only recently begun. Export of uncoated  
18 paper to the United States increased in 2014, due to the  
19 closure by International Paper of its Courtland, Alabama  
20 paper mill.

21 This was a huge mill, accounting by itself for  
22 420 short tons of subject merchandise, or some ten percent  
23 of U.S. capacity according to RISI data. The closure of  
24 this huge plant created a gap in U.S. supply, and Indonesia  
25 helped to fill a small share of that gap, roughly 100,000

1 tons of subject merchandise according to U.S. import data.

2 The increase in Indonesia's exports were  
3 necessary in meeting U.S. demand, which had not fallen by  
4 more than three percent and thus was not harmful to the U.S.  
5 industry. This can be seen from the fact that Petitioners'  
6 own data shows that complaining U.S. producers increased  
7 their prices from interim 2013 to interim 2014 by over \$20 a  
8 ton.

9 The large increase in exports from Indonesia  
10 that occurred in 2014 were a one-time event. We are not  
11 planning and we do not expect the demand for any significant  
12 increase in the levels of our export to the United States in  
13 the foreseeable future. The small increase in exports we  
14 project for 2015 is based on what we think we can get from  
15 demand full, due to further announced closures in 2016. So  
16 that closure in 2016 will have some effect already in 2015.

17  
18 Next, I would like to address the planned Oki  
19 pulp mill in Sumatra. Petitioners devote much attention to  
20 this planned pulp mill. But I want to begin with by stating  
21 the obvious. This investigation concerns uncoated paper.  
22 It does not concern pulp. Construction of a pulp mill does  
23 not increase our capacity to produce uncoated paper, unless  
24 accompanied by the installation of new papermaking machines,  
25 and that is not even planned for.

1                   As noted in Exhibit I-22 in the petition, and  
2 I quote, "It is not expected that there will be paper  
3 machines installed at the site." Let me explain, sorry.  
4 Let me explain. Planning for the pulp mill in South Sumatra  
5 begin in 2013. We began by looking for financing and to  
6 obtain the necessary land and government permits.

7                   Construction is only beginning now. Trial  
8 production per our latest indications should begin in June  
9 2016, and the pulp mill should be operational by December  
10 2016. Our current plan, which has been publicly announced,  
11 is to install up to 14 tissue machines, tissue paper  
12 machines at this plant and other locations on Sumatra  
13 Island, which will use pulp from this pulp mill. This is a  
14 large part of APP's announced strategy to become the world's  
15 top tissue producer.

16                   If and when we decide to install papermaking  
17 machines, there is a minimum three year lead time. In  
18 short, no additional papermaking capacity is imminent, and I  
19 emphasize that. At present, there are no plans to make  
20 uncoated paper at this mill. It typically takes us about  
21 six to nine months to negotiate the purchase of a paper  
22 machine. The manufacturer takes about 12 to 18 months to  
23 build and ship the machine. It then takes another year to  
24 install at the site.

25                   Then we need months to ramp it up for

1 commercial production, and at present, the thought process  
2 has not yet begun. So there are no plans to begin this  
3 process. Thank you very much for your attention.

4 MR. SHOR: Mr. McClure, this is Mike Shor from  
5 Arnold & Porter. That concludes our formal presentation. I  
6 will note that we have many additional attendees at the  
7 hearing. These reflect both producers and importers, and  
8 we're all available and welcome your questions. Thank you.

9 MR. MCCLURE: Thank you, Mr. Shor, and thank all  
10 of you who testified and those who are available for  
11 questions. We're going to start with Mr. Conley.

12 Once again, I really want to emphasize the  
13 importance of stating your name first, or else the taser  
14 comes out. Okay. Mr. Conley.

15 MR. CONLEY: Since I'm sitting next to him, this  
16 is Nate Conley. Some people have already addressed this  
17 question, but if you have not and if you'd like to, could  
18 you describe the supply and demand within the respective  
19 countries. And included in that if you could address any of  
20 the plant capacity increases that the domestics have noted  
21 in the petition.

22 MR. LECLERCQ: So, Andre LeClercq Sorporcel,  
23 Portugal. So, in Sorporcel we have a capacity of 1.8  
24 million short tons. We are operating at one other person  
25 operating rate and we have no plan to increase capacity.

1           MR. SOOD: I can say the same thing for our  
2           company. We have no plans to build a new pulp mill. We've  
3           said that if we don't get our forestry operations right, and  
4           as of now, what is stated out here in the mill study in 2014  
5           has not even been conceived.

6           MR. GUPTA: Arvind Gupta from APP. And as far as  
7           our company is concerned, I've already mentioned that we do  
8           not have any plan for any further paper machine capacity  
9           coming up.

10          Also, our home market is Asia, and that's where  
11          primary we are focused on, where most of our business is  
12          concentrated and where our growths are coming from, and  
13          that's a growth market. Thank you.

14          MR. TARPEY: Thomas Tarpey with Suzano America  
15          from Brazil, and Brazil is a growing market. The market is  
16          growing at 2.5 percent a year, approximately, and we have no  
17          plans for future expansion. And I know of no plans for  
18          paper capacity expansion by other -- no firm plans by other  
19          manufacturers.

20          MR. HORGAN: This is Kevin Horgan. If I could  
21          represent the Chinese. There's quite a list here, but I  
22          think April's already testified that this 450,000 tons they  
23          list here is not going to be built. That decision hasn't  
24          been made. The Wu Hang Chen Ming plant that they list  
25          doesn't produce any copy paper, which is the only paper

1 that's exported to the United States. The 95,000 metric  
2 tons at the Shan Dong Shin Ming facility is a paper  
3 machine, no additional sheeting capacity, so it has no  
4 impact on their capacity.

5 And of course, we'll address this in more detail  
6 later, but these numbers I think in our direct testimony Mr.  
7 Wallen indicated that the plant that does produce paper only  
8 10 percent of that capacity is available to serve the United  
9 States market, so these are overstated in some cases by a  
10 factor of 10. So, we'll address that more in our  
11 post-hearing brief.

12 MR. SHOR: This is Mike Shor for APP. Just to  
13 follow up on one point that Mr. Gupta made. In looking at  
14 Exhibit N, in which Petitioners' listing of planned  
15 expansions of capacity, Mr. Gupta addressed the South  
16 Sumatra plant, which is a pulp mill that's not going to be  
17 used to produce paper. I just note that the Herolan plant  
18 that's noted is not a future expansion. That is a paper  
19 machine that was installed in 2013 and that is one reason  
20 why APP was able to help meet the additional demand for the  
21 U.S. in 2014. So, that capacity is already online and has  
22 already been used. It doesn't represent any future  
23 potential planned expansion. Thank you.

24 MR. PETERS: Jim Peters, PPM, Australian Paper.  
25 We have two paper machines in Australia that make the

1 uncoated, free sheet paper. There are no plans whatsoever  
2 to expand production on those machines. Continuing the  
3 parade of misleading and inaccurate information, it was said  
4 that we have a 50,000 ton recycle facility that is in  
5 operation. It is not. It is scheduled to start in the  
6 first quarter of next year. That 50,000 tons will replace  
7 50,000 tons of virgin product that is currently being made  
8 on this machine. There'll be no increase in capacity. The  
9 vast majority of that paper is destined for the Australian  
10 market because there is no Australian-made recycle product  
11 at the moment, other than imported recycle fiber that we  
12 currently use.

13           So, no, there will be no increase in capacity.  
14 There will be no additional volume increases into the U.S.  
15 We have peaked. And in fact, our numbers will be going down  
16 in the years ahead.

17           MR. CONLEY: Thank you for all those responses.  
18 Mr. Wallen noted that even if you do have all this capacity  
19 in your plants it is limited in what can be exported to the  
20 U.S. market. Maybe Mr. Wallen, you can expand upon why it  
21 is limited and then everybody else can address do you have  
22 the same issue.

23           MR. WALLEN: Yes, Henric Wallen, Chenming. Mill  
24 capacity is one thing that's been explained earlier. You  
25 start by producing the rolls, then they can go -- either you

1 can sell them in roll form or you can convert them in one  
2 way or another. And there's only a certain percentage -- I  
3 mean it varies from mill to mill, but the sheeting capacity  
4 always a lot less than the entire mill capacity.

5 Then you also have the specifics of 8x11, the  
6 world standard, if you will, is A4, so you have to adjust  
7 the machinery to run the special sizes. In the case of  
8 Chenming, we only make letter size, none of the supporting  
9 sizes.

10 MR. GUPTA: Arvind Gupta from APP. I think this  
11 question has already been answered by the Petitioners, you  
12 know. They've already mentioned that coated paper, for  
13 instance, is a value-added product further downstream.  
14 There are several products like this which are downstream.  
15 You have carbonless paper. You have thermal paper. Even  
16 within the uncoated paper segment, you have stationary.  
17 You have envelopes, all downstream products. And the mills  
18 are geared to -- especially our mills in Indonesia are  
19 geared to produce the downstream product. So, there is no  
20 reason at all why you would want to produce something which  
21 is cheaper and doesn't give you that much of a margin. So,  
22 the idea of coming back into cut-size or into uncoated free  
23 sheet capacity from existing coated manufacturing or  
24 carbonless manufacturing does not exist.

25 Secondly, as already pointed out by the

1       Petitioners, this is a very cost-intensive industry. It  
2       takes several millions of dollars to install machinery for  
3       cut sheeter capacity, and American cut sheeter are different  
4       than what we use in Asia. In Asia, we have A4 size paper.  
5       In America, you have letter size paper. So, you want to  
6       optimize yourself. You are more -- it is more efficient for  
7       us to sell in Asia. So, in Asia, we have here the  
8       cut-sheet capacity much more than what you have for the  
9       American market. And we are limited in our supply to  
10      America by what kind of cut sheeter capacity we have for  
11      this market. And I hope that answers your question to some  
12      extent.

13               MR. LECLERCQ: Andre LeClercq, Portucel Soporcel,  
14      Portugal. So, as I mentioned previously, we are operating  
15      at 100 percent operating rate. And that's true for both  
16      machines and finishing equipment. We make rolls to complete  
17      the production, so we use 100 percent of our capacities.

18               MR. TARPEY: Tom Tarpey, Suzano, America. In  
19      Brazil, we are running at a high rate of capacity, in both  
20      the market in Brazil and the rest of South America are  
21      continuing to grow and increase demand, so we do not see  
22      additional capacity to be diverted to the U.S.

23               MR. CONLEY: Somewhat related to that, but --  
24      sorry.

25               MR. SOOD: Sunil Sood again. You know on these

1 cut-size sheeters, when you buy more than 8, 9, 10 pockets  
2 within 12 to 60, they become pretty inflexible machines. A  
3 size change can take up to one shift or eight hours. And we  
4 need to have different knife blocks for these rotary  
5 sheeters, so you would not be buying a specific size that  
6 sells only in the U.S. for all your machines. It doesn't  
7 make sense. You would probably do that for A4, which is  
8 most standard all over the world.

9 So, every mill will get limited because nobody is  
10 going to invest in this knife block that is not going to be  
11 used and create so much down time when you make a size  
12 change.

13 MR. CONLEY: Thank you. That actually answered  
14 by follow-up question. How prevalent is the recycled paper  
15 throughout the world, and do you see it as a growing demand?  
16 And specifically, do you see that growing in the U.S. and do  
17 you export to the U.S., specifically recycled paper do you  
18 export that?

19 MR. DUTT: Mike Dutt, Portucel. We do import a  
20 small portion of recycled paper to the U.S. to round out our  
21 product offering. It is a very small quantity, very  
22 consistent. We don't have any plans for any future. As the  
23 domestic mills have stated, the costs are higher. Again, we  
24 don't see it as a growing market, but is a piece of market  
25 that we participate in.

1                   MR. LECLERCQ: Andre LeClercq. What I can add to  
2                   that is that's true for the States, but anywhere we have  
3                   limited capacity we have a very small machine and all  
4                   markets are asking for paper and we have limited -- we are  
5                   on allocation on recycled.

6                   MR. GUPTA: Arvind Gupta from APP. Recycled  
7                   paper is a small, but a segment of the market which if they  
8                   want recycled they want recycled. They don't want anything  
9                   else. So, you have to be there. You have to process for  
10                  that market. You have to produce for that market. But  
11                  then, for Asian manufacturers it becomes a little more  
12                  difficult because then the cost of collecting that recycle  
13                  material it becomes a bit more harder for us. But yes, we  
14                  do have facilities to make recycle paper, and we do produce  
15                  it for certain limited number of customers who require that  
16                  product and who demand the product.

17                  And I think there is a balance right now as far  
18                  as demand and supply is concerned. And unless there are  
19                  changes in environmental situations or changes in maybe some  
20                  laws somewhere or some more green environment regulations  
21                  are required, I think we are at a demand/supply situation  
22                  which is okay.

23                  MR. WALLEN: Henric Wallen, Chem Ming. We do not  
24                  participate in the recycle segment of the business. We  
25                  don't produce that.

1           MR. SOOD: Sunil Sood. We have no plans to get  
2 into recycle. It's a small specialty. We offer at big  
3 mills with big paper machines, so it doesn't fall in our  
4 plans at all.

5           MR. CONLEY: Thank you. And my final question  
6 for this round. Does anybody export or does anybody import  
7 into the U.S. sheer rolls to be converted, and if not, why?

8           MR. WALLEN: Henric Wallen, Chem Ming. No, no  
9 sheeter rolls. It's a lot of capital to install these  
10 machines. And mills offshore or in the U.S. will do the  
11 converting at the mill sites. That's the most economical  
12 way to do it, so we do not do that. Have no plans to do it.

13           MR. GREENWALD: On behalf of Portucel, what we  
14 will do -- it's going to be confidential, but we'll give you  
15 the answer in the post-conference brief.

16           MR. GUPTA: Arvind Gupta, APP. We do not export  
17 sheeter rolls to America. And the reason why is because  
18 it's not cost effective. And the freight rates itself are  
19 so different that it doesn't make any sense at all.

20           MR. PETERS: Jim Peters, PPM, Australian Paper.  
21 No, we have never imported sheeter rolls from Australia. As  
22 these gentlemen have said, the cost would be prohibitive to  
23 produce the ream wrap, the cartons, do the sheeting. You  
24 would not be able to be profitable in that sort of business,  
25 plus each country's paper-making the fiber makeup of the

1 paper is different. These high-speed sheeters are very fine  
2 tuned to one specific type of paper and therefore you would  
3 probably have some problems.

4 We did once ship some sheeter rolls to Germany,  
5 and it turned out to be a disaster. We'll never, ever do it  
6 again. Thank you.

7 MR. SHOR: Mr. Conley, it's Mike Shor from Arnold  
8 & Porter. Just to expand a bit on what Mr. Gupta said about  
9 the difference in shipping costs, from Asia and from most  
10 other countries we ship in containers and it's very  
11 efficient to load them with square boxes and you can fill it  
12 up. If you start putting in rolls of paper, you lose a lot  
13 of space and you cannot fill it to the same amount, so it  
14 costs more per ton to ship a sheeter roll.

15 MR. CONLEY: Great. Thank you.

16 MR. MCCLURE: Well, after that round of  
17 questioning, I can see everybody's in the running for a gold  
18 star, except Mr. Greenwald.

19 Anyway, we will now go to Rhonda Hughes of the  
20 General Counsel's Office.

21 MS. HUGHES: Okay. Domestic-like product I do  
22 remember that you said that you concur with Petitioners'  
23 proposal that the Commission find one domestic-like product.  
24 But as I asked them, I need to ask you guys a few follow-up  
25 questions as well.

1           First of all, with regard to the sheeter rolls  
2           and the web rolls, do you concur with what counsel for  
3           Petitioners -- with what they responded in terms of  
4           including them in domestic-like product?

5           MR. SHOR: These questions are a little more  
6           difficult for the Respondents than for the Petitioners for  
7           the simple reason that to prevail at a preliminary  
8           determination we can't argue that you have to gather more  
9           data. So, for purposes of the preliminary determination, we  
10          accept the like product definition and we are not going to  
11          argue to expand it to include sheeter rolls or web rolls.

12          MS. HUGHES: Understood. I expected that  
13          response, but I had to get it on the record.

14          In making their like product arguments -- I know  
15          the answer to this one as well, but get it on the record --  
16          Petitioners had explained why they believe certain uncoated  
17          paper is unlike coated paper. And obviously, the Commission  
18          has investigated coated, free sheet paper, coated ground  
19          wood paper, certain coated paper suitable for high quality  
20          print graphics, all of which Petitioners distinguished from  
21          the product at issue in these investigations. So, do you  
22          agree or disagree with Petitioners distinctions?

23          MR. GREENWALD: At this stage of the proceeding,  
24          we won't disagree.

25          MS. HUGHES: Thank you, Mr. Greenwald. I didn't

1 want you tasered.

2 With regard to domestic industry and the fact  
3 that there is at least one domestic producer -- one producer  
4 of certain uncoated paper that has an affiliate or plants in  
5 Brazil, and I have no idea if anybody's importing at this  
6 point -- and I had asked Petitioners to address the fact as  
7 to whether they should include international paper in the  
8 domestic -- whether the Commission should include  
9 international paper in the domestic industry. I ask you to  
10 address that as well.

11 MR. SHOR: My understanding, and maybe someone on  
12 our panel has a different view, is that APP does not export  
13 from Brazil to the United States. So, I don't think there's  
14 an issue.

15 MS. HUGHES: But nevertheless they are -- I'm  
16 sorry?

17 MS. ESSERMAN: Yes, I want to confirm that  
18 understanding. IP's imports come to the United States, but  
19 then are re-exported. So, I would have to agree with what  
20 Mr. Shor said.

21 MS. HUGHES: Okay. All right. Thank you. Yes,  
22 Mr. Shor.

23 MR. SHOR: Mike Shor from APP. My understanding  
24 is that we haven't received a questionnaire response for IP.

25 MR. CONLEY: We expect a response from them.

1           MR. SHOR: Okay. Because it may be a non-issue  
2 with them or not.

3           MS. HUGHES: Right. I realize the question may  
4 be premature at this point, but to the extent we could get  
5 any answers it would be helpful.

6           Okay, regarding cumulation. Again, I'm sure I  
7 know the answer to this, but do you agree with Petitioners  
8 that there's a reasonable overlap in competition in the U.S.  
9 market among the subject imports and between the domestic  
10 like product and the subject import?

11           MR. GREENWALD: This is John Greenwald for  
12 Portucel. The answer is, no, we do not agree. You heard  
13 individual counsel here where the companies articulate why  
14 it is that their product does not compete with some or all  
15 of the other imports or with the domestic industry. And  
16 that's obviously an issue that is going to come before you.  
17 In a material injury context, the question is reasonable  
18 overlap. In a straight context, you have more discretion,  
19 and I am confident that individual companies will brief that  
20 fully in their post-hearing briefs.

21           MS. HUGHES: Thank you. And do you agree with  
22 Petitioners that certain uncoated paper is a commodity-like  
23 product that competes on the basis of price?

24           MS. ESSERMAN: Absolutely not. I think, as you  
25 could hear from the testimony today, that we see that there

1 are a range of products that are sold and a variation of --  
2 and characteristics of the products that lead to preferred  
3 choice by customers. We absolutely do not agree with that  
4 characterization. You would see different production  
5 process affecting the characteristics of the product. You  
6 heard about different smoothness, capacity, bright white,  
7 all of these affect consumer choice.

8 MS. HUGHES: Thank you, Ms. Esserman.

9 MR. SHOR: This is Mike Shor for APP. There's a  
10 fundamental inconsistency in Petitioners' argument that you  
11 have a commodity product that competes only on price, but  
12 yet, you have huge margins of underselling. If it were a  
13 commodity product that competed only on price, the  
14 economists would tell you that the price should be the same.  
15 The price shouldn't have big differences. There are huge  
16 problems with dealing with Indonesia and China. Look at the  
17 data in the questionnaires, for example, on the order lead  
18 time for China and Indonesia versus the U.S. mill.

19 Anything that travels across oceans has a more  
20 inherently unreliable supply chain. So, there are  
21 differences that affect competition, other than just price.

22 MS. HUGHES: Thank you.

23 MR. TARPEY: Tom Tarpey from \*(22:20:5). And I'd  
24 like to ask the question of the Petitioners if our products  
25 are only sold on price why do they spend millions on

1 marketing and advertising for their product? Thank you.

2 MR. GREENWALD: John Greenwald for Portucel.  
3 What I'd like you to do when you -- just take as a given  
4 what they say. This is a commodity product. And for the  
5 economists who are looking at the overlap of competition,  
6 for example, it's important to look at relative pricing.  
7 And if you find significant price differentials then I think  
8 it's fair to conclude that there is no direct competition  
9 between let's say a company that systematically oversells  
10 and a domestic industry.

11 MS. HUGHES: Thank you. So, sequing from that,  
12 and I had asked the same question of Petitioners. Assuming  
13 that the Commission makes a negative determination in these  
14 preliminary investigations, would the non-subject imports  
15 step up to the plate and replace the -- I'm sorry, the other  
16 way around. I'm sorry. It's that aged brain yet again.

17 MR. GREENWALD: Let me put this in the context of  
18 what we've been saying. Assume that we're correct that  
19 there is a systematic policy on the part of the U.S.  
20 industry to take capacity offline and to re-propose it to  
21 other applications.

22 And assume further that you cannot do that at a 3  
23 percent per year pace. You just can't. So, what you do is  
24 you have chunks of capacity taken off and a vacuum in terms  
25 of demand that has to be supplied. And so, if you go

1 affirmative, will another foreign supplier come in? My  
2 expectation is sure because that demand has to be met.

3 MR. GUPTA: Arvind Gupta, APP. I totally agree  
4 with what John just said.

5 MS. HUGHES: So, you're also saying that, to the  
6 extent necessary to accomplish the goal you just described,  
7 that the non-subject imports are relatively interchangeable  
8 with subject imports in terms of characteristics and  
9 pricing, among other factors?

10 MR. GREENWALD: Well, no, that goes back to the  
11 previous question of were they all the same?

12 MS. HUGHES: Yes.

13 MR. GREENWALD: The answer to that is no, but is  
14 there somebody in the world that would come in to meet a  
15 demand if everybody here was precluded from the market? I  
16 think the answer to that is undeniably yes.

17 MS. HUGHES: Okay. Thank you. And in your  
18 post-conference brief, could you -- or you could do it to  
19 the extent you wish to do it here -- address the demand  
20 trends in the United States as well as worldwide, same sort  
21 of question I had asked Petitioners.

22 MR. SHOR: This is Mike Shor for APP. I think,  
23 in general, we agree with Petitioners' response that the  
24 U.S. industry is in a continuing secular decline. Demand is  
25 falling in the developed world due to environmental reasons.

1 We noticed the emails we got from the Commission staff in  
2 this matter have the tag line about conserving paper and not  
3 printing. That trend's going to continue. There's more  
4 digital substitution, but demand is increasing in the  
5 developing world.

6 MS. HUGHES: Okay. Thank you.

7 MR. ISMAIL: I'd like to add something. Based on  
8 the RISI report -- Alex Ismail for Limited Paper. Based on  
9 the recent RISI report flapping out and they expect the  
10 economy doesn't go down, by 2020 they expect an increase in  
11 the demand of cut-size paper in the U.S. because it's been  
12 going down so much it's kind of plateauing right now.

13 MS. HUGHES: Okay. Thank you. In the petition,  
14 the Petitioners had laid out the conditions -- I'm sorry Mr.  
15 Shor.

16 MR. SHOR: This is Mike Shor from Arnold &  
17 Porter. The recent report everyone's referring to is this  
18 global outlook for cut-size, uncoated, free sheet paper  
19 markets. And on page 1, there's a chart in the executive  
20 summary with the global demand overall for uncoated,  
21 cut-size, free sheet paper. And overall worldwide the  
22 demand is up.

23 MS. HUGHES: I see. Thank you. Is that  
24 something you could submit with your post-conference? We  
25 have that? Okay. Thank you.

1           Has everybody addressed the question? I don't  
2 wish to cut anyone off. Okay.

3           In their petition, the Petitioners had addressed,  
4 in general terms, the conditions of competition that the  
5 Commission should examine in making its determination.  
6 Could you also lay out in your post-conference briefs what  
7 you believe the pertinent conditions are? Thank you.

8           And since Mr. Greenwald had pointed out in the  
9 threat of material injury presentation materials the fluff  
10 pulp conversion project, I want to ask Petitioners to make  
11 sure that they address that matter as well in their  
12 post-conference brief. Okay.

13           Now, sequing to threat from that, I'm sure I know  
14 the answer to this as well, but do you agree with  
15 Petitioners that the Commission should exercise its  
16 discretion to cumulate subject imports for purposes of its  
17 threat analysis?

18           MR. GREENWALD: John Greenwald for Portucel. I  
19 don't know what you think the answer is a general no. We do  
20 not agree.

21           MS. HUGHES: Thank you. And last but not least  
22 -- actually, you've already answered that, so that was the  
23 last question. Thank you very much.

24           MR. MCCLURE: Okay. Amelia Preece will be next.

25           MS. PREECE: Amelia Preece from Economics. Thank

1 you very much for your statements and answering our  
2 questions. I'm going to not ask you some of the questions  
3 that I asked the U.S. producers, but if you have any  
4 information you want to give to me on demand that you think  
5 is lacking from theirs or that you can build on I'd be very  
6 happy to listen to it now, so please shoot away.

7 MS. PREECE: Seeing no response, I will assume  
8 that people are happy with what the U.S. producers have been  
9 saying about seasonal demand, the markets, where the  
10 markets, the size structure, the copy machines being almost  
11 all the use, and how about uncoated paper?

12 MR. GREENWALD: John Greenwald here for  
13 Portucel. The sense we had when they were talking about  
14 varying narrow issues like that, was that there was nothing  
15 to object to in what they were saying.

16 MS. PREECE: Perfect. That solves a lot of --  
17 add one thing that is true, that much of this paper is used  
18 in the copy context. But that does not mean the products  
19 that are sold for that all the same. They have different  
20 qualities and different users. That's very helpful. Thank  
21 you. That's --

22 MR. SHOR: Ms. Preece, this is Mike Shor from  
23 Arnold and Porter. Again, the RISI report has some  
24 information on demand. It talks about the existing tiers in  
25 the market. For example, there's --

1 MR. GUPTA: Page 70.

2 MR. SHOR: On page 70, there's a premium  
3 segment of the market, where you have what they call mill  
4 brand products. That would be the Hammermill product that  
5 the domestic industry produces; the Navigator brand, I  
6 think, from Portucel. Then they talk about private label,  
7 and the third tier is White Box, and the fourth tier is  
8 Contract, and those all have different price ranges.

9 And the Contract, that would include what they  
10 call tax-supported bids, which are schools and government,  
11 where you have to -- it's required by law to put out a  
12 product for bid. That's a different segment of the market  
13 because they have long lead times, and it only happens at  
14 certain times of the year.

15 So we agree there's a bit of seasonality in  
16 the market. But we think there's a little more  
17 differentiation in the market than they alluded to on the  
18 demand side.

19 MR. GUPTA: Arvind Gupta from APP. Another  
20 thing -- another issue which comes out of here is the lack  
21 of any discussion on color paper. You are -- the Commission  
22 also asked questions of the Petitioners regarding color  
23 paper, and the reply was quite inadequate.

24 So what is color paper doing as far as this  
25 investigation is concerned? We really don't understand. Of

1 all the manufacturers sitting around this table, I think APP  
2 is the only one, maybe I'm mistaken; I'm not sure. But I  
3 think APP is the only one which produces color paper and  
4 sells a small quantity into the American market.

5 But is it really part of this investigation?  
6 Why is it in this investigation? At least we do not  
7 understand, and we would like if the Commission can go into  
8 further detail. But if you can -- if you're closing the  
9 investigation at the preliminary stage, then don't get into  
10 detail.

11 (Laughter.)

12 MR. GUPTA: Thank you.

13 MS. PREECE: Okay. We've had in this industry  
14 some selling of distributors by the U.S. producers. How has  
15 that affected the market?

16 MR. PETERS: Jim Peters, PPM/Australian Paper.  
17 I think you may be referring to the new mega merchant  
18 Verativ. It was formerly Xpedex, which was owned by IP, and  
19 Unisource, which was owned by Bain Capital and Koch  
20 Industries. Those two companies have merged together, and I  
21 think that was discussed earlier, that there really is no  
22 long-term impact from those mergers.

23 Certainly, these companies will have a much  
24 bigger and broader and stronger buying base to negotiate  
25 with both domestic and import mills. I think what you're

1 seeing in the office products stores, the recent  
2 announcement that Staples will be acquiring the Office Max  
3 Depot Company, is going to create a monster in terms of one  
4 company that will be buying basically, if the statistics are  
5 correct, more than 50 percent of all the copy paper produced  
6 and/or imported into North America.

7 So I think there remains to be seen, with the  
8 impact of these mergers, of the divestment by the mills of  
9 their distribution divisions. Right now, in today's market,  
10 I don't think there is any impact. But there could be some  
11 down the road.

12 MR. GREENWALD: Ms. Preece, John Greenwald  
13 from Portucel. As you're looking at the data that's  
14 submitted in the questionnaire responses, what you're going  
15 to find is a list of people to whom the various importers  
16 sell. There are different channels. Portucel, for example,  
17 cannot penetrate a Staples because frankly the price  
18 sensitivity of that particular customer.

19 Therefore, when you're considering overlaps of  
20 competition, what I'd urge you to do is to look at the  
21 breakdown of who sells what to whom.

22 MR. EARLS: Excuse me. Don Earls with APP  
23 Paper Max. Particular to your question, going back a couple  
24 of years, Domtar sold its distribution division to I believe  
25 West Central National Godesman, and that was a further

1 consolidation and further to what everybody has been saying  
2 here.

3                   What's happening is there is a diminishing  
4 number of options for the buying merchant and consumer  
5 buyer. There are fewer mills, there are fewer distributors,  
6 there are fewer office super stores. There are fewer  
7 dealers. So there's not a mill sitting around this table or  
8 an import mill that's not at this table, that hasn't been  
9 approached by every distributor in the marketplace, wanting  
10 to be able to improve the number of options that they can  
11 have for themselves, and that they can offer to their  
12 clients.

13                   I think that's -- the further consolidation is  
14 going to continue to provide that opportunity. Thank you.

15                   MS. PREECE: Okay. I'm going to go to  
16 something that I asked the other parties about, and that was  
17 the cost share of these pieces of printed paper. Now I  
18 understand that as a lawyer, you're well paid and this is  
19 not an important part. But I was a teacher, which was a  
20 horrible thing, not because teaching is a horrible thing but  
21 because I was horrible.

22                   Anyways, I was a horrible teacher and there  
23 was a great deal of pressure on me not to print anything  
24 out. So I want to know how much of that stuff that I  
25 couldn't print out was paper and how much of it was the cost

1 of the ink and the machine and the energy that was going  
2 into this thing that I was not supposed to print out,  
3 because I want to know how much they were really saving by  
4 having me not print these things out. You see I was  
5 traumatized for life.

6 MR. SHOR: But I'm sure your students were not  
7 as traumatized. This is Mike Shor for APP. I remember in  
8 helping APP answer the importer question there, where you  
9 asked a question about the percentage cost in end products.  
10 We view the copy paper as the end product. I don't think  
11 adding any print to it has -- creates a different product.  
12 So we agree with the Petitioners on that issue. There's no  
13 ^^^^ the cost of the paper is not what drives how you use  
14 it.

15 MR. ISMAIL: I'd like to answer that directly  
16 to you. I sell to economic schools across the country, and  
17 I know exactly what you're talking about, teachers. One of  
18 the biggest reason is the copy paper. The cost of copy  
19 paper is what looked at by the district, and to prevent the  
20 amount of copy paper being distributed to each class. So as  
21 you may probably know, that many teachers request the  
22 parents to donate copy paper.

23 So it's nothing to do with the machine,  
24 because the machine's already bought and paid for. It's  
25 just the cost of copy paper. It goes back to the budget of

1 the schools. Hopefully that kind of helps the question.

2 MS. PREECE: So it's the paper. The cost is  
3 the paper?

4 MR. ISMAIL: Right. That situation --

5 MS. PREECE: Okay. So it's like 90 percent of  
6 the cost --

7 (Simultaneous speaking.)

8 MR. ISMAIL: Right. It's the mental aspect,  
9 the cost of paper, yeah.

10 MR. SOOD: If you look at the cost of the  
11 printed paper, let us say on an inkjet, the cost of the ink  
12 will be six to seven times the cost of the paper. So  
13 depending upon what people have been talking about here, I  
14 mean we all make different grades of paper and sometimes  
15 make paper which helps you to print with lesser ink, which  
16 makes the paper almost free actually, and takes the whole  
17 subject of pricing out of context.

18 People don't seem to focus on ink, you know,  
19 which is six to seven times more, if you were to print just  
20 50 percent density on an 8-1/2 by 11 sheet. So I'm just  
21 giving you a context. Everybody focuses on paper cost,  
22 which actually should not even be focused on.

23 MS. PREECE: Anybody else? This is very  
24 exciting. Now I know, you know. They were just being mean  
25 to me, that it wasn't anything to do with reality. Ohhh,

1       yeah. Let's take this out. Okay. So that will be it for  
2       now. I'm sure I may have questions when we go --

3                       MR. McCLURE: Okay. Next up is Chip Yost.

4                       MR. YOST: I'm going to be mercifully short,  
5       and say thank you to the Panel for the testimony this  
6       afternoon. I have no questions.

7                       MR. McCLURE: Next up is Vince Honnold.

8                       MR. HONNOLD: This is Vincent Honnold, Office  
9       of Industries. I just have two questions. The first one is  
10      for Portucel. How is a decline in demand for certain  
11      uncoated paper in Europe in the past couple of years  
12      affected your certain uncoated paper operations?

13                      MR. LeCLERCQ: Andre LeClercq, Portucel  
14      Soporcel. What we have done, it's good if you go on running  
15      machines. We have been selling a bit less paper in Europe  
16      that's true. Also, the demand for our group has been lower  
17      than for some of the groups, for one obvious reason. Today  
18      in Europe, we are the only producer guaranteeing the future  
19      to customers, because we go on investing in their machines,  
20      spending on their machines. So while most competitors shut  
21      machines in Europe.

22                      So the demand decrease has been low end for  
23      competitors, no doubt, and what we have done, we've develop  
24      more sales into Africa and Middle East, but mainly Africa,  
25      which is quite close, because Morocco and Algeria area are

1 next door to Portugal. That's really what we have done,  
2 give up sales in Africa.

3 MR. HONNOLD: Okay. The next question is  
4 for --

5 MR. LeCLERCQ: If you have seen as well as in  
6 the figures, we sold less in the States last year than two  
7 years ago.

8 MR. HONNOLD: Okay, thank you. The second, my  
9 last question is for the Brazilian respondents. Can you  
10 explain again -- maybe I just missed it, the two Brazilian  
11 producers. Who's exporting to the U.S. and who's doing the  
12 thing -- who's exporting to Miami and then going to other  
13 countries, to the extent that you can?

14 MR. TARPEY: Well, there's two major Brazilian  
15 producers, International Paper and Suzano. We are both  
16 exporting to Miami, which is then re-exported to the  
17 Caribbean, Latin America, Central America. Suzano is also  
18 importing into the United States and selling our product  
19 within the United States, where IP does not.

20 So the total Brazilian volume reported is --  
21 can be reduced by 50 percent, by what we're selling in the  
22 United States.

23 MR. HONNOLD: Okay. So no IP exports to the  
24 U.S., in fact don't really come into the U.S. They go  
25 elsewhere, to your knowledge?

1 MS. ESSERMAN: Just to clarify, the imports  
2 come in. They're imported in, but immediately re-exported,  
3 and it is not just IP but also a certain amount of Suzano's  
4 as well, that are immediately re-exported. So much so that  
5 if you look over the Period of Investigation, the amount of  
6 Brazilian product sold in the United States, actually sold  
7 in the United States, is half that reported in the official  
8 import statistics.

9 The product is resold and re-exported.  
10 Immediately it goes out. There's no other sale here. It's  
11 immediately re-exported.

12 MR. HONNOLD: Okay. I thank you. That's it.

13 MR. McCLURE: Mr. Comly.

14 MR. COMLY: I only have a few other questions.

15 I guess this is probably for counsel. Can you, in your  
16 post-conference briefs, address what the Commission should  
17 use as a representation of imports? Should they use  
18 questionnaire data or official imports? And then do you  
19 agree with the petition, that substantially all imports  
20 enter under those two HTS numbers, which are 4802.56 and  
21 4802.57?

22 MR. GREENWALD: John Greenwald for Portucel.  
23 If we can answer both those questions in the post-conference  
24 brief, then we'll do so.

25 MR. COMLY: And can you also provide

1 information that you can find on third country barriers.  
2 Specifically there was mention, I can't remember where I  
3 read it now, on Australian anti-dumping procedures. If you  
4 know of any, I believe it was recently filed, if I recall  
5 correctly. If you could address that in your  
6 post-conference brief or here?

7 MR. PETERS: Jim Peters, PPM/Australian Paper.  
8 I do not know all the details of that action. I think it  
9 was taken one or two years ago against the Chinese producers  
10 for dumping into Australia, and I believe the Petitioners  
11 used that information, which is very convenient and easy for  
12 them to put together a case, against a producer in  
13 Australia, Australian Paper.

14 But in the post-conference brief, if we need  
15 to elaborate on that, we'd be happy to. But I'm not in a  
16 position today to do so.

17 MR. COMLY: I didn't expect you to be. But  
18 thank you, yes. If you can do that in your post-conference  
19 brief, that would be great. My final question is what share  
20 of the U.S. market requires environmental certifications of  
21 their paper? Is it small or large, and do imports supply  
22 that and do U.S. producers supply that?

23 MR. DUTT: Mike Dutt, Portucel Soporcel.  
24 That's a very hard question to answer when you use the word  
25 "require," okay. We certify our forests from Portugal.

1 They're all -- all of our company forests are 100 percent  
2 certified. We do not certify all of our paper into the  
3 United States, because it is not required, okay.

4 Out of that, I would say out of 70 percent of  
5 our imports into the United States are not certified, are  
6 not certified paper. So that leaves just 30 percent of it  
7 that are certified. It's not a requirement. That's again a  
8 very difficult thing for me to answer. But that's been our  
9 assessment into the market.

10 MR. TARPEY: Tom Tarpey from Suzano America.  
11 Suzano is 100 percent FSE certified. All the paper we  
12 export to the United States and produce is FSE certified.  
13 But it is a difficult question to answer, how much of it  
14 actually is sold with that chain of custody transfer. So  
15 but it's not an issue for us, because all of our paper is --  
16 anyone who has our paper can sell it to a sale requiring  
17 sustainability.

18 MR. COMLY: So do your customers demand that  
19 of you, or is it just gravy, nice to have? So is it a nice  
20 to have thing or is it required by your customers, we want  
21 certified, FSE certified paper?

22 MR. TARPEY: That's a big question really.  
23 It's nice to have, and it's nice to have because when a bank  
24 national chain requires it, the paper they have can service  
25 that. So it's not a difficult option for them. They don't

1 have to have separate inventory with our paper, which is a  
2 positive for us when they're making a decision.

3 MR. ISMAIL: Alex Ismail. As a distributor  
4 and a retailer of the copy paper, there used to be a point  
5 where people were requiring FSE paper (off mic), and then  
6 all of the sudden the demand went -- demand went down. So  
7 now it's basically it's just nice to have. That's where it  
8 comes down to.

9 MR. COMLY: Thank you, and thank you for  
10 everybody who arrived and traveled a long way. That's all I  
11 have.

12 MR. McCLURE: Ms. Hughes has a question.

13 MS. HUGHES: And not just because the lawyer's  
14 trying to have the last word. But in certain coated paper  
15 suitable for high quality print graphics, the Commission  
16 noted APP's ability to shift exports between its affiliated  
17 facilities in China and Indonesia, for purposes of its  
18 threat analysis. I know in these investigations, APRIL,  
19 A-P-R-I-L, whatever, has a similar situation here as well.

20 Being that Respondents' counsel has stated  
21 that ^^^^ Respondents' counsel, these guys, have stated that  
22 they do not believe the Commission should cumulate subject  
23 imports with respect to the threat analysis, could you  
24 please address this issue? You can do it in your  
25 post-conference brief or here, whichever you like, or both.

1                   MR. GUPTA: APP. Arvind Gupta from APP. High  
2 graphic paper used for high quality printing is totally  
3 different from uncoated paper.

4                   MS. HUGHES: Understood.

5                   MR. GUPTA: That falls under the coated paper  
6 category, and you know, it's a high value-added product  
7 obviously. So it has the, you know, it has a coating on  
8 top. This obviously does not have a coating. It cannot be  
9 used for high --

10                   (Pause.)

11                   MR. McCONKEY: While we have time, APRIL will  
12 address that in their brief.

13                   MS. HUGHES: Thank you Mr. McConkey. I don't  
14 like tasers. Yes.

15                   MR. GUPTA: APP, Arvind Gupta again. Like I  
16 told you, our mill in China, Goldwashung, which manufactures  
17 uncoated paper, has really small capacity to produce. So  
18 the cut sheeter capacities are very, very small. I don't  
19 think we have a 8-1/2 by 11 size gate over there as well.  
20 So the quantity that we export to America is less than  
21 five-six hundred tons in a year, full year.

22                   It's insignificant, and it will be almost  
23 impossible to shift production to that mill from Indonesia.  
24 If there was a requirement even to do so, it would not be  
25 possible, because we just don't have the capital equipment

1 over there to do that.

2 MS. HUGHES: Okay, thank you. That's it for  
3 my questions. Thank you.

4 MR. McCLURE: Ms. Preece has a question.

5 MS. PREECE: I always want to go last. The  
6 question I have, as you were talking about these tiers of  
7 paper demand, this high quality and then the school paper,  
8 so since you see this in your response, after your comments,  
9 can you sort of say where you come in in this level, these  
10 levels, you know? Are you coming in at the school level,  
11 are you coming in at the top level and make that clear.  
12 Thank you.

13 MR. McCLURE: Okay, I've got -- Jim McClure.  
14 I had to taser myself. Anyway, just a couple of questions,  
15 things that were mentioned. Mr. Ismail, you mentioned at  
16 one point U.S. mills wouldn't sell to you. Are any of the  
17 rest of you aware of instances where customers were put on  
18 allocation or they couldn't get product from U.S. mills?

19 MR. EARLS: Don Earls, APP Paper Max. Yes.  
20 Over time, as supply has been constrained and removed,  
21 companies make different decisions about allocation. I  
22 agree with what Alex says about has happened to various  
23 members of the Association of Independent Printing Paper  
24 Merchants, and as the consolidation of slightly larger  
25 regional chains have come together, mills make decisions

1 based on overlap within markets. So there are -- there  
2 have been instances that that has happened.

3 MR. McCLURE: Thank you, and last I have.  
4 Early on, I think Mr. Shor discussed the freight advantage,  
5 and compared what \$140 from the Southeast United States to,  
6 I believe, 95 from Indonesia. For the other countries, is  
7 there a similar experience?

8 MR. PETERS: Jim Peters, PPM/Australian Paper.  
9 From Australia, yes. We have very, very favorable freight  
10 rates. But we're also the largest containerized exporter  
11 from Australia, 14,000 containers a year that we ship to  
12 over 65 different countries there. Would that give us a  
13 competitive advantage on the West Coast or the East Coast?  
14 It could, if we wanted to take advantage of that freight  
15 rate.

16 But I don't think really freight costs should  
17 play a role. It's responsible marketing. It's pricing your  
18 product at fair market value, and I think that's what should  
19 be looked at, not what the cost to get the product to the  
20 shores here in the U.S. Once it's landed in the U.S.,  
21 everybody's costs are pretty much going to be the same.  
22 You've got the cost of clearing the product, getting it to  
23 the customer.

24 In our case, we bring it into a warehouse.  
25 There, we sell it to our customers. We deliver it to our

1 customers. So we have the same sort of freight issues that  
2 a domestic mill would have.

3 MR. McCLURE: Any of the others care to --

4 MR. SHOR: Mr. McClure, it's Mike Shor from  
5 APP. There is an issue that hasn't been discussed fully  
6 yet, which is some regionality within the United States. I  
7 think if you look at the increase in imports, for example,  
8 that occurred over the period, you'll see its primarily  
9 concentrated on the West Coast.

10 There are basically two U.S. producers that  
11 can serve the West Coast, both in Washington State. They  
12 don't ship from the east. So the growth of the California  
13 market is being primarily served by imports, I think.

14 MR. McCLURE: Okay, thank you.

15 MR. SHOR: It's regional. Not a regional  
16 industry --

17 (Simultaneous speaking.)

18 MR. McCLURE: Thank you, for those of us in  
19 the room. Anyway, that concludes our questioning. I want  
20 to thank everybody for their testimony, for traveling so far  
21 to give us the testimony. We appreciate it. It's the best  
22 way for us to learn about the industries. I would say to  
23 everybody, and I've said this over the years, we're as good  
24 as the information we get.

25 That really gets down to filling out the

1 questionnaires. If you haven't completed it, if you are  
2 running behind, just we need that as soon as we can. I  
3 think our process, I hope it's a little easier since we do  
4 everything electronically. But again, we're as good as we  
5 get. So that's Item No. 1. I've given beyond gold stars  
6 for people who give timely questionnaire responses.

7 That said, we will take a five minute break  
8 and then begin closing arguments. Mr. Dorn and who's  
9 testifying?

10 (Off mic comment.)

11 MR. McCLURE: Okay. Five minutes. At five of  
12 two we'll start.

13 (Whereupon, a short recess was taken.)

14 MR. BISHOP: Would everyone please take their  
15 seats?

16 (Pause.)

17 MR. BISHOP: We're ready to begin closing  
18 remarks. Would everyone please take your seat?

19 MR. McCLURE: Ms. Drake, Mr. Dorn, the floor is  
20 yours. Feel free to take less than the ten minutes you  
21 have.

22 CLOSING REMARKS ON BEHALF OF THE PETITIONERS

23 MS. DRAKE: Thank you, Elizabeth Drake for  
24 Petitioners.

25 I first would like to thank the staff for their

1 helpful questions today and for all of your work compiling  
2 the record for these investigations. We believe when that  
3 record is complete it will be a record that strongly  
4 supports a preliminary affirmative determination.

5 This is a domestic industry that is rapidly  
6 losing market share, rapidly losing shipments, and they are  
7 losing them directly to subject imports. This is a market  
8 where we see consistent and worsening price underselling and  
9 we believe your final data will confirm that.

10 Faced with these big clear trends that strongly  
11 support an affirmative determination respondents say, well,  
12 this injury is basically self-inflicted. That the domestic  
13 industry chose to take out so much tonnage of the market  
14 that they would create a shortage requiring an increase in  
15 imports. Their theory makes no sense and it doesn't have  
16 any support in the facts.

17 First of all they claim that all of the mills  
18 that closed and machines that closed over the period were  
19 part of a corporate strategy to redeploy to more profitable  
20 segments. Not one of the mills and not one of the machines  
21 that closed during the period of investigation was  
22 redeployed to another product.

23 As our witnesses testified, those assets were  
24 taken out of production completely. The line that's being  
25 converted to fluff pulp at Ashdown, Arkansas is the only

1 example that they can cite and Mr. Dorn will address the  
2 claims about that one machine that's being repurposed.

3 Second of all, they claim that none of these  
4 closures had anything to do with trade because none of the  
5 CEO's happened to mention imports in the closure  
6 announcements. We'll submit some information  
7 post-conference to address that issue, but I just wanted to  
8 note that seven out of the eight mills that had closures  
9 were certified for trade adjustment assistance. So even if  
10 someone it doesn't put it in their press release, doesn't  
11 mean that trade is not a factor. And, of course, the  
12 import trends show that trade was a factor.

13 Of the 550,000 tons of domestic capacity that was  
14 lost in 2013 and 2014, the vast majority of that was due to  
15 the rampant increase in imports. If U.S. producers had  
16 been able to maintain their market share at 2011 levels in  
17 2014, they would have had more than 400,000 short tons of  
18 additional shipments. The inability to make those shipments  
19 is what led to the closures, most of which were towards the  
20 end of the period. And that inability flowed from the  
21 influx of dumped and subsidized imports at low prices.

22 The respondents also claim that the U.S.  
23 producers are simply getting rid of old, high-cost,  
24 inefficient capacity. This is also simply not supported by  
25 the facts. The Courtland mill was a state-of-the-art mill.

1 It had one of the lowest-cost machines in the entire  
2 industry and it was a relatively young machine. The fact  
3 that the industry had to shut down such a machine is a  
4 testament to how desperate the industry had become because  
5 of unfair import competition.

6 The respondents also claim that there's no price  
7 depression because there's a small uptick in prices in 2014.  
8 Yet when you look at that RISI price index, the uptick in  
9 2014 is still below where prices were in 2011 and 2012. So  
10 over the period as a whole, you do have price depression.  
11 And as our witnesses testified, they were not able to gain  
12 the price increases they hoped for and in fact after the  
13 third quarter of 2014, that price index starts to go down.  
14 And we will address that post-conference.

15 They also claim that the overall operating income  
16 of paper segments improved in 2014 and thus shows there's no  
17 injury in a healthy industry. Of course, you need to look  
18 at the data just for the product being investigated and also  
19 take into account that after closing so much capacity the  
20 domestic industry could reasonably expect to improve its  
21 performance with the assets that were left. But even if  
22 there was a minor improvement, it certainly wasn't  
23 sufficient to bring it to a healthy level that it would have  
24 been at absent the presence of unfairly traded subject  
25 imports.

1            Respondents make a number of arguments supposedly  
2            supporting a claim of attenuated competition or no  
3            reasonable overlap of competition. Yet, as we discussed, 90  
4            percent of the market is your cut size, copy paper. This is  
5            not a complicated market with various segments and various  
6            types of paper. Even if there are different types of  
7            paper, they testified that they produce all of them and so  
8            do we. They produce recycled paper, they produce branded  
9            paper, they produce environmentally certified paper, they  
10           produce high-brightness paper. The domestic industry  
11           produces every single -- they produce colored paper. The  
12           domestic industry also produces every single one of those  
13           types of paper. They sell into the same channels that we  
14           sell into and it's the same regions that we sell. It's a  
15           national market, domestic-produced product which is  
16           available everywhere, and so are imports. So there's simply  
17           no support for the claim that there's attenuated competition  
18           or no reasonable overlap of competition.

19           And in fact, if imports were simply filling the  
20           gap and supplying what domestic producers couldn't supply  
21           logically they would have to be able to supply those same  
22           products and that's exactly the products that they do supply  
23           yet not to fill a gap, but to actually push domestic  
24           producers out of the market.

25           Finally, on threat it was interesting that all of

1 these producers from every single subject country hired law  
2 firms to come here today and tell us they had no interest in  
3 the U.S. market, they have no intention of increasing  
4 capacity or increasing exports to the United States but  
5 please don't impose any relief that would make that more  
6 difficult for them.

7 Obviously even though there are other markets  
8 that are growing, the U.S. is very attractive because of its  
9 huge size and higher prices, that's why imports have  
10 targeted our market up until now and that's why they would  
11 continue to do so if relief is not imposed.

12 Thank you. I'll turn it over to Mr. Dorn.

13 MR. DORN: I assure you that repurposing of  
14 assets is not a business goal of Domtar. Domtar did not  
15 wish to disinvest in uncoated free-sheet capacity which is  
16 its bread and butter. But given the market conditions,  
17 given the decreasing prices, and given the underutilized  
18 capacity, it made a business decision to mitigate the  
19 adverse effects of the imports by repurposing. But as  
20 Domtar testified, they would rather have those assets  
21 employed the way they were intended to be used.

22 Certainly it's silly to suggest that anybody is  
23 cutting capacity in order to cede market share to imports.  
24 Of course not. And as Mr. Stewart indicated in his slides  
25 and his discussion, had the U.S. industry kept the same

1 market share that it had in 2011 going forward in the period  
2 of investigation, the U.S. industry would have sold 54,000  
3 more tons in 2012, 192,000 more tons in 2013, and 440,000  
4 more tons in 2014.

5 The fact is that prices were depressed by the  
6 declining import prices and the underselling from 2011 to  
7 2013. And the fact is that prices were suppressed in 2014  
8 given the conditions of competition. An important condition  
9 of competition in 2014 is the shutdown of the Courtland  
10 mill.

11 Domtar and other market participants intended to  
12 benefit from that market situation because there would be  
13 more opportunity to sell their paper into that market. But,  
14 with increased underselling, the imports took away that  
15 potential benefit to the remaining production capacity in  
16 the United States. And caused further injury by suppressing  
17 the prices when they tried to raise them.

18 I heard testimony from respondents that this is  
19 not a commodity-like product. I don't know how you explain  
20 that when you've got so much of the product being sold as  
21 20-pound, 92 bright, letter-size paper. They said, well, if  
22 there was -- how can you have underselling if it's  
23 commodity-like product? Well, heck, economists will tell  
24 you that what happens when you have underselling is you can  
25 see shifts in market share. And, yes, there was

1 underselling of this commodity-like product by the imports  
2 and what happened, imports gained share from 2011 to 2013,  
3 4 percentage points of share. They gained another 6  
4 percentage points of share from 2013 to 2014. So, yes, you  
5 have a very price-sensitive commodity-like product and  
6 underselling does result in shifts in market share and  
7 that's exactly what happened in this case.

8 I was interested in hearing how difficult it is  
9 from the Chinese witness in terms of exporting from China to  
10 the U.S. market. But kind of amazing testimony given the  
11 over 400 percent increase in imports from China from 2011 to  
12 2013.

13 Like my colleague, we thank you for your  
14 attention and all your hard work on these investigations and  
15 look forward to supplying more information as you've  
16 requested. Thank you.

17 MR. McCLURE: Thank you, Mr. Dorn and Ms. Drake.

18 Mr. Greenwald and Mr. Shor will be delivering the  
19 closing remarks for respondents. Again, you are invited to  
20 use less than the ten minutes.

21 CLOSING REMARKS ON BEHALF OF THE RESPONDENTS

22 MR. GREENWALD: John Greenwald for Portucel. I  
23 assure you, we will use less than the ten minutes.

24 What I'm going to try and do is to recapitulate  
25 what has gone on and ask you fundamentally to test every

1       assertion that's been made by the data that you will have  
2       before you.

3                 In the closing remarks petitioners said we seem  
4       to be suggesting that the injury at issue is self-inflicted.  
5       She has that wrong.

6                 Our first suggestion is, there is no material  
7       injury and there's no threat of material injury. What the  
8       data show are profitability that improves at present  
9       statements by the chief executive officers of all these  
10      companies saying how good, how solid the performance was in  
11      2014. Prices that, by their own admission, have risen and  
12      predictions for 2015, would suggest that that is going to be  
13      a better year than 2014. On that record there is no  
14      credible argument for material injury.

15                I forget how the condition of the domestic  
16      industry was characterized. I think the word used was  
17      "reeling" or some other adjective or adverb that was thrown  
18      around. What we urge you to do is to look at profits, to  
19      look at profits as a percentage of sales, and then look at  
20      that in the context of what's been happening in the  
21      industry. That is this voyage from paper and pulp maker to  
22      fiber innovator. The capacity cutbacks in the sheeting  
23      operation are very deliberate corporate decisions. There  
24      was a very good question that was asked today in which the  
25      question was, do you look at the capacity of sheet

1 production or do you look at the capacity of paper  
2 production? They say to you, we aren't repurposing any of  
3 our assets. Well, if that were true, then you would expect,  
4 perhaps some paper production capacity to be taken out.

5 What I urge you to do, again, going back to the  
6 facts, look at capacity utilization of paper production as  
7 well as sheet production. And then let me add one other  
8 thing which was not mentioned. And that has to do with this  
9 major decision by IP to take out capacity both on, I think,  
10 pulp and paper at its Courtland mill.

11 When you get the IP questionnaire response, ask  
12 them about the cost of a boiler issue they had and how that  
13 factored into their decision to take capacity down. The  
14 notion that it was imports that did this, is simply not  
15 credible.

16 It's easy and it's simplistic to ask you to look  
17 at trends and make conclusions because there's been a rise  
18 in imports and a decline in domestic production. All we are  
19 asking you to do is to take beyond those facts look at the  
20 questionnaire responses and when you look at questionnaire  
21 responses by individual exporters, ask yourselves what the  
22 pricing data show. If it's this commodity product of 92  
23 brightness, why on earth are there any differences in prices  
24 by anybody? Why does it all settle to a particular level?  
25 And it doesn't.

1           So the sum and all we are saying here is, pay  
2           attention to the facts. You have a record. Mr. McClure,  
3           you were sot of saying that. The decisionmaking can never  
4           be any better than the record and that's true. We think the  
5           record that you have before you is entirely different from  
6           the testimony that was given to you today by the  
7           petitioner's side.

8           MR. SHOR: The closing argument that you heard  
9           from petitioners essentially reduces to the proposition that  
10          they would have done better if there were no imports.  
11          That's why they talk about what their sales would have been  
12          if they kept their market share, or what their profitability  
13          could have been if they kept their market share. But that's  
14          not the question before you. The question is not whether  
15          they would have done better without imports. Everybody  
16          would always do better without competition. The question is  
17          whether there is present material injury by reason of  
18          imports. And I'll end my remarks where I started with the  
19          three markers I laid out for you at the beginning.

20          2014 Courtland and Ashdown. 2014 the domestic  
21          industry's performance turned up. Their profitability  
22          ratios were robust. They can't explain that away by saying,  
23          well, that was just because of Ashdown because it occurred.  
24          And they can't blame increasing imports, or maybe they  
25          should. Maybe they should attribute and say, I'd like to

1 look at correlations, attribute the increase in  
2 profitability to the increase in imports that occurred in  
3 2014.

4 Courtland, as John mentioned, was closed for a  
5 number of reasons including high cost to bring that plant  
6 into environmental compliance because of boiler issues. But  
7 the fact is, it closed, it changed the conditions of  
8 competition to the industry and for imports because it took  
9 10 percent of domestic capacity out of the market. That was  
10 a huge, abrupt, one-time shift that necessitated imports.

11 Again, to the point John alluded to, domestic  
12 industry capacity, the reason they argue you should look at  
13 sheeter capacity utilization is because they don't have  
14 enough paper to fill those machines. When you take out  
15 papermaking capacity, you can't say, well, our capacity  
16 utilization is low because we could produce more sheets if  
17 we had ran our sheeter mills at full capacity. But they  
18 don't have the paper. They took the paper capacity out of  
19 production, they're not injured because they can't produce  
20 sheet from paper they're not producing. Their profitability  
21 is up, it's high, this is not an industry that is losing  
22 money. So Courtland answers the present injury argument and  
23 Ashdown answers the threat of injury argument.

24 Within a year and a half domestic industry is  
25 going to take out another 10 percent of capacity. That is

1 going to be disruptive. That is going to lead to price  
2 increases. That's going to lead to an increase in demand  
3 for imports, it's going to happen before the mill shuts down  
4 because customers are going to want to ensure their sources  
5 of supply. There can't be a threat of material injury  
6 determination when you have no present injury, a domestic  
7 industry that's not vulnerable because their profitability  
8 is high, and prices were trending upward in 2014. There's  
9 no vulnerability and there's no threat because any increase  
10 in imports that occurs is going to be drowned out by the  
11 shutdown at Ashdown.

12 Thank you.

13 MR. McCLURE: Thank you, Mr. Greenwald and Mr.  
14 Shor.

15 On behalf of the Commission and the staff I would  
16 like to thank the witnesses who came here today as well as  
17 counsel for helping us gain a better understanding of the  
18 product and conditions of competition in the uncoated paper  
19 industry.

20 Before concluding, please let me mention a few  
21 dates to keep in mind. The deadline for submission of  
22 corrections to the transcript and for submission of  
23 post-conference briefs is Tuesday, February 17. If briefs  
24 contain business proprietary information a public version is  
25 due on Wednesday, February 18. The Commission has

1 tentatively scheduled its vote on these investigations for  
2 Friday, March 6, and it will report its determinations to  
3 the Secretary of the Department of Commerce on Monday, March  
4 9. Commissioners' opinions will be issued on Monday, March  
5 16.

6 Thanks to everybody for coming. The conference  
7 is adjourned.

8 (Whereupon, at 2:14 p.m., the meeting was  
9 adjourned.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal

INVESTIGATION NOS.: 701-TA-528-529 and 731-TA-1264-1268 (Preliminary)

HEARING DATE: 2-11-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Public Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 2-11-2015

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Gregory Johnson  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine  
Signature of Court Reporter